

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

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FILER

PUTNAM CAPITAL GROWTH & INCOME FUND

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Putnam
Capital
Growth and
Income
Fund

Semiannual
Report

November 30, 1993

For investors seeking
capital growth and
current income
primarily through
investments in common stocks

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A member
of the Putnam
Family of Funds

How your
fund performed

For the period ended November 30, 1993

Total return*	Fund NAV	S&P POP	Consumer 500 Index	Price Index
Life-of-fund (since 7/19/93)	7.39%	1.22%	4.27%	0.97%
Share data			NAV	POP
July 19, 1993 (commencement of operations)			\$8.52	\$9.04
November 30, 1993			\$9.15	\$9.71

Total return at end of most recent calendar quarter

Period ended	Cumulative	
December 31, 1993	NAV	POP

Life-of-fund
(since 7/19/93)

10.52%

4.16%

*Performance data represents past results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. An expense limitation is currently in effect; without it, total return would have been somewhat lower.

Terms you need to know

Total return is the change in value of an investment from the beginning to the end of a period, assuming the reinvestment of all distributions.

Net asset value (NAV) is the value of all your fund's assets, minus any liabilities, divided by the number of outstanding shares, not reflecting any sales charge.

Public offering price (POP) is the price of a mutual fund share plus the fund's 5.75% maximum sales charge levied at the time of purchase.

Please see the fund performance supplement on page 16 for additional information about performance comparisons.

From the Chairman

Dear Shareholder:

The first semiannual period in the life of a fund can be one of the most challenging times of its entire operating history -- particularly for a fund whose strategy emphasizes growth. As experienced investors, most of us understand that generating capital growth takes time. But nevertheless, we usually find ourselves looking for the reassurance of immediate results.

I'm happy to report that after just four months of operations, Fund Manager James Giblin has already demonstrated the effectiveness of his investment strategy. Based on performance at net asset value, Putnam Capital Growth and Income Fund finished ahead of the market -- as represented by the Standard & Poor's 500 Index -- for this fiscal period. Details are on the facing page. While such a short period is hardly an appropriate barometer for assessing the fund's long-term performance potential, this is certainly an encouraging start.

The fund's portfolio is now fully invested in a carefully chosen blend of equity securities, comprising four distinct yield categories and a wide variety of industry sectors. While the results we've seen so far are derived primarily from holdings in low-yielding stocks characterized by strong growth potential, holdings in the other three categories also have the potential to contribute, or even to drive the fund's overall performance. In the Report from Putnam Management which follows, Jim explains the advantages of this blended portfolio and the flexibility we

expect it to provide for the fund over the long term.

I think you'll agree with me that this fund can appeal to many "borderline" equity investors -- those whose financial goals would be best served by a growth investment but who feel they need the relative stability of a growth-and-income fund. Given this strong beginning, I believe we can rely on Jim's expertise to help the fund grow into a thriving new Putnam product.

Respectfully yours,

//George Putnam//

George Putnam
Chairman of the Trustees
January 19, 1994

Report from
Putnam Management

Top 10 holdings
(based on net assets
as of 11/30/93)

Aetna Life & Casualty Co.
Comcast Corp. Class A
Boston Chicken Inc.
Chevron, Inc.
Royal Dutch Petroleum Co.
ADR
Conrail Inc.
Chemical Banking Corp.
Mobil Corp.
American Stores Co.
Chrysler Corp. Ser. A.
\$4.625 dep. shs. cv. pfd.

Reflects 23.3% of the portfolio.
Holdings will vary in the future.

As of November 30, 1993, the end of Putnam Capital Growth and Income Fund's first semiannual period, the Lipper growth-and-income fund universe encompassed 314 funds. Additionally, assets within the universe had grown nearly 18% year-to-date by September 30, 1993. Given this demand, it's obvious that this investment category offers considerable opportunities to investors and fund companies alike. Opportunities, however, generally go hand in hand with challenges, some of which are unique to this category.

The growth/income balance Because growth-and-income funds are, by nature, a blend of objectives, one of the first major hurdles for any fledgling fund in this category is to define clearly its own blend of investment goals. Will the primary focus be income, growth, or a combination of the two? And how will the portfolio composition reflect this orientation? In answering these

questions, each growth-and-income fund sets the guidelines by which its performance will be measured -- and begins to establish its own signature strategy.

