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)

Filing Date: **1994-01-06** | Period of Report: **1993-10-31**
SEC Accession No. 0000764110-94-000001

FILER

PUTNAM MANAGED INCOME TRUST

CIK:**764110**| IRS No.: **046530116** | State of Incorp.:**MA** | Fiscal Year End: **1031**
Type: **N-30D** | Act: **40** | File No.: **811-04242** | Film No.: **94500498**

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Putnam Managed Income Trust

Annual Report

October 31, 1993

(artwork)

For investors seeking
high current return
from a diversified
portfolio of equity
and debt securities

Contents

A member
of the Putnam
Family of Funds

How your fund performed

For periods ended October 31, 1993

Total return*

	Fund NAV	Fund POP	S&P 500 Index	Lehman Bros. Gov't/Corp. Bond Index
1 year	17.68%	10.89%	14.90%	13.68%
5 years	79.68	69.31	98.86	71.47
annualized	12.43	11.11	14.51	11.39
Life-of-fund (since 4/19/85)	136.12	122.61	245.26	155.88
annualized	10.60	9.84	15.63	11.64

Share data	NAV	POP
October 31, 1992	$8.50	$9.02
October 31, 1993	$9.28	$9.85

Distributions 12 months ended	Number	Investment income	Capital gains	Total
October 31, 1993	4	$0.45	$0.21	$0.66

Current returns at the end of the period	NAV	POP
Current dividend rate	6.03%	5.69%
Current 30-day yield	4.40	4.15

Total return at end of most recent calendar quarter
Periods ended September 30, 1993

	Cumulative NAV	Cumulative POP	Annualized NAV	Annualized POP
1 year	17.23%	10.43%	--	--
5 years	81.10	70.65	12.61%	11.28%
Life-of-fund (since 4/19/85)	133.83	120.45	10.57	9.81

*Performance data represent past results. Investment return and net asset value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

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. It may be shown at net asset value or at public offering price.

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 maximum 5.75% sales charge levied at the time of purchase.

Current dividend rate is calculated by annualizing the net investment income paid to shareholders in the fund's most recent distribution, then dividing by the NAV or POP on the last day of the period.

Current 30-day yield, based only on the fund's net investment income, is calculated in accordance with Securities and Exchange Commission guidelines.

Please see the fund performance supplement on page 27 for additional information about performance comparisons.

From the
Chairman

(photograph of George Putnam)
c. Karsh, Ottawa

George Putnam
Chairman
of the Trustees

Dear Shareholder:

With a very strong total return of nearly 18% at net asset value for the fiscal year ended October 31, 1993, Putnam Managed Income Trust demonstrated the effectiveness of its new investment strategy. This period marked the first full year that the fund, Putnam's most conservative diversified equity-oriented fund, sought high current income exclusively through a portfolio of common stocks and fixed income securities. Using this strategy, the fund's total return at net asset value exceeded the return of both the Standard & Poor's 500(registered mark) Index and the Lehman Brothers Government/Corporate Bond Index.

For most of the year, the proportion of stocks to bonds in the portfolio held fairly steady. In September, however, Fund Manager Edward Bousa increased the stock side from about 40% to about 45% of the fund's total holdings. This move reflected his belief that stocks were becoming increasingly more attractive than bonds, especially after a fall rally increased bond prices to the point where higher prices cut into their rate of return. Still, in keeping with the fund's essentially conservative orientation, the portfolio was overweighted in favor of investment-grade bonds at the end of the fiscal period. With their steady rate of return, these highly-rated issues offer a measure of protection against any possible downturn on the stock side.

Good news continues for the U.S economy. Corporate earnings have improved and consumers are showing faith in the recovery by increasing their spending. These are additional reasons for Ed to see continuing growth potential in stocks. He is reasonably optimistic that the worldwide economy is about due to pick up as European interest rates continue to fall. Whether they will descend to levels as low as those in the United States remains to be seen, but even another relatively slight decline would have a ripple effect that would probably benefit both stock and bond markets around the world.

Putnam Management expects that the economic trends favoring your fund will generally remain in place at least for the next quarter. If the markets perform according to these expectations, the fund should continue to satisfy investors seeking current income while carefully managing their exposure to risk.

Respectfully yours,

George Putnam
December 15, 1993

Report from
Putnam Management

Putnam Managed Income Trust delivered a total return of 17.68% at net asset value for the fiscal year ended October 31, 1993, well ahead of the results measured by both the Lehman Brothers Corporate/Government Bond Index (13.68%) and that of Standard and Poor's 500 Index (14.90%) for the same period.

At this point, we'd like to explain why these comparisons to the indexes are so important to us and what they mean to you. The financial industry uses the Lehman Brothers Bond Index as a standard measurement of the performance of a representative selection of corporate and government bonds; the S&P 500 shows the performance of a selected list of 500 stocks. Since your fund's portfolio is composed of both stocks and bonds in roughly equal proportions, we like to compare fund performance to that of both markets in order to maintain the proper perspective.

