

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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FILER

PUTNAM INVESTMENT GRADE INTERMEDIATE MUNICIPAL TRUST

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CIK: **900426** | IRS No.: **043187552** | State of Incorporation: **MA** | Fiscal Year End: **1231**
Type: **N-30D** | Act: **40** | File No.: **811-07628** | Film No.: **95500921**

PUTNAM
 INVESTMENT
 GRADE
 INTERMEDIATE
 MUNICIPAL TRUST

SEMIANNUAL REPORT
 October 31, 1994

[LOGO]
 BOSTON - LONDON - TOKYO

PERFORMANCE HIGHLIGHTS

- "When interest rates head up, all bonds decline in value, but intermediate-term bonds lose less than long-term bonds because their shorter life spans confer less risk."
- KIPLINGER'S PERSONAL FINANCE MAGAZINE, September 1994, "Best of the Muni Funds."
- Performance should always be considered in light of a fund's investment strategy. Putnam Investment Grade Intermediate Municipal Trust is designed for investors seeking high current income exempt from federal income tax consistent with preservation of capital.

<TABLE>

<CAPTION>

SEMIANNUAL RESULTS AT A GLANCE

 TOTAL RETURN: NAV MARKET PRICE

<S> <C> <C>
 (change in value during period
 plus reinvested distributions)
 6 months ended 10/31/94 -0.44% -3.36%

 SHARE VALUE NAV MARKET PRICE

4/30/94 \$13.64 \$12.375
 10/31/94 13.20 11.625

CAPITAL GAINS1
 LONG-

DISTRIBUTIONS:	NO.	INCOME	TERM	TOTAL
	6	\$0.345	--	\$0.345

CURRENT RETURN:	NAV	MARKET PRICE
End of period		
Current dividend rate(2)	5.23%	5.94%
Taxable equivalent(3)	8.66	9.83

<FN>
Performance data represent past results. For performance over longer periods, see page 8. 1Capital gains, if any, are taxable for federal and, in most cases, state tax purposes. For some investors, investment income may also be subject to the federal Alternative Minimum Tax. Investment income may be subject to state and local taxes. 2Income portion of most recent distribution, annualized and divided by NAV or market price at end of period. 3Assumes maximum 39.6% federal tax rate. Results for investors subject to lower tax rates would not be as advantageous.

</TABLE>

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[PHOTO]
(c) Karsh, Ottawa

FROM THE CHAIRMAN

DEAR SHAREHOLDER:

WHEN MARKETS TURN DOWN, INVESTORS WITH VISION LOOK BEYOND THE UNFOLDING NEGATIVES FOR OPPORTUNITIES FARTHER DOWN THE ROAD. THROUGHOUT THE FIRST HALF OF PUTNAM INVESTMENT GRADE INTERMEDIATE MUNICIPAL TRUST'S FISCAL YEAR, THERE WAS PLENTY TO OBSTRUCT THE VIEW.

THE SIX MONTHS ENDED OCTOBER 31, 1994, BEGAN IN THE MIDST OF A BOND MARKET DECLINE TOUCHED OFF BY THE FEDERAL RESERVE BOARD'S INCREASE IN SHORT-TERM INTEREST RATES. HAD FUND MANAGER TOM GOGGINS NOT TAKEN DEFENSIVE ACTION SOME MONTHS EARLIER, THE TOLL ON PERFORMANCE WOULD LIKELY HAVE BEEN GREATER. EVEN SO, THE FUND JOINED MOST OTHER FIXED-INCOME INVESTMENTS IN THE DECLINE.

BUT TOM SEES EMERGING STRENGTHS FOR TAX-EXEMPT SECURITIES. SUPPLIES MAY BECOME TIGHTER AS FEWER ISSUES COME TO MARKET AND MORE INVESTORS SEEK TAX RELIEF. MANY SECTORS OF THE TAX-EXEMPT MARKET, INCLUDING HEALTH CARE, EDUCATION, AND RESOURCE RECOVERY, ARE POISED FOR GROWTH. WE BELIEVE BOTH SIGNS BODE WELL FOR MUNICIPAL BOND INVESTORS.