Your fund is already well over this first hurdle. When you look at the Putnam growth-and-income funds relative to the growth-and-income universe, there is a general bias in favor of income. This fund's strategy, however, is more weighted in favor of growth. The result is that compared with other funds in its competitive universe, it is truly a middle-of-the-road fund, designed to provide greater upside potential than the market while seeking to maintain the relative stability of net asset value that leads so many conservative investors to choose growth-and-income funds.

Consequently, we are building a portfolio on four types of securities, each with distinctly different characteristics. In keeping with the fund's current growth bias, virtually all holdings are equity securities -- primarily common stocks with a small component of convertible bonds and preferred stocks. Unlike many other growth-and-income funds available today, we do not plan to rely on fixed income investments to generate yield. Instead, we are positioning the fund to provide a certain base level of dividend income in order to cushion against price changes in declining markets while enhancing overall performance and enabling us to pursue additional growth opportunities. This should give us the flexibility to reach a little further for growth than the average growth-and-income fund, and the fund has, in fact, already done so.

A four-part portfolio With dividend income a prerequisite of the fund's overall strategy, our first portfolio component consists of high-yielding stocks with limited growth potential. This generally means utility companies we currently hold were selected chiefly for yield potential. The declining interest rate environment of the past few years has been a very healthy one for these stocks; while there can be no guarantee that such results will continue, all seven of them (Northeast Utilities, Dominion, Pacific Telesis, Sprint, Baltimore Gas, Southern Co., and GTE) have kept pace with the Standard & Poor's 500 Index for the last decade.

Our second portfolio component is also yield oriented, but is intended to provide greater growth potential than we would generally expect from utilities. Most of these stocks are energy-related and offer opportunities for earnings growth and/or price appreciation because of their widespread restructuring and cost containment programs. Chevron is a good example. In a recent restructuring, this international oil producer and refiner was able to reduce its operating cost while divesting itself of underperforming assets. International expansion should enable the company to weather any domestic production declines.

At this point, our selection strategy starts to favor growth potential over yield. Our third portfolio sector consists of stocks whose yield is relatively close to that of the S&P but whose growth potential is noticeably higher. Some of these are

undervalued, out-of-favor or "comeback" stocks while others are classic growth-and-income holdings. No one industry is favored, but we do hold a number of consumer-oriented companies, including J.C. Penney, Avon and General Mills.

The fourth component of our portfolio strategy is generally expected to drive the fund's long-term total return performance, although market conditions over the short term could easily favor one or more of the other sectors. Companies in this sector are true growth stocks with little or no yield, the type of stock you do not often see in growth-and-income portfolios. We believe that because of our portfolio structure and sturdy yield base, we will be able to take advantage of opportunities available to few other funds in this category, and in doing so, enhance performance without increasing overall investment risk.

Technology is the common denominator for most companies in this sector. We hold companies whose past success is near-legendary and whose ongoing potential we believe in (Intel, for example). Others are less well known, but may provide even greater long-term rewards. Cisco Systems, a manufacturer of products that connect and manage computer network communications, typifies the sector. Although the company's stock does not pay dividends, its earnings have grown each year since 1988, and its strong growth rate projections for 1994 justify its inclusion in this portion of the portfolio.

Both stock and sector selection are key. While we will regularly place specific industry bets and weight the portfolio more or less than the market in a given industry as a result, the key to this fund's success will be how we blend individual stock selections with weighting across the four portfolio components just discussed. In each sector, we look for companies in which we have a high degree of confidence that earnings will meet or exceed expectations and where we see a growth rate that appears sustainable for at least two years. We also look for the kind of quality that is likely to appeal to institutional investors, since increased demand from them is likely to significantly increase the price of the stock.

In some respects, the portfolio we've created is a microcosm of the S&P 500, which we consider the benchmark for measuring growth-and-income investments. Although securities in the portfolio do not match those in the index, the S&P's eclectic mix of growth stocks, income-producing stocks, and the thousands in between is exactly what the fund strives to be -- a growth-oriented investment with a solid income-generating base. We've already shown our ability to keep pace with the index over the short term and, while these results cannot be taken as a measure of future performance, we will work to maintain this achievement through the remainder of this fiscal year and beyond.