A comparison of the fund's results to that of both indexes also lends weight to the argument that by combining two different types of securities, each with a distinct pattern of performance independent of the other, the fund will generally outperform at least one, if not both indexes. This strategy, in effect, gives the fund a sort of super-diversification. The portfolio is not only diversified across the different kinds of equities to include common stocks and convertibles, it's also spread across a wide variety of bonds. The fund's performance over the past fiscal year shows how successful this strategy can be.

The chart below shows the fund's cumulative total return since it was founded in 1985. Cumulative performance reflects a very different investment strategy from the one now in place. Please keep in mind that the returns for the fiscal year ended on October 31, 1993 show the fund's performance under its new investment strategy.

(line graph)
Cumulative total return on a
$10,000 investment since 4/19/85
Putnam Managed Income Trust
.............at NAV
- -------------at POP
_____________S & P 500 Index
*************Lehman Govt/Corp. Bond Index

Plot points:

date/ year	S&P 500 Index	Lehman Govt/Bond Index	fund at NAV	fund at POP
4/19/85	10000	10000	10000	9425
10/31/85	10780	11035	10217	9633
10/31/86	14354	13243	11709	11040
10/31/87	15269	13492	10968	10341
10/31/88	17534	14925	13141	12390
10/31/89	22140	16737	15283	14409
10/31/90	20475	17659	13963	13164
10/31/91	27335	20373	18052	17020
10/31/92	30050	22515	20064	18917
10/31/93	34523	25591	23611	22261

Past performance is no assurance of future results.

Portfolio overview On October 31, 1993, the fund held a combination of common and preferred stocks, convertibles and fixed-income securities. During the past year, equity holdings emphasized large companies that Wall Street was not closely following or that we considered undervalued. These companies are chosen because most offer above-average dividend yields and have strong balance sheets, characteristics that help protect the value of their stock.

During the fiscal year, the corporate bond markets enjoyed an extended rally as investors searched out higher-yielding issues as alternatives to low CD rates. With about 16% of the total bond portfolio in high-yield corporates, this sector provided a good source of core income for the fund.

Holdings in Treasury securities contributed both to current income and the fund's overall performance. Compared to the Lehman Brothers Index, the fund was focused on substantially longer maturities and thus benefited as interest rates continued to fall throughout the year. The past six months have seen a dramatic flattening of the yield curve as the difference between long and short rates narrowed. Much of the resulting appreciation occurred in the seven-year sector where much of the fund's Treasury holdings are positioned.

On the following pages are profiles of companies that did especially well during our fiscal year and whose substantial gains considerably enhanced our total return. Most are large, well-known companies; some are now on the comeback trail after having recently restructured or undergone aggressive cost-containment programs. Many do business on an international scale; the overseas factor has become increasingly important in almost every industry.

American Express This worldwide financial services leader, and its array of travel-related, investment, international, investment, banking, insurance, and information products, is completing a turnaround. AmEx markets travelers' checks as well as the American Express and Optima credit cards sold through the company's TRS division, which accounted for 37% of the company's 1992 earnings. Yet TRS has lost market share; new marketing programs should revive this group. At IDS, the financial services group, profits have advanced. New efficiencies and restructuring put the company in a good position for renewed growth. The fund's AmEx holdings gained about 35% for the year.

Repsol, S.A. A Spanish company engaged in the oil business, Repsol has made one of Europe's most successful transitions to private enterprise. The company, with a large share of Spain's fuel market and an extensive network of service stations, has thrived on competition; it quickly established its ability to satisfy customer needs and provide quality products at competitive prices. Repsol's exploration, production, refining and marketing activities take place throughout the world. One of the few foreign companies held by the fund this year, our holdings gained about 50% as measured in U. S. dollars. Most of the fund's position was sold at a profit by fiscal year end.

Sprint Corporation The second largest independent local telephone system and the third largest long-distance carrier, Sprint recently merged with Centel. This $4.7 billion merger created the only major U. S. telecommunications company offering both local and long-distance capabilities along with cellular services. The fund's holdings in Sprint appreciated by about 50% during the fiscal year.

Varity Corporation Varity is an established manufacturer of farm and industrial machinery, diesel engines and automotive products. Currently the company's most popular products are its two- and four-wheel anti-lock brake systems, which are rapidly gaining market share around the world. When the fund's holdings in Varity had increased in value by about 50%, we sold them at a profit and locked in a sizable amount of capital appreciation.

Xerox Corporation A more recent purchase, Xerox has returned to its most profitable roots and will focus on document processing, mainly copiers and fax machines. In '92, this group delivered more than half the company's revenues and contributed about 80% of its pretax profits. With cost-containment, increased productivity and exciting new products including DocuTech, a digital publishing system that promises to revolutionize the printing business, Xerox is well-positioned to take on a larger share of the market.