TOM WILL FOCUS ON THESE POSITIVE FACTORS AS HE SEEKS OUT THE MOST PROMISING OPPORTUNITIES FOR YOUR FUND. HIS REPORT FOLLOWS ON PERFORMANCE FOR THE FIRST HALF OF FISCAL '95 AND WHAT HE SEES IN STORE FOR THE REMAINDER OF THE PERIOD.

RESPECTFULLY YOURS,

/S/ GEORGE PUTNAM

GEORGE PUTNAM
CHAIRMAN OF THE TRUSTEES
DECEMBER 14, 1994

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REPORT FROM THE FUND MANAGER
THOMAS C. GOGGINS

During the first half of Putnam Investment Grade Intermediate Municipal Trust's fiscal year, the Federal Reserve Board continued its policy of raising short-term interest rates in order to keep inflation at bay. As interest rates rose, municipal bond prices declined. Although intermediate-term bond prices fell less than bonds with longer maturities, your fund still experienced a challenging semiannual period. This is reflected in its total return: -0.44% at net asset value for the six months ended October 31, 1994.

While these results are disappointing, the advantages of our intermediate- bond emphasis show up clearly in comparison with longer-term portfolios. For the year ended October 31, the three closed-end intermediate-term municipal bond funds tracked by Lipper Analytical Services had average returns of -5.46%, while the 58 general closed-end municipal bond funds tracked average returns of -8.08%.

Your fund continues to provide attractive current tax-free dividends of 5.23% at net asset value. Investors in the highest federal income tax bracket of 39.6% would have had to earn 8.66% on a fully taxable investment to match this result. Those in lower brackets would also have benefited though not to the same extent.

-- RISING RATES CALL FOR A DEFENSIVE STRATEGY

In an effort to protect the fund from market volatility, we continued the defensive strategy we adopted at the beginning of the fiscal year. During the period, we made several specific changes in the fund's holdings.

We added more noncallable bonds to the portfolio. Because noncallable bonds cannot be called before maturity, we were able to lock in higher yields and provide the fund with an ongoing stream of investment income.

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We selected bonds with higher coupon rates. These bonds tend to experience less price volatility than lower-coupon bonds. They also tend to be of lower quality. At the end of the period, approximately 45% of the portfolio was invested in BBB-rated bonds or bonds of comparable quality. During the period, these higher-yielding bonds outperformed lower-yielding and insured municipal bonds.

We maintained the fund's duration at seven years. Duration was shortened throughout the fiscal year. Duration is a mathematical formula that

indicates how much bond prices will move with each percentage point shift in interest rates. The shorter the duration, the less volatility in the portfolio. In a rising interest rate environment, keeping the portfolio's average duration relatively short can be helpful in protecting asset value.

We maintained an average maturity of eight years. Like duration, a shorter average maturity reduces the volatility of the portfolio.

We did not issue any preferred shares, so the fund was not leveraged. In a rising interest rate environment, issuing preferred shares can increase volatility, because their coupons reset periodically, as interest rates rise. So, while the fund has the ability to issue preferred shares, to increase income, we opted not to exercise it at this time.

-- SUPPLY DECLINED AS RATES ROSE

As interest rates rose this year, the supply of municipal bonds decreased dramatically. This was a change from last year when supply was plentiful, as municipal issuers prerefunded their

<TABLE>

DIVERSIFICATION BY STATE

<S>	<C>
California	15.8%
New York	13.8
Massachusetts	11.5
Illinois	10.4
Washington	10.0
Other	38.4

<FN>

Based on percentage of net assets as of 10/31/94.

</TABLE>

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bonds to take advantage of declining interest rates. (Prerefunding occurs when a bond issuer floats a second bond that carries a lower interest rate in order to pay off the first bond.) In a rising interest rate environment, however, fewer municipal issuers prerefund their bonds.

In addition, as states and local communities strive to keep their budgets under control, they are reluctant to take on new debt. While supply has weakened, demand for municipal issues is relatively strong. This supply/demand dynamic bodes well for tax-free bond prices, as potential investors vie for a smaller number of issues.