(pie chart)

Portfolio components (based on net assets as of 11/30/93)
Cash and short-term investments10%
Stocks with average yields/average growth potential ...32%
High-yielding stocks/limited growth potential.....16%

Stocks with above-average yields/
moderate growth potential.....22%
Low-yielding stocks/highest growth potential.....21%

This chart represents Putnam Management's assessment of the portfolio's makeup as of 11/30/93. There is no assurance that individual investments will continue to be viewed the same way in the future. Investors should keep in mind that, in general, the greater a security's potential return, the greater its volatility.

Putnam
Capital
Growth and
Income
Fund

Semiannual
Report

For the Period ended November 30, 1993

Report of Independent Accountants

To the Trustees and Shareholders of
Putnam Capital Growth and Income Fund

We have audited the accompanying statement of assets and liabilities of Putnam Capital Growth and Income Fund, including the portfolio of investments owned, as of November 30, 1993, and the related statement of operations, the statement of changes in net assets and the "Financial Highlights" for the period July 19, 1993 (commencement of operations) to November 30, 1993. These financial statements and "Financial Highlights" are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and "Financial Highlights" based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and "Financial Highlights" are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of November 30, 1993 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and "Financial Highlights" referred to above present fairly, in all material respects, the financial position of Putnam Capital Growth and Income Fund as of November 30, 1993, the results of its operations, the changes in its net assets, and the "Financial

Highlights" for the period July 19, 1993 (commencement of operations) to November 30, 1993, in conformity with generally accepted accounting principles.

Coopers & Lybrand

Boston, Massachusetts
January 6, 1994

Portfolio of
investments owned
November 30, 1993

Common Stocks (89.1%) (a)

Number of Shares		Value
Insurance and Finance (15.8%)		
1,000	Aetna Life & Casualty Co.	\$ 61,120
500	Beneficial Corp.	36,875
1,200	Chemical Banking Corp.	46,200
1,000	Citicorp (b)	35,500
900	Dean Witter Discover & Co.	34,200
600	First Fidelity Bancorp	25,125
700	Lincoln National Corp.	30,450
800	NWNL Companies, Inc.	23,800
399	Primerica Corp.	15,960
600	Transamerica Corp.	33,525
		342,755
Consumer Services (11.2%)		
400	Block (H.&R.), Inc.	15,350
1,500	Boston Chicken, Inc. (b)	56,063
100	CBS Inc.	30,825
1,700	Comcast Corp. Class A	57,800
700	GTE Corp.	25,988
400	Harcourt General Inc.	16,300
1,400	Mirage Resorts, Inc.	30,800
200	QVC Network, Inc. (b)	9,300
		242,426
Utilities (8.7%)		
1,400	Baltimore Gas & Electric Co.	35,350
900	Dominion Resources, Inc.	39,825
1,300	Northeast Utilities	30,388
700	Pacific Telesis Group	39,725
1,000	Southern Co.	43,250
		188,538
Oil and Gas (7.5%)		
600	Apache Corp.	13,125
600	Chevron Corp.	52,125
600	Mobil Corp.	45,750
500	Royal Dutch Petroleum Co. ADR (c)	50,500
		161,500
Common Stocks		
Number of Shares		Value
Health Care (7.0%)		
1,200	Abbott Laboratories	\$ 35,100