For the future On the equity side, we expect to add both tobacco and drug stocks. Now that the proposals for higher sin taxes are known, we feel the tobacco industry will retain its profit potential. With the movement to make health care more accessible, we feel that a growing market for prescription drugs will offset any price reductions that may occur from increased regulation. Since both tobacco and drug stocks currently enjoy a relatively undervalued status, they offer exciting potential for investors.

Essentially, we feel that all markets have their undervalued stocks and offer opportunity for the disciplined and well-informed investor. As the recovery in Europe shows strength, your fund will also be on the hunt for values in overseas markets.

On the bond side of the portfolio, we expect to maintain the current Treasury securities allocation of the portfolio and will carefully target our position on the yield curve to take advantage of any additional flattening. Our position in mortgage-backed securities will be kept relatively low since we feel pre-payments are still a risk.

Now that the U.S. economy appears to be well into a recovery phase, we will most likely add to the fund's income holdings, possibly in the financial services sector. Since we expect the economy to gradually pick up in Western Europe, we will consider investing in dollar-based Yankee bonds. These highly-rated bonds, issued in U. S. dollars by foreign corporations, have the potential to increase substantially in value as Europe shows signs of greater economic health.

We will continue to keep about 16% of the portfolio in the high-yield corporate bonds rated B or higher. Even after two years of strong performance, we believe these issues will maintain their potential for attractive returns.

The views expressed here are exclusively those of Putnam Investment Management. They are not meant as investment advice. Although the described holdings were viewed favorably during the fiscal year ended October 31, 1993, there is no guarantee the fund will continue to hold these securities in the future.

Top industry secotrs (As a percentage of net assets as of 10/31/93)

Insurance & Finance	19.2%
Utilities	13.4%
Oil & Gas	11.0%
Basic Industrial Products	4.2%
Consumer Non-Durables	3.6%
Health Care	3.3%
Chemicals	3.2%

Putnam
Managed
Income
Trust

Annual
Report

For the Year Ended October 31, 1993

Report of Independent Accountants

To the Trustees and Shareholders of
Putnam Managed Income Trust

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments owned, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Putnam Managed Income Trust (the "Trust") at October 31, 1993, and the results of its operations, the changes in its net assets, and the financial highlights for the periods indicated in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of investments owned at October 31, 1993 by correspondence with the custodian and brokers and the application of alternative auditing procedures where confirmations from brokers were not received, provide a reasonable basis for the opinion expressed above.

Price Waterhouse
Boston, Massachusetts
December 20, 1993

Portfolio of
investments owned
October 31, 1993

Common Stocks (37.4%)(a)

Number of Shares		Value
Utilities (7.4%)		
50,000	Allegheny Power Systems, Inc.	$ 2,756,250
75,000	Baltimore Gas & Electric Co.	1,959,375
25,000	Bell Atlantic Corp.	1,590,625
10,000	BellSouth Corp.	627,500
120,000	Cincinnati Gas & Electric Co.	3,435,000
110,000	GTE Corp.	4,372,500
75,000	General Public Utilities Corp.	2,465,625
60,000	Houston Industries Inc.	2,902,500
55,000	Montana Power Co.	1,478,125
80,000	NIPSCO Industries, Inc.	2,720,000
70,000	National Service Industries, Inc.	1,680,000
110,000	PSI Resources, Inc.	2,928,750
40,000	Pacific Telesis Group	2,195,000
30,000	Sierra Pacific Resources	637,500
111,100	Sprint Corp.	3,999,600
30,000	Telefonica de Espana ADR(b)	1,166,250
10,000	US WEST, Inc.	501,250
50,000	United Illuminating Co.	2,187,500
30,000	Wicor Inc.	956,250
		40,559,600
Insurance and Finance (5.6%)		
23,000	Aegon NV ADR(b)	1,190,250
28,000	Aetna Life & Casualty Co.	1,841,000
120,000	American Express Co.	3,870,000
20,000	Bankers Trust New York Corp.	1,585,000
60,000	Beneficial Corp.	4,605,000
20,000	CIGNA Corp.	1,342,500
100,000	Comerica Inc.	2,637,500
30,000	CoreStates Capital Corp.	840,000
10,000	First Bank System, Inc.	317,500
60,000	Great Western Financial Corp.	1,147,500
60,000	Lincoln National Corp.	2,730,000
6,000	Morgan (J.P.) & Co., Inc.	428,250
51,200	NBD Bancorp, Inc.	1,606,400
30,000	National City Corp.	$ 780,000
20,000	Nationsbank Corp.	932,500
16,000	St. Paul Companies, Inc.	1,500,000
30,000	Synovus Financial Corp.	562,500
60,000	Unitrin, Inc.	2,700,000
		30,615,900
Oil and Gas (5.0%)		
36,000	Amoco Corp.	2,011,500