-- HEALTH CARE SECTOR REMAINS LARGEST WEIGHTING

While we invested in a variety of geographical regions and economic sectors, health care bonds accounted for 18% of the portfolio. In selecting investments in the health care sector, we focused on

facilities that have adopted policies that emphasize solutions to the high cost of health care. For example, all of the facilities in which we invested have a managed-care component, such as a health maintenance organization (HMO).

-- CREDIT RESEARCH UPHOLDS QUALITY

Putnam Management's emphasis on tax-free investment research allows us to evaluate the potential of current holdings while seeking to uncover future opportunities. Our extensive research capacity helps us to identify quality municipal securities which may benefit from market trends. In addition to identifying quality issues, our research can help the fund avoid potential difficulties. Our analysts are committed to thoroughly evaluating the area of the economy a particular security operates in, as well as its long- and short- term debt burden.

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LINE GRAPH DEPICTING INTERMEDIATE VS. LONG-TERM BOND PRICES (1/1/91 - 10/31/94)

* Based on quarterly price changes for the Lehman Brothers 7-year and Long-term (20+) Municipal Bond Indexes and the Lehman Brothers Long-term Treasury Bond Index over the 3-1\2 years ended October 31, 1994, and annualized total returns over the same period. This illustration is not intended to reflect actual fund performance, which will vary.

-- LOOKING AHEAD

Our outlook for the remainder of fiscal '95 calls for continued economic growth, controlled inflation, and higher interest rates. While higher rates may trigger additional volatility in the bond market, we believe they will also translate into more income for investors. Despite a more volatile investment environment, we believe that investment-grade intermediate municipal bonds will continue to provide attractive income opportunities for investors who can accept short-term price fluctuations.

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PERFORMANCE SUMMARY

This section provides, at a glance, information about your fund's performance. Total return shows how the value of the fund's shares changed over time, assuming you held the shares through the entire period and reinvested all distributions back into the fund. We show total return in two ways: on a cumulative long-term basis and on average how the fund might have grown each year over varying periods. For comparative purposes, we show how the fund performed relative to appropriate indexes and benchmarks.

<TABLE>

TOTAL RETURN FOR PERIODS ENDED 10/31/94

<CAPTION>

LEHMAN BROS.

	NAV	MARKET PRICE	MUNICIPAL BOND INDEX	CPI
<S>	<C>	<C>	<C>	<C>
6 months	-0.44%	- 3.36%	-0.85%	1.43%
1 year	-4.51	-12.05	-4.36	2.61
Life of fund (since 5/28/93)	0.79	-16.92	0.72	3.68
Annual average	0.56	-12.24	0.51	2.57

</TABLE>

<TABLE>

TOTAL RETURN FOR PERIODS ENDED 9/30/94
most current calendar quarter

<CAPTION>

	NAV	MARKET PRICE	LEHMAN BROS. MUNICIPAL BOND INDEX	CPI
<S>	<C>	<C>	<C>	<C>
6 months	1.70%	- 8.04%	1.80%	1.50%
1 year	-2.89	-12.13	-2.44	2.96
Life of fund (since 5/28/93)	2.50	-17.32	2.54	3.61
Annual average	1.86	-13.24	1.89	2.68

<FN>

Performance data represent past results. Investment returns and principal value will fluctuate so an investor's shares, when sold, may be worth more or less than their original cost. Fund performance data do not take into account any adjustment for taxes payable on reinvested distributions.

</TABLE>

TERMS AND DEFINITIONS

NET ASSET VALUE (NAV) is the value of all your fund's assets, minus any liabilities, divided by the number of outstanding common shares.

MARKET PRICE is the current trading price of one share of the fund. Market prices are set by transactions between buyers and sellers on the American Stock Exchange.

LEHMAN BROTHERS MUNICIPAL BOND INDEX is an unmanaged list of long-term fixed- rate investment-grade tax-exempt bonds representative of the municipal bond market. The index does not take into account brokerage commissions or other costs, may include bonds different from those in the fund, and may pose different risks than the fund.

CONSUMER PRICE INDEX (CPI) is a commonly used measure of inflation; it does not represent an investment return.