700	American Home Products Corp.		43,837
500	Pfizer, Inc.		33,250
400	United Healthcare Corp.		28,950
300	Value Health, Inc. (b)		10,163
			151,300
Retail (5.2%)			
1,100	American Stores Co.		45,513
800	Penney (J.C.) Co. Inc.		42,700
600	Walgreen Co.		24,450
			112,663
Electronics and Electrical Equipment (5.1%)			
100	DSC Communications Corp. (b)		5,413
700	Intel Corp.		43,050
900	Kurzweil Applied Intelligence Inc. (b)		17,325
200	Motorola, Inc.		18,750
400	Texas Instruments, Inc.		25,700
			110,238
Basic Industrial Products (4.3%)			
600	Applied Materials, Inc. (b)		21,150
500	Caterpillar, Inc.		42,625
400	Deere & Co.		28,350
			92,125
Business Equipment and Services (3.9%)			
400	Cisco Systems, Inc. (b)		22,500
700	First Financial Management Corp.		38,325
300	Microsoft Corp. (b)		24,000
			84,825
Food and Beverages (3.4%)			
900	CPC International Inc.		42,188
500	General Mills, Inc.		30,375
			72,563
Chemicals (2.8%)			
600	du Pont (E.I.) de Nemours & Co., Ltd.		28,575
600	Rohm & Haas Co.		32,625
			61,200
Common Stocks			
Number of Shares			Value
Transportation (2.3%)			
800	Conrail Inc.	\$	49,900
Conglomerates (2.0%)			
700	United Technologies Corp.		43,313
Consumer: Durable Goods (1.9%)			
700	Whirlpool Corp.		41,563
Building and Construction (1.8%)			
700	Armstrong World Industries, Inc.		32,113
200	Masco Corp.		6,800
			38,913
Consumer Non-Durables (1.6%)			
700	Avon Products, Inc.		34,913
Telecommunications (2.8%)			
1,400	MCI Communications Corp.		34,125
800	Sprint Corp.		26,200
			60,325
Real Estate (1.5%)			
1,700	Avalon Properties, Inc.		33,150
Forest Products (0.3%)			
100	Georgia-Pacific Corp.		7,350

Total Common Stocks (cost \$1,861,403)		\$1,929,560
Convertible Preferred Stocks (4.0%) (a)		
Number of shares		Value
300 Chrysler Corp. Ser. A, \$4.625		
dep. shs. cv. pfd. (d)	\$	44,550
400 Ford Motor Co. Ser. A, \$4.20,		
cv. pfd.		41,000
Total Convertible Preferred Stocks (cost \$73,421)	\$	85,550
Short Term Investments (9.8%) (a) (cost \$212,019)		
Principal Amount		Value
\$ 212,000 Interest in \$174,522,000 joint		
repurchase agreement dated		
November 30, 1993 with Prudential		
Securities Inc. due December 1, 1993		
with respect to various U.S.		
Treasury obligations -- maturity		
value of \$212,019 for an effective		
yield of 3.20%	\$	212,019
Total Investments		
(cost \$2,146,843) (e)		\$2,227,129

Notes

(a) Percentages indicated are based on total net assets of \$2,165,234, which correspond to a net asset value per share of \$9.15.

(b) Non-income-producing security.

(c) A security whose value is determined or significantly influenced by trading or exchanges not in the United States or Canada. ADR after the name of the foreign holding stands for American Depository Receipt, representing ownership of foreign securities on deposit with a domestic custodian bank.

(d) A security exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At November 30, 1993, this security was valued at \$44,550 or 2.1% of net assets.

(e) The aggregate identified cost on a tax basis is \$2,147,194, resulting in gross unrealized appreciation and depreciation of \$137,081 and \$57,146, respectively, or net unrealized appreciation of \$79,935.

<TABLE>

<CAPTION>

Statement of
assets and liabilities
November 30, 1993

<S>	<C>	<C>
Assets		
Investments in securities, at value (identified cost \$2,146,843) (Note 1)		\$2,227,129
Cash	880	
Dividends receivable		6,928
Receivable for securities sold		56,779
Unamortized organization expenses (Note 1)		15,805
Receivable from Manager (Note 3)		8,288
Total assets		2,315,809
Liabilities		
Payable for securities purchased	\$127,262	
Payable for compensation of Trustees (Note 3)	61	
Payable for investor servicing and custodian fees (Note 3)	915	
Payable for organization expense (Note 1)	17,091	
Other accrued expenses	5,246	
Total liabilities		150,575
Net assets		\$2,165,234
Represented by		
Paid-in capital (Notes 2 and 5)		\$2,016,364
Undistributed net investment income		17,277
Accumulated net realized gain on investment		51,307
Net unrealized appreciation of investments		80,286
Total -- Representing net assets applicable to capital shares outstanding		\$2,165,234
Computation of net asset value and offering price		
Net asset value and redemption price per share (\$2,165,234 divided by 236,660 shares)		\$9.15
Offering price per share (100/94.25 of \$9.15)*		\$9.71

*On single retail sales of less than \$50,000. On sales of \$50,000 or more and on group sales, the offering price is reduced.