50,000	British Petroleum Co. PLC ADR(b)	3,112,500
10,000	Chevron Corp.	970,000
18,000	Equitable Resources Inc.	704,250
40,000	Exxon Corp.	2,615,000
40,000	Imperial Oil Ltd.	1,480,000
43,000	McDermott International, Inc.	1,220,125
40,000	Mobil Corp.	3,260,000
70,000	NOVA Corp. of Alberta	481,250
45,000	Occidental Petroleum Corp.	832,500
26,000	Repsol S.A. ADS(b)	770,250
50,000	Royal Dutch Petroleum Co. ADR(b)	5,287,500
65,000	Texaco Inc.	4,428,125
24,000	YPF Sociedad Anonima ADR(b)	657,000
		27,830,000
Chemicals (3.2%)		
50,000	Dow Chemical Co.	2,775,000
127,000	du Pont (E.I.) de Nemours & Co., Ltd.	6,064,250
75,000	Grace (W.R.) & Co.	2,831,250
50,000	Olin Corp.	2,318,750
75,000	Union Carbide Corp.	1,481,250
80,000	Witco Corp.	2,390,000
		17,860,500
Health Care (3.1%)		
28,000	American Cyanamid Co.	$ 1,526,000
75,000	American Home Products Corp.	4,687,500
20,000	Baxter International Inc.	475,000
3,600	Bristol-Myers Squibb Co.	211,950
65,000	Lilly (Eli) & Co.	3,518,125
8,000	McKesson Corp.	427,000
20,000	Merck & Co., Inc.	642,500
40,000	Nationwide Health Properties, Inc.	1,660,000
50,000	Upjohn Co.	1,631,250
32,000	Warner-Lambert Co.	2,224,000
		17,003,325
Consumer Non-Durables (2.8%)		
160,000	American Brands Inc.	5,520,000
16,000	Avon Products, Inc.	808,000
16,000	Clorox Co.	848,000
70,000	Kimberly-Clark Corp.	3,613,750
84,000	Philip Morris Cos., Inc.	4,515,000
		15,304,750
Business Equipment and Services (1.8%)		
60,000	IBM Corp.	2,760,000
245,000	Unisys Corp.	2,817,500
55,500	Xerox Corp.	4,398,375
		9,975,875
Retail (1.2%)		
58,000	American Stores Co. (New)	2,349,000
50,000	K-mart Corp.	1,225,000
65,000	Rite Aid Corp.	1,056,250
93,300	Shopko Stores, Inc.	967,988
55,000	Woolworth Corp.	1,244,375
		6,842,613
Real Estate (1.1%)		
100,000	Bradley Real Estate Trust	$ 925,000
20,000	Camden Property Trust(c)	517,500
34,700	Commercial Net Lease Realty, Inc.	498,813
63,000	Crown American Realty Corp.(c)	1,031,625
60,000	Dial Real Estate Investment Trust	637,500
40,000	Health Care Reit Inc.	990,000
50,000	MGI Properties	718,750
35,000	Mark Centers Trust	586,250
19,000	Taubman Centers Inc.	251,750
		6,157,188
Basic Industrial Products (1.0%)		
78,000	Ball Corp.	2,018,250
15,000	Kennametal, Inc.	601,875
20,100	NUI Corp.	570,338
60,000	Sundstrand Corp.	2,287,500
		5,477,963

Metals and Mining (0.9%)			
30,000	Carpenter Technology Corp.		1,642,500
13,000	Lukens, Inc. (Delaware)		484,250
70,000	Reynolds Metal Co.		2,957,500
			5,084,250
Transportation (0.7%)			
50,000	GATX Corp.		1,906,250
28,000	Norfolk Southern Corp.		1,855,000
			3,761,250
Conglomerates (0.6%)			
72,500	E G & G, Inc.		1,295,938
36,000	Hanson PLC ADR(b)		724,500
8,500	Ogden Corp.		204,000
19,000	TRW, Inc.		1,280,125
			3,504,563
Aerospace and Defense (0.6%)			
82,000	GenCorp Inc.	$	1,291,500
55,000	Rockwell International Corp.		1,973,125
			3,264,625
Automotive (0.4%)			
22,000	Dana Corp.		1,284,250
25,000	General Motors Corp.		1,190,625
			2,474,875
Electronics and Electrical Equipment (0.4%)			
40,000	DQE, Inc.		1,440,000
19,000	Harris Corp.		878,750
			2,318,750
Photography (0.4%)			
32,000	Eastman Kodak Co.		2,016,000
Food and Beverages (0.3%)			
90,000	Flowers Industries, Inc.		1,710,000
Forest Products (0.3%)			
10,000	Boise Cascade Corp.		205,000
50,000	Federal Paper Board Co., Inc.		1,012,500
8,000	Potlatch Corp.		351,000
			1,568,500
Environmental Control (0.2%)			
50,300	Browning-Ferris Industries, Inc.		1,138,038
Building and Construction (0.2%)			
22,000	Armstrong World Industries, Inc.		1,017,500
Publishing (0.2%)			
27,000	Times Mirror Co. Class A		891,000
Computer Software (--%)			
5,123	Computervision Corp. (acquired 8/24/92, cost $46,107)(d)	$	10,566
	Total Common Stocks (cost $205,928,316)		$206,387,631