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<TABLE>

PORTFOLIO OF INVESTMENTS OWNED

<CAPTION>

MUNICIPAL BONDS AND NOTES (99.9%) (A)

PRINCIPAL AMOUNT <S>	<C>	RATINGS (B) <C>	VALUE <C>
ALASKA (4.4%)			
\$2,000,000	Alaska St Housing Finance Corp. Rev. Bonds, Ser. A, 6.1s, 12/1/06	Aa	\$1,910,000
ARIZONA (6.3%)			
2,800,000	Maricopa Cnty. Certif. of Participation, 55\8s, 6/1/00	Baa	2,716,000
CALIFORNIA (15.8%)			
1,600,000	CA Statewide Cmnty. Dev. Auth. Certif. of Participation (St. Joseph Hlth. Sys. Group), 6s, 7/1/06	AA	1,556,000
1,000,000	Duarte, Certif. of Participation (City of Hope Nat'l. Med. Ctr.), 51\4s, 4/1/99	Baa	955,000
1,550,000	Foothill Tran. Zone, Certif. of Participation Ser. A, 5.35s, 5/1/03	Baa	1,422,125
1,500,000	Los Angeles Cnty., Certif. of Participation (Marina Del Rey), Ser. A, 61\4s, 7/1/03	BBB/P	1,464,375
1,500,000	Riverside Cmnty., Asset Leasing Corp. Leasehold Rev. Bonds (Riverside Cmnty. Hosp. Project), Ser. A, 53\4s, 6/1/01	A	1,462,500

			6,860,000
COLORADO (5.2%)			
800,000	Denver, City & Cnty. Arpt. Rev. Bonds, Ser. A, 71\2s, 11/15/06	Baa	783,000
1,500,000	Ser. B, 7s, 11/15/01	Baa	1,441,875

			2,224,875
CONNECTICUT (3.6%)			
1,600,000	CT St. Dev. Auth Hlth. Care Rev. Bonds (Alzheimer Res. Ctr.), Class A, 67\8s, 8/15/04	BB/P	1,562,000
HAWAII (2.9%)			
1,260,000	HI State Hbr. Cap. Impt. Rev. Bonds, FGIC, 5.9s, 7/1/05	AAA	1,226,925
ILLINOIS (10.4%)			
4,000,000	Chicago, School Fin. Auth. Residual Interest Bonds (RIBS), Financial Guaranty Insurance Co. (FGIC) 6.52s, 6/1/05	AAA	3,485,000
1,000,000	IL Hlth. Fac. Auth. Rev. Bonds (Grant Hosp.), Ser. B, 71\4s, 6/1/99	AAA	1,025,000

			4,510,000

</TABLE>

<TABLE>

<CAPTION>

MUNICIPAL BONDS AND NOTES (99.9%) (A)

PRINCIPAL AMOUNT

RATINGS (B)

VALUE

<S>

<C>

<C>

<C>

MASSACHUSETTS (11.5%)

PRINCIPAL AMOUNT	DESCRIPTION	RATINGS (B)	VALUE
\$3,000,000	MA Muni. Wholesale Elec. Co. IVRC Trust, RIBS, Ser. 93D, American Municipal Bond Assurance Corp. (AMBAC), 6.572s, 4/30/03	AAA/P	\$ 2,433,750
1,000,000	MA State Hlth. & Edl. Fac. Auth. Rev. Bonds (Central New England Hlth. Syst.), Ser. A, 53\4s, 8/1/03	Baa	950,000
1,680,000	(MA Eye & Ear Infirmary), Ser. A, 7s, 7/1/01	Baa	1,614,900

			4,998,650

MICHIGAN (0.7%)

300,000	Greater Detroit, Res. Recvy. Auth. Rev. Bonds, Ser. C, 91\4s, 12/13/08	BBB	316,125
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NEW YORK (13.8%)

3,315,000	NY City, G.O. Bonds Ser. D, Group A, 8s, 8/1/03	A	3,642,356
1,000,000	NY State Dorm Auth. Rev. Bonds (State U. Edl. Fac.), Ser. A, 5.2s, 5/15/02	Baa	936,250
1,500,000	NY State Urban Dev. Corp. Rev. Bonds (Correctional Fac.), 51\4s, 1/1/03	Baa	1,404,375