/TABLE

<TABLE>

<CAPTION>

Statement of
operations
For the period July 19, 1993 (commencement
of operations) to November 30, 1993*

<S>	<C>	<C>
Investment income		
Dividends (net of foreign tax of \$154)		\$21,499
Interest	2,933	
Total investment income		24,432

Expenses:		
Compensation of Manager (Note 3)	\$5,208	
Investor servicing and custodian fees (Note 3)	687	
Compensation of Trustees (Note 3)	62	
Reports to shareholders	62	
Auditing	6,343	
Legal	7,148	
Postage ⁴⁰		
Administrative services (Note 3)	16	
Amortization of organization expenses (Note 1)	1,286	
Other expenses	20	
Fees waived and other expenses absorbed by Manager (Note 3)	(13,495)	
 Total expenses		7,377
 Net investment income		17,055
 Net realized gain on investments (Notes 1 and 4)		51,307
 Net unrealized appreciation of investments during the period		80,286
 Net gain on investments		131,593
 Net increase in net assets resulting from operations		\$148,648

*See Note 2

/TABLE

Statement of
changes in net assets

For the period July 19, 1993
(commencement of operations) to
November 30, 1993*

Increase in net assets		
Operations:		
Net investment income	\$17,055	
Net realized gain on investments	51,307	
Net unrealized appreciation of investments	80,286	
 Net increase in net assets resulting from operations	148,648	
Increase from capital share transactions (Note 5)	16,364	
 Total increase in net assets	165,012	
 Net assets Beginning of period	2,000,222	

End of period (including undistributed net investment income of \$17,277)	\$2,165,234
---------------------------------------------------------------------------	-------------

*See Note 2

Financial Highlights

(For a share outstanding throughout the period)

	For the period July 19, 1993 (commencement of operations) to November 30, 1993
Net Asset Value, Beginning of Period	\$8.52
Investment Operations:	
Net Investment Income	.07 (a) (b)
Net Realized and Unrealized Gain on Investments	.56
Total from Investment Activities	.63
Net Asset Value, End of Period	\$9.15
Total Investment Return at Net Asset Value (%) (c)	19.97 (d)
Net Asset Value, End of Period (in thousands)	\$2,165
Ratio of Expenses to Average Net Assets (%)	0.95 (b) (d)
Ratio of Net Investment Income to Average Net Assets (%)	2.19 (b) (d)
Portfolio Turnover (%)	28.49 (e)

* See Note 2

(a) Per share net investment income for the period ended November 30, 1993 has been determined on the basis of the weighted average number of shares outstanding during the period.

(b) Reflects a waiver of the management fee for the period July 19, 1993 to November 30, 1993. As a result of such waiver, expenses of the Fund for the period ended November 30, 1993 reflect a reduction of approximately \$0.06 per share. See Note 3.

(c) Total investment return does not reflect the effect of sales charges.

(d) Annualized.

(e) Not annualized

Notes to
financial statements

November 30, 1993

Note 1 Significant accounting policies

The Fund is registered under the Investment Company Act of 1940, as amended, as a diversified open-end management investment company. The Fund seeks capital growth and current income by investing primarily in common stocks that offer potential for

capital growth, current income or both.

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

A) Security valuation Investments for which market quotations are readily available are stated at market value, which is determined using the last reported sale price, or, if no sales are reported -- as in the case of some securities traded over-the-counter -- the last reported bid price, except that certain U.S. government obligations are stated at the mean between the bid and asked prices. Short-term investments having remaining maturities of 60 days or less are stated at amortized cost which approximates market, and other investments are stated at fair value following procedures approved by the Trustees.

B) Joint trading account Pursuant to an exemptive order issued by the Securities and Exchange Commission, the Fund may transfer uninvested cash balances into a joint trading account, along with the cash and certain other accounts of other registered investment companies managed by Putnam Investment Management Inc., (Putnam Management) the Fund's Manager, a wholly-owned subsidiary of Putnam Investments, Inc. These balances may be invested in one or more repurchase agreements and/or short-term money market instruments.