Corporate Bonds and Notes (36.5%)(a)

Principal Amount			Value
Insurance and Finance (10.8%)			
$ 2,000,000	Bank of Scotland sub. notes, 8.8s, 2004(e)	$	2,353,750
4,200,000	Chemical Banking Corp. sub. deb., 8 5/8s, 2002		4,866,750
3,000,000	Chrysler Financial Corp. sr. note, 9 1/2s, 1999		3,511,875
5,000,000	Comerica, Inc. sub. notes, 6 7/8s, 2008		5,206,250
3,150,000	Den Danske Bank sub. notes, 6.55s, 2003(e)		3,165,750
3,000,000	First Bank System, Inc. sub. notes, 8s, 2004		3,397,500
2,000,000	Goldman, Sachs & Co. deb., 8s, 2013(e)		2,170,000
4,500,000	Great Western Finance Corp. notes, 6 1/8s, 1998		4,598,438
4,700,000	Greyhound Financial Corp. notes, 9 1/8s, 2002		5,566,563
4,490,000	Hartford National Corp. sub.		

	cap. notes, 9.85s, 1999	5,289,781
5,000,000	Home Savings of America sub. notes, 10 1/2s, 1997	5,596,875
4,300,000	Household Finance Corp. sr. notes, 7 5/8s, 2003	4,689,688
4,000,000	Integra Financial Corp. sub. deb., 8 1/2s, 2002	4,567,500
4,500,000	Paine Webber Group Inc. sr. notes, 6 1/2s, 2005	4,432,500
		59,413,220
Utilities (5.8%)		
$ 5,700,000	Beaver Valley Funding Corp. coll. lease bonds, 9s, 2017	$ 5,714,250
5,000,000	CTC Mansfield Funding Corp. secd. lease oblig. bonds 11 1/8s, 2016	5,368,750
5,000,000	Gulf States Utilities Co. 1st mtge., 8.7s, 2024	5,909,375
5,000,000	Old Dominion Electric Corp. Ser. 93-A, 1st mtge. Sinking Fund, 7.78s, 2023	5,453,125
4,700,000	Texas Utilities Electric Co. secd. lease fac. bonds, 7.46s, 2015	4,899,750
4,350,000	Toledo Edison Co. med. term notes, 7.82s, 2003	4,540,313
		31,885,563
Oil and Gas (5.6%)		
4,000,000	Arkla Inc. notes, 8s, 1997	4,030,000
4,000,000	Maxus Energy Corp. notes, 9 1/2s, 2003	4,100,000
4,000,000	McDermott, Inc. notes, 9 3/8s, 2002	4,610,000
4,000,000	Mitchell Energy & Development Corp. sr. notes, 9 1/4s, 2002	4,497,500
4,400,000	Occidental Petroleum Corp. sr. deb., 11 3/4s, 2011	5,222,250
2,200,000	Pennzoil Co. deb., 9s, 2017	2,338,875
2,700,000	Transcontinental Gas Pipe Line Corp. deb., 9 1/8s, 2107	2,848,500
3,000,000	Transcontinental Gas Pipe Line Corp. deb., 9s, 1996	3,208,125
		30,855,250
Basic Industrial Products (3.1%)		
4,200,000	Asarco, Inc. notes, 7 3/8s, 2003	4,452,000
4,000,000	Coastal Corp. sub. notes, 11 1/8s, 1998	4,270,000
$ 3,500,000	Coastal Corp. sr. notes, 10s, 2001	$ 4,114,688
4,000,000	News American Hldgs. Inc. sr. notes, 8 1/2s, 2005	4,445,000
		17,281,688
Consumer Services (2.2%)		
5,000,000	Tele-Communications, Inc. deb., 9.8s, 2012	6,275,000
5,200,000	Time-Warner Entertainment Co. notes, 9 1/8s, 2103	5,817,500
		12,092,500
Food and Beverages (2.0%)		
5,000,000	Imperial Holly Corp. sr. notes, 8 3/8s, 1999	5,234,375
5,000,000	RJR Nabisco Inc. sr. notes, 10 1/2s, 1998	5,471,875
		10,706,250
Transportation (1.8%)		
4,000,000	GATX Corp. med. term notes, 9 1/2s, 2002	4,725,000
5,000,000	Owens-Illinois, Inc. deb., 9.95s, 2004	5,350,000
		10,075,000
Business Equipment and Services (1.0%)		
5,000,000	Valassis Communication Inc.	