			5,982,981

OKLAHOMA (4.9%)

1,080,000	Tulsa, Indl. Auth. Hosp. Rev. Bonds (Tulsa Regl. Med. Ctr.), Ser. A, 75\8s, 6/1/06	BBB	1,116,450
1,000,000	7s, 6/1/06	BBB	992,500

			2,108,950

PENNSYLVANIA (8.2%)

1,500,000	McKeesport, Hosp. Auth. Rev. Bonds (McKeesport Hosp. Project), 61\4s, 7/1/03	Baa	1,421,250
2,300,000	Philadelphia Indl. Dev. Rev. Bonds (Ashland Oil Inc. Project), 5.7s, 6/1/05	Baa	2,141,875

			3,563,125

TEXAS (2.2%)

1,000,000	Brazos Higher Ed. Auth., Inc. Student Loan Rev. Bonds, Ser. C-2, 57\8s, 6/1/04	A	946,250
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WASHINGTON (10.0%)

2,000,000	WA State Pub. Pwr. Supply Syst. Rev. Bonds (Nuclear Project No. 1), Ser. A, 51\2s, 7/1/04	AA	1,872,500
3,000,000	WA State, RIBS, 7.545s, 5/1/08	AA	2,478,750

			4,351,250
	TOTAL INVESTMENTS		-----
	(cost \$45,447,990) (c)		\$43,277,131

</TABLE>

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NOTES

- (a) Percentages indicated are based on net assets of \$43,324,336, which correspond to a net asset value per share of \$13.20.
- (b) The Moody's or Standard & Poor's ratings indicated are believed to be the most recent ratings available at October 31, 1994 for the securities listed. Ratings are generally ascribed to securities at the time of issuance. While the agencies may from time to time revise such ratings, they undertake no obligation to do so, and the ratings do not necessarily represent what the agencies would ascribe to these securities at October 31, 1994. Securities rated by Putnam are indicated by "/P" and are not publicly rated.
- (c) The aggregate identified cost on a tax basis is \$45,449,377 resulting in gross unrealized appreciation and depreciation of \$32,427 and \$2,204,673, respectively, or net unrealized depreciation of \$2,172,246.

The rates shown on Residual Interest Bonds (RIBS), which are securities paying variable interest rates that vary inversely to changes in market interest rates, are the current interest rates at October 31, 1994, which are subject to change based on the terms of the security.

<TABLE>

The Fund had the following industry group concentrations greater than 10% on October 31, 1994 (as a percentage of net assets):

Hospital/Health Care	22.4%
Transportation	11.3

MUNICIPAL BOND FUTURES OUTSTANDING
AT OCTOBER 31, 1994

<CAPTION>

	TOTAL VALUE	AGGREGATE FACE VALUE	EXPIRATION DATE	UNREALIZED DEPRECIATION
<S>	<C>	<C>	<C>	<C>
Municipal Bond Futures (Sell)	\$1,966,875	\$1,950,625	Dec./94	\$16,250

</TABLE>

The accompanying notes are an integral part of these financial statements.

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<TABLE>

STATEMENT OF ASSETS AND LIABILITIES
October 31, 1994 (Unaudited)

ASSETS

<S>	<C>
Investments in securities, at value (identified cost \$45,447,990) (Note 1)	\$43,277,131
Interest receivable	1,046,862
Receivable for securities sold	3,598,481
Unamortized organization expenses (Note 1)	20,284
TOTAL ASSETS	47,942,758

LIABILITIES

Payable to subcustodian (Note 2)	\$ 238,191
Distributions payable to shareholders	188,373
Payable for securities purchased	3,690,788
Payable for compensation of Manager (Note 2)	85,182
Payable for compensation of Trustees (Note 2)	563
Payable for investor servicing and custodian fees (Note 2)	6,227
Payable for administrative services (Note 2)	1,931
Payable for offering and organization costs	375,923
Payable for exchange listing fee	2,500
Other accrued expenses	28,744
TOTAL LIABILITIES	4,618,422
NET ASSETS	\$43,324,336

REPRESENTED BY

Paid-in capital (Note 4)	\$46,052,954
Undistributed net investment income (Note 4)	478,741
Accumulated net realized loss on investments (Note 4)	(1,020,250)
Net unrealized depreciation of investments and futures contracts	(2,187,109)
NET ASSETS	\$43,324,336

COMPUTATION OF NET ASSET VALUE

Net asset value per share (\$43,324,336 divided by 3,282,073 shares)	\$ 13.20
--	----------

</TABLE>

The accompanying notes are an integral part of these financial statements.