C) Repurchase Agreements The Fund, through its custodian, receives delivery of the underlying securities, the market value of which at the time of purchase is required to be in an amount at least equal to the resale price, including accrued interest. The Fund's Manager is responsible for determining that the value of these underlying securities is at all times at least equal to the resale price, including accrued interest.

D) 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 and dividend income is recorded on the ex-dividend date, except that certain dividends from foreign securities are recorded as soon as the Fund is informed of the ex-dividend date.

E) Federal income 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.

F) Distributions to shareholders Distributions to shareholders are recorded by the Fund on the ex-dividend date.

G) Unamortized organization expenses Expenses incurred by the

Fund in connection with its organization, its registration with the Securities and Exchange Commission and with various states and the initial public offering of its shares aggregated \$17,091. These expenses are being amortized by the Fund on a straight-line basis over a five-year period.

Note 2 Initial capitalization and offering of shares

The Fund was established as a Massachusetts business trust under the laws of Massachusetts on May 5, 1993.

During the period May 5, 1993, to July 16, 1993, the Fund had no operations other than those related to organizational matters, including the initial capital contribution of \$100,000 and the issuance of 11,765 shares to Putnam Mutual Funds Corp., a wholly-owned subsidiary of Putnam Investments, Inc. on June 10, 1993. On July 15, 1993 Putnam Mutual Funds Corp. made a subsequent capital contribution of \$1,900,000 and was issued 223,005 shares. During the period June 10, 1993 to July 16, 1993, invested initial capital resulted in interest income of \$222. Regular investment operations commenced on July 19, 1993.

At November 30, 1993, Putnam Investments, Inc. owned 234,770 shares outstanding of the Fund, valued at \$2,148,145.

Note 3 Management fee, administrative services, and other transactions

Compensation of Putnam Investment Management, Inc., the Fund's Manager, a 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 for the quarter. Such fee is based on the following annual rates: 0.65% of the first \$500 million of average net assets, 0.55% of the next \$500 million, 0.5% of the next \$500 million, 0.45% of any amount over \$1.5 billion, subject to reduction in any year to the extent that expenses (exclusive of distribution fees, brokerage, interest and taxes) of the Fund exceed 2.5% of the first \$30 million of average net assets, 2.0% of the next \$70 million and 1.5% of any amount over \$100 million and by the amount of certain brokerage commissions and fees (less expenses) received by affiliates of the Manager on the Fund's portfolio transactions.

Until May 31, 1994 the Manager voluntarily agreed to reduce its compensation to the extent that expenses of the Fund exceed 1.0% of the Fund's average net assets. The Fund's expenses subject to this limitation are exclusive of brokerage, interest, taxes, insurance, amortization of deferred organization expenses and extraordinary expenses, if any, and expenses incurred under the Fund's distribution plan described below. This limitation was accomplished by a reduction of the compensation payable under the management contract to the Manager. As a result of the voluntary limitation, expenses for the period ended November 30, 1993 were reduced by \$13,495.

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 period ended November 30, 1993, the Fund paid \$16 for these services.

Trustees of the Fund receive an annual Trustee's fee of \$50 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 were provided by Putnam Investor Services, a division of PFTC. Fees paid for these investor servicing and custodial functions for the period ended November 30, 1993 amounted to \$687.

Investor servicing and custodian fees reported in the Statement of Operations for the period ended November 30, 1993 have been reduced by credits allowed by PFTC.

Pursuant to the Fund's underwriting agreement and to a distribution plan adopted under Rule 12b-1 of the Investment Company Act of 1940, although the Fund is not currently making any payments pursuant to the plan. The purpose of the plan is to compensate Putnam Mutual Funds Corp., a wholly-owned subsidiary of Putnam Investments, Inc. for services provided and expenses incurred by it in distributing shares, a quarterly distribution fee at the annual rate of up to .35% of the average net asset value of shares of the Fund attributable to qualifying investment dealers of record for Fund shareholders. For the period ended November 30, 1993, the Fund paid no monies in distribution fees.

Note 3 Management fee, administrative services, and other transactions (continued)

During the period ended November 30, 1993, Putnam Mutual Funds Corp., acting as an underwriter, received no net commissions from the sale of shares of the Fund.