	sr. sub. notes, 9 3/8s, 1999	5,500,000
Conglomerates (1.0%)		
4,700,000	Pennsylvania Central Corp. sub. deb., 10 7/8s, 2011	5,478,438
Metals and Mining (0.9%)		
5,000,000	USX Corp. deb. 9 1/8s, 2013	5,181,250
Energy-Related (0.9%)		
$ 1,500,000	Tenneco, Inc. deb, 10s, 2008	$ 1,924,688
2,800,000	Tosco Corp. 1st mtge. Ser. B, 9 5/8s, 2002	3,090,500
		5,015,188
Automotive (0.8%)		
3,775,000	Chrysler Corp. deb. 10.95s, 2017	4,596,063
Retail (0.6%)		
3,000,000	Sears, Roebuck & Co. med. term notes, 8s, 1999	3,281,250
	Total Corporate Bonds and Notes (cost $192,789,762)	$201,361,660

U.S. Government and Agency Obligations (18.1%)(a)

Principal Amount		Value
	Government National Mortgage Association	
$ 4,500,000	6 1/2s, TBA, January 15, 2024(f)	$ 4,514,063
10,200,000	6 1/2s, TBA, November 15, 2023(f)	10,292,438
4,788,000	U.S. Treasury Bonds, 7 1/8s, February 15, 2023	5,387,996
14,000,000	U.S. Treasury Notes, 9 1/4s, August 15, 1998	16,629,375
36,500,000	U.S. Treasury Notes, 8 1/2s, November 15, 2000	43,514,844
2,140,000	U.S. Treasury Notes, 5 1/4s, July 31, 1998	2,179,456
8,470,000	U.S. Treasury Notes, 4 5/8s, November 30, 1994	8,562,641
$ 8,490,000	U.S. Treasury Notes, 4 1/4s, October 31, 1994	$ 8,551,022
	Total U.S. Government and Agency Obligations (cost $98,569,442)	$ 99,631,835

Convertible Bonds (4.2%)(a)

Principal Amount		Value
Insurance and Finance (1.6%)		
$ 1,200,000	Aegon NV euro. cv. sub. deb., 7s, 2001(b)(e)	$ 1,632,000
2,800,000	Chubb Corp. cv. deb., 6s, 1998	3,094,000
2,000,000	Old Republic International Corp. cv. sub. deb., 5 3/4s, 2002	2,360,000
1,200,000	Scor U.S. Corp. cv. sub. deb., 5 1/4s, 2000(e)	1,170,000
500,000	Trenwick Group, Inc. cv. deb., 6s 1999	565,000
		8,821,000
Consumer Non-Durables (0.7%)		
500,000	Fieldcrest Cannon, Inc., Sinking Fund, cv. sub. deb., 6s, 2012	415,000
2,000,000	Guilford Mills Inc. Sinking Fund, cv. sub. deb., 6s, 2012	1,885,000
1,300,000	Interface Inc. Sinking Fund, cv. deb., 8s, 2013	1,353,625
		3,653,625
Consumer Services (0.5%)		
$ 1,800,000	Hollinger, Inc. liquid yield option notes (LYON), zero%, 2013	$ 555,750

4,500,000	Tele-Communications, Inc. cv. sub. LYON, zero %, 2008	2,266,875
		2,822,625
Metals and Mining (0.4%)		
7,000,000	Freeport-McMoran, Inc. cv., zero %, 2006	2,283,750
Food and Beverages (0.3%)		
3,000,000	Seagram Co., Ltd. cv., zero %, 2006	1,631,250
Health Care (0.2%)		
900,000	Hillhaven Corp. cv. deb., 7 3/4s, 2002	1,200,375
Oil and Gas (0.2%)		
950,000	Noble Affiliates Inc. cv. deb., 4 1/4s, 2003	973,750
Transportation (0.2%)		
1,100,000	Delta Air Lines, Inc. cv. sub., 3.23s, 2003	947,375
Retail (0.1%)		
700,000	American Stores Co. cv. deb., 7 1/4s, 2001	763,000
	Total Convertible Bonds (cost $22,121,766)	$23,096,750

Convertible Preferred Stocks (2.3%)(a)

Number of Shares		Value
Insurance and Finance (1.2%)		
12,000	Chemical Banking Corp. $5.00 cv. pfd.	$ 1,002,000
5,000	Citicorp $5.375 cv. pfd.	545,000
35,000	First Bank System, Inc. Ser. 91-A, $3.5625 cv. pfd.	2,331,875
45,000	Republic New York Corp. $3.375 cv. pfd.	2,722,500
		6,601,375
Transportation (0.5%)		
20,000	AMR Corp. Ser. A, $3.00, cv. pfd.	1,080,000
30,000	Delta Air Lines, Inc. Ser. C, $3.50 cv. pfd.	1,721,250
		2,801,250
Automotive (0.2%)		
10,000	Ford Motor Co. Ser. A, $4.20 cv. pfd.	1,047,500
Oil and Gas (0.2%)		
15,000	Unocal Corp. $3.50 cv. pfd.	900,000
Consumer Non-Durables (0.1%)		
9,000	Fieldcrest Cannon, Inc. $3.00 cv. pfd.(e)(g)	522,000
Basic Industrial Products (0.1%)		
10,000	AGCO Corp. $1.625 cv. pfd.	400,000
Metals and Mining (--%)		
6,000	Cyprus Amax, Inc. Ser. A, $4.00 cv. pfd.	394,500
Forest Products (--%)		
10,000	Boise Cascade Corp. Ser. G, $1.58 cv. pfd.	215,000
	Total Convertible Preferred Stocks (cost $11,622,165)	$ 12,881,625