<TABLE>
STATEMENT OF OPERATIONS
For the six months ended October 31, 1994 (Unaudited)

<S>	<C>
TAX EXEMPT INTEREST INCOME	\$ 1,409,278
EXPENSES:	
Compensation of manager (Note 2)	\$ 163,159
Investor servicing and custodian fees (Note 2)	23,434
Compensation of trustees (Note 2)	3,515
Reports to shareholders	8,108
Auditing	15,995
Legal	7,237
Postage	2,895
Administrative services (Note 2)	2,940
Exchange listing fees	2,500
Amortization of organization expenses (Note 1)	2,924
Other	7,344
TOTAL EXPENSES	240,051
NET INVESTMENT INCOME	1,169,227
Net realized loss on investments (Notes 1 and 3)	(851,902)
Net realized gain on futures contracts	129,626
Net unrealized depreciation of investments and futures contracts during the period	(747,786)
NET LOSS ON INVESTMENTS	(1,470,062)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (300,835)

</TABLE>

The accompanying notes are an integral part of these financial statements.

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<TABLE>
STATEMENT OF CHANGES IN NET ASSETS

<CAPTION>

	FOR THE PERIOD
	MAY 28, 1993
FOR THE SIX	(COMMENCEMENT
MONTHS ENDED	OF OPERATIONS)
OCTOBER 31	TO APRIL 30

	1994+	1994
<S>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 1,169,227	\$ 2,139,961
Net realized loss on investments	(851,902)	(140,557)
Net realized gain on futures contracts	129,626	--
Net unrealized depreciation of investments and futures contracts	(747,786)	(1,439,323)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(300,835)	560,081
Distributions to shareholders from:		
Net investment income	(1,132,339)	(1,698,429)
Net realized gain on investments	--	(157,539)
Increase from capital share transactions (Note 3)	--	45,953,397
TOTAL INCREASE (DECREASE) IN NET ASSETS	(1,433,174)	44,657,510
NET ASSETS		
Beginning of period	44,757,510	100,000
End of period (including undistributed net investment income of \$478,741 and \$441,853, respectively)	\$43,324,336	\$44,757,510

<FN>
+ Unaudited
</TABLE>

The accompanying notes are an integral part of these financial statements.
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<TABLE>
FINANCIAL HIGHLIGHTS
(For a share outstanding throughout the period)

<CAPTION>

	FOR THE PERIOD	FOR THE PERIOD
<S>	FOR THE SIX MONTHS ENDED OCTOBER 31	MAY 28, 1993 (COMMENCEMENT OF OPERATIONS) TO APRIL 30
	1994+	1994
<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 13.64	\$ 14.04*
INVESTMENT OPERATIONS		

Net investment income	.36	.65 (a)
Net realized and unrealized loss on investments	(.45)	(.48)
TOTAL FROM INVESTMENT OPERATIONS	(.09)	.17
Distributions to shareholders from:		
Net investment income	(.35)	(.52)
Net realized gain (loss) on investments	--	(.05)
TOTAL DISTRIBUTIONS	(.35)	(.57)
NET ASSET VALUE, END OF PERIOD	\$ 13.20	\$ 13.64
Market value, end of period	\$ 11.63	\$ 12.38
TOTAL INVESTMENT RETURN AT MARKET VALUE (%) (B)	(3.36) (c)	(14.03) (c)
NET ASSETS, END OF PERIOD (IN THOUSANDS)	\$43,324	\$44,758
Ratio of expenses to average net assets (%)	.54 (c)	.95 (a) (c)
Ratio of net investment income to average net assets (%)	2.62 (c)	4.54 (a) (c)
Portfolio turnover rate (%)	52.29 (c)	43.07 (c)

<FN>

* Represents initial net asset value of \$14.14 less offering expenses of approximately \$0.10.