A deferred sales charge of up to 1.00% is assessed on certain redemptions of shares purchased as part of an investment of \$1 million or more. For the year ended November 30, 1993, Putnam Mutual Funds Corp., acting as underwriter, received no monies on redemptions.

Note 4 Purchases and sales of securities

During the period ended November 30, 1993, purchases and sales of investment securities other than short-term investments aggregated \$2,414,238 and \$530,721, respectively. There were no purchases or sales of U.S. government obligations. In determining the net gain or loss on securities sold, the cost of securities has been determined on the identified cost basis.

Note 5 Capital shares

At November 30, 1993, there was an unlimited number of shares of beneficial interest authorized. Transactions in capital shares were as follows:

For the period
July 19, 1993
(commencement
of operations) to
November 30
1993

Shares	Amount	
Shares sold	2,983	\$26,177
Shares issued in connection with reinvestment of distributions	--	--
2,983	26,177	
Shares repurchased	(1,093)	(9,813)
Net increase	1,890	\$16,364

Fund performance supplement

Putnam Capital Growth and Income Fund is managed for capital growth and current income primarily through investments in common stocks chosen for strong growth and/or income potential. Standard & Poor's 500 Index is an unmanaged list of large-capitalization common stocks, and assumes reinvestment of all distributions. The index does not take into account brokerage commissions or other costs. The fund's portfolio contains securities that do not match those in the index. The Consumer Price Index is a commonly used measure of inflation; it does not represent an investment return.

Fund performance data do not take into account any adjustment for taxes that may have been payable.

The fund performance supplement has been prepared by Putnam Management to provide additional information about the fund and the indexes used for performance comparisons. The information is not part of the portfolio of investments owned or the financial statements.

Your
Trustees

George Putnam
Chairman
Chairman and President,
The Putnam Funds

William F. Pounds
Vice Chairman

Professor of Management,
Alfred P. Sloan
School of Management,
Massachusetts Institute of Technology

Hans H. Estlin
Vice Chairman, North American
Management Corporation

John A. Hill
Principal and
Managing Director,
First Reserve Corp.

Elizabeth T. Kennan
President,
Mount Holyoke College

Lawrence J. Lasser
President and
Chief Executive Officer,
Putnam Investments, Inc.

Robert E. Patterson
Executive Vice President,
Cabot Partners
Limited Partnership

Donald S. Perkins
Director of various
corporations

George Putnam, III
President, New Generation
Research, Inc.

A.J.C. Smith
Chairman of the Board
and Chief Executive Officer,
Marsh & McLennan
Companies, Inc.

W. Nicholas Thorndike
Director of various corporations

Putnam
Capital Growth and
Income Fund

Fund information

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Boston, MA 02109

Marketing services
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Boston, MA 02109

Investor servicing agent
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Mailing address:
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Custodian
Putnam Fiduciary
Trust Company

Legal counsel
Ropes & Gray

Independent accountants
Coopers & Lybrand

(DALBAR logo)

Putnam Investor Services has
received the DALBAR award
each year since
the award's 1990 inception.
In more than 10,000 tests
of 38 shareholder
service components, Putnam outperformed
the industry standard
in every category.

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Fund Manager

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Vice President

John D. Hughes
Vice President and Treasurer

Beverly Marcus
Clerk and Assistant Treasurer

This report is for the information of shareholders of Putnam Capital Growth and Income Fund. It may also be used as sales literature when preceded or accompanied by the current prospectus, which gives details of sales charges, investment objectives and operating policies of the fund.

APPENDIX TO FORM N30D FILINGS TO DESCRIBE DIFFERENCES BETWEEN
PRINTED AND EDGAR-FILED TEXTS:

- (1) Rule lines for tables are omitted.
- (2) Boldface and italic typefaces are displayed in normal type.
- (3) Headers (e.g, the name of the fund) and footers (e.g., page numbers and "The accompanying notes are an integral part of these financial statements") are omitted.
- (4) Because the printed page breaks are not reflected, certain tabular and columnar headings and symbols are displayed differently in this filing.
- (5) Bullet points and similar graphic signals are omitted.
- (6) Page numbering is different.