Asset-Backed Securities (0.9%)(a) (cost $4,560,932)

Principal Amount		Value

Transportation (0.9%)

$ 4,700,000	Delta Air Lines Equipment Trust 10s, 2013(e)	$ 4,855,678

Preferred Stocks (0.4%)(a)

Number of Shares		Value
Utilities (0.2%)		
10,000	Cleveland Electric Iluminating Co., Sinking Fund, Ser. N, $9.125 pfd.	$ 1,022,500
Forest Products (0.2%)		
35,000	Boise Cascade Corp. Ser. F, $2.35 dep. shs. pfd.	927,500
	Total Preferred Stocks (cost $1,959,600)	$ 1,950,000

Short-Term Investments (2.6%)(a) (cost $14,110,468)

Principal Amount		Value
$14,107,000	Interest in $363,172,000 joint repurchase agreement dated October 29, 1993 with Nomura Securities, Inc. due November 1, 1993 with respect to various U.S. Treasury obligations maturity value of $14,110,468 for an effective yield of 2.95%	$ 14,110,468
	Total Investments (cost $551,662,451)(h)	$564,275,647

(a) Percentages indicated are based on net assets of $551,390,958, which correspond to a net asset value per share of $9.28.

(b) Securities whose values are determined or significantly influenced by trading on exchanges not in the United States or Canada. ADR or ADS after the name of a foreign holding stands for American Depository Receipt or American Depository Shares, respectively, representing securities on deposit with a domestic custodian bank.

(c) Non-income-producing security.

(d) Restricted, excluding 144A securities, as to public resale. At the date of acquisition, this security was valued at cost. There were no outstanding unrestricted securities of the same class as that held. Total market value of restricted securities owned at October 31, 1993 was $10,566 or less than 0.01% of net assets.

(e) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration normally to qualified institutional buyers. At October 31, 1993, these securities amounted to $15,869,178 or 2.9% of net assets.

(f) TBA's are mortgage-backed securities traded under delayed delivery commitments, settling after October 31, 1993. Although the unit price for the trades has been established, the principal value has not been finalized. However, the amount of the commitments will not fluctuate more than 2.0% from the principal amount. Income on such securities will not be earned until settlement date. The cost of TBA purchases held at October 31, 1993 was $14,759,279 or 2.7% of net assets.

(g) This security, having an aggregate value of $522,000 or 0.09% of the Fund's net assets, has been purchased on a "when-issued" basis -- that is, the Fund has agreed to take delivery of and make payment for such security beyond the settlement time of 5 business days after the trade date. The purchase price and dividend rate of such security are fixed at the trade date, although the Fund does not earn any income on such security until the settlement date.

(h) The aggregate identified cost for federal income tax purposes is $551,936,094 resulting in gross unrealized appreciation and depreciation of $33,792,716 and $21,453,163, respectively, or net unrealized appreciation of $12,339,553.

<TABLE>
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Statement of
assets and liabilities
October 31, 1993

<S> <C>	<C>	
Assets		
Investments in securities, at value (identified cost $551,662,451) (Note 1)		$564,275,647
Cash		235,767
Dividends, interest and other receivables		7,143,714
Receivable for shares of the Fund sold		48,399
Receivable for securities sold		19,129,174
Total assets		590,832,701
Liabilities		
Payable for securities purchased	$37,437,303	
Payable for shares of the Fund repurchased	787,446	
Payable for compensation of Manager (Note 2)	898,622	
Payable for administrative services (Note 2)	1,542	
Payable for compensation of Trustees (Note 2)	267	
Payable for investor servicing and custodian fees (Note 2)	123,082	
Payable for distribution fees (Note 2)	113,952	
Other accrued expenses	79,529	
Total liabilities		39,441,743
Net assets		$551,390,958
Represented by		
Paid-in capital (Note 4)		$599,007,819
Distributions in excess of net investment income		(193,287)
Accumulated net realized loss on investment and option transactions		(60,036,770)
Net unrealized appreciation of investments		12,613,196
Total -- Representing net assets applicable to capital shares outstanding		$551,390,958
Computation of net asset value and offering price		
Net asset value and redemption price per share ($551,390,958 divided by 59,389,922 shares)		$9.28
Offering price per share (100/94.25 of $9.28)*		$9.85