+ Unaudited

(a) Reflects a waiver of the management fee for the period May 28, 1993 to June 13, 1993.

(b) Total investment return assumes dividend reinvestment and does not reflect the effect of sales charges.

(c) Not annualized.

</TABLE>

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NOTES TO FINANCIAL STATEMENTS
October 31, 1994 (Unaudited)

NOTE 1
SIGNIFICANT ACCOUNTING POLICIES

The fund is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The fund's investment objective is to provide as high a level of current income exempt from federal income tax as is believed to be consistent with preservation of capital. The fund intends to achieve its objective by investing in a portfolio of investment grade municipal securities that the fund's Manager believes does not involve undue risk to income or principal.

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles.

A SECURITY VALUATION Tax-exempt bonds and notes are stated on the basis of valuations provided by a pricing service, approved by the Trustees, which uses information with respect to transactions in bonds, quotations from bond dealers, market transactions in comparable securities and various relationships between securities in determining value. The fair value of restricted securities is determined by the Manager following procedures approved by the Trustees, and such valuations and procedures are reviewed periodically by Trustees.

B SECURITY TRANSACTIONS AND RELATED INVESTMENT INCOME Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Interest income is recorded on the accrual basis.

C FEDERAL TAXES It is the policy of the fund to distribute all of its income within the prescribed time and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies. It is also the intention of the fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Internal Revenue Code of 1986. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation of securities held and excise tax on income and capital gains.

D DISTRIBUTIONS TO SHAREHOLDERS Income dividends are declared and distributed monthly by the fund. Capital gains distributions, if any, are recorded on the ex-dividend date and paid annually.

E AMORTIZATION OF BOND PREMIUM AND DISCOUNT Any premium resulting from the purchase of securities in excess of maturity value is amortized on a yield-to-maturity basis. Discount on zero-coupon bonds, original issue discount bonds and stepped-coupon bonds is accreted according to the effective yield method.

F UNAMORTIZED ORGANIZATION EXPENSES Expenses incurred by the fund in connection with its organization aggregated \$29,008. These expenses are being amortized on a straight-line basis over a five-year period.

NOTE 2

MANAGEMENT FEE, ADMINISTRATIVE SERVICES, AND OTHER TRANSACTIONS

Compensation of Putnam Investment Management, Inc. ("Putnam Management"), the fund's Manager, a

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wholly-owned subsidiary of Putnam Investments, Inc., for management and investment advisory services is paid quarterly based on the average net assets of the fund. Such fee is based on the annual rate of 0.50% of the first \$500 million of the average net asset value of the fund, 0.43% of the next \$500 million, 0.39% of the next \$500 million, and 0.35% of any excess over 1.5 billion of such average net asset value. The fund pays Putnam a quarterly administrative service fee at the annual rate of 0.20% of the first \$500 million, 0.17% of the next \$500 million, 0.16% of the next \$500 million and 0.15% of any amount over \$1.5 billion.

The fund also reimburses the Manager for the compensation and related expenses of certain officers of the fund and their staff who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees. For the six months ended October 31, 1994, the fund paid \$2,940 for these services.

Trustees of the fund receive an annual Trustee's fee of \$510 and an additional

fee for each Trustees' meeting attended. Trustees who are not interested persons of the Manager and who serve on committees of the Trustees receive additional fees for attendance at certain committee meetings.

Custodial functions for the fund's assets are provided by Putnam Fiduciary Trust Company (PFTC), a subsidiary of Putnam Investments, Inc. Investor servicing agent functions are provided by Putnam Investor Services, a division of PFTC. Fees paid for these investor servicing and custodial functions for the six months ended October 31, 1994 amounted to \$23,434.

Investor servicing and custodian fees reported in the Statement of operations for the six months ended October 31, 1994 have been reduced by credits allowed by PFTC.

As part of the Custodial Contract between the subcustodian bank and PFTC, the subcustodian has a lien on the securities of the fund to the extent permitted by the fund's investment restrictions to cover any advances made by the subcustodian for the settlement of securities purchased by the fund. At October 31, 1994, the payable to subcustodian represents the amount due for cash advanced for the settlement of a securities purchased.