*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

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Statement of
operations

Year ended October 31, 1993

<S> <C>	<C>	
Investment income:		
Interest		$27,075,689
Dividends (net of foreign tax of $119,971)		9,119,729
Total investment income		36,195,418
Expenses:		
Compensation of Manager (Note 2)	$3,771,529	
Investor servicing and custodian fees (Note 2)	793,007	
Compensation of Trustees (Note 2)	23,647	
Auditing	50,372	
Legal	15,532	
Distribution fees (Note 2)	1,406,671	
Administrative services (Note 2)	26,194	
Registration fees	350	

Other	6,260	
Total expenses		6,093,562
Net investment income		30,101,856
Net realized gain on investments (Notes 1 and 3)		14,464,868
Net realized loss on options (Notes 1 and 3)		(3,131,875)
Net unrealized appreciation of investments and options during the year		57,208,336
Net gain on investments and options		68,541,329
Net increase in net assets resulting from operations		$98,643,185

/TABLE

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Statement of
changes in net assets

<S> <C>	Year ended October 31 1993 <C>	1992
Decrease in net assets		
Operations:		
Net investment income	$ 30,101,856	$ 12,356,390
Net realized gain on investments	14,464,868	71,475,985
Net realized loss on options	(3,131,875)	(3,248,382)
Net unrealized appreciation (depreciation) of investments and options	57,208,336	(9,746,293)
Net increase in net assets resulting from operations	98,643,185	70,837,700
Undistributed net investment income included in price of shares sold and repurchased, net	(225,742)	(57,190)
Distributions to shareholders:		
From net investment income	(29,766,067)	(12,409,247)
In excess of net investment income	(193,287)	--
From net realized gain on investments	(15,555,868)	(62,403,913)
Decrease from capital share transactions (Note 4)	(134,692,175)	(62,644,623)
Total decrease in net assets	(81,789,954)	(66,677,273)
Net assets		
Beginning of year	633,180,912	699,858,185
End of year (including distributions in excess of net investment income of $193,287 and $110,047, respectively)	$551,390,958	$633,180,912

/TABLE

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Financial highlights*
(For a share outstanding throughout the period)

<S> <C>	<C>	<C>	<C>	<C>	<C> Year ended October 31	
1993	1992***	1991	1990	1989	1988	
Net Asset Value, Beginning of Period	$8.50	$8.56	$7.47	$9.34	$9.15	$9.05
Investment Operations						
Net Investment Income	.45	.16	.21	.31	.39	.23
Net Realized and Unrealized Gain (Loss) on Investments and Options	.99	.74	1.87	(1.03)	1.00	1.37
Total from Investment Operations	1.44	.90	2.08	(.72)	1.39	1.60
Less Distributions from:						
Net Investment Income	(.45)	(.16)	(.21)	(.31)	(.39)	(.27
Net Realized Gain on Investments(b)	(.21)	(.80)	(.75)	--	(.31)	(.23)
Paid-in Capital(b)	--	--	(.03)	(.84)	(.50)	(1.00)
Total Distributions	(.66)	(.96)	(.99)	(1.15)	(1.20)	(1.50)
Net Asset Value, End of Period	$9.28	$8.50	$8.56	$7.47	$9.34	$9.15
Total Investment Return at Net Asset Value (%)(c)	17.68	11.15	29.29	(8.64)	16.30	19.81

Net Assets, End of Period (in thousands)	$551,391	$633,181	$699,858	$724,871	$1,138,983	$1,391,983
Ratio of Total Expenses to Average Net Assets (%)	1.02	1.11	1.09	1.03	.82	.81
Ratio of Net Investment Income to Average Net Assets (%)	5.06	1.87	2.56	3.65	4.20	2.57
Portfolio Turnover (%)	224.28	118.43	135.18	152.06	117.59	31.21

See page 20 for notes to financial highlights.

</TABLE>
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Three months ended 1987	October 31 1987	Year ended 1986	For the period April 19, 1985 (commencement of operations) to July 31 1985**	July 31
<S> <C>	<C>	<C>	<C>	
Net Asset Value, Beginning of Period	$11.76	$11.40	$11.95	$11.71
Investment Operations				
Net Investment Income	.05	.20	.27	.12(a)
Net Realized and Unrealized Gain (Loss) on Investments and Options	.(2.34)	1.90	1.03	.12
Total from Investment Operations	(2.29)	2.10	1.30	.24
Less Distributions from:				
Net Investment Income	(.02)	(.37)	(.40)	--
Net Realized Gain on Investments(b)	(.40)	(1.37)	(1.45)	--
Paid-in Capital(b)	--	--	--	--
Total Distributions	(.42)	(1.74)	(1.85)	--
Net Asset Value, End of Period	$ 9.05	$11.76	$11.40	$11.95
Total Investment Return at Net Asset Value (%)(c)	(80.80)(d)	20.39	11.87	7.32(d)
Net Assets, End of Period (in thousands)	$1,497,312	$1,868,298	$1,026,462	$171,869
Ratio of