NOTE 3

PURCHASES AND SALES OF SECURITIES

During the period ended October 31, 1994, purchases and sales of investment securities other than short-term investments aggregated \$34,734,938 and \$30,722,222, respectively. Purchases and sales of short-term municipal obligations aggregated \$12,400,000 and \$12,900,000, respectively. In determining the net gain or loss on securities sold, the cost of securities has been determined on the identified cost basis.

<TABLE>

Transactions in futures contracts during the year are summarized as follows:

<CAPTION>

SALES OF FUTURES CONTRACTS		
	NUMBER OF CONTRACTS	AGGREGATE FACE VALUE
<S>	<C>	<C>
Contracts open at beginning of period	40	\$ 3,974,531
Contracts opened	20	1,950,625
	60	5,925,156
Contracts closed	(40)	(3,974,531)
OPEN AT END OF PERIOD	20	\$ 1,950,625

</TABLE>

NOTE 4

RECLASSIFICATION OF CAPITAL ACCOUNTS

The fund has adopted the provisions of Statement of Position 93-2 "Determination, Disclosure and Financial Statement Presentation of Income,

Capital Gain and Return of Capital Distributions by Investment Companies" ("SOP"). The SOP requires the fund to report the undistributed net investment income (accumulated loss) and accumulated net realized gain (loss) accounts in such a manner as to approximate amounts available for future tax distributions (or to offset future taxable realized gains).

In implementing the SOP the fund has reclassified \$321 to increase undistributed net investment income and \$122 to increase accumulated net realized gain with a decrease of \$443 to paid-in capital. These adjustments represent the cumulative amounts necessary to report these balances on a tax basis through October 31, 1994. These reclassifications have no impact on the total net asset value of the fund.

<TABLE>
 SELECTED QUARTERLY DATA
 (Unaudited)
 <CAPTION>

	FOR THE THREE MONTHS ENDED	
	OCTOBER 31	JULY 31
	1994	1994
<S>	<C>	<C>
TOTAL INVESTMENT INCOME		
Total	\$ 711,309	\$ 697,969
Per share	\$.22	\$.21
NET INVESTMENT INCOME		
Total	\$ 584,391	\$ 584,836
Per share	\$.18	\$.18
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Total	\$ (1,829,757)	\$ 359,695
Per share	\$ (.55)	\$.10
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS		
Total	\$ (1,245,366)	\$ 944,531
Per share	\$ (.37)	\$.28
NET ASSETS END OF PERIOD		
Total	\$43,324,336	\$45,135,847
Per share	\$ 13.20	\$ 13.75

</TABLE>

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FUND INFORMATION

INVESTMENT MANAGER
 Putnam Investment Management, Inc.
 One Post Office Square
 Boston, MA 02109

MARKETING SERVICES
 Putnam Mutual Funds Corp.
 One Post Office Square
 Boston, MA 02109

CUSTODIAN
Putnam Fiduciary Trust Company

LEGAL COUNSEL
Ropes & Gray

TRUSTEES
George Putnam, Chairman
William F. Pounds, Vice Chairman
Jameson Adkins Baxter
Hans H. Estin
John A. Hill
Elizabeth T. Kennan
Lawrence J. Lasser
Robert E. Patterson
Donald S. Perkins
George Putnam, III
A.J.C. Smith
W. Nicholas Thorndike

OFFICERS
George Putnam
President

Charles E. Porter
Executive Vice President

Patricia C. Flaherty
Senior Vice President

Lawrence J. Lasser
Vice President

Gary N. Coburn
Vice President

James E. Erickson
Vice President

Thomas C. Goggins
Vice President and Fund Manager

William N. Shiebler
Vice President

John R. Verani
Vice President

Paul M. O'Neil
Vice President

John D. Hughes
Vice President and Treasurer

Beverly Marcus
Clerk and Assistant Treasurer

Call 1-800-225-1581 weekdays from 9 a.m. to 5 p.m. Eastern Time for up-to-date information about the fund's NAV or to request Putnam's quarterly Closed- End Fund Commentary.

PUTNAM INVESTMENTS

THE PUTNAM FUNDS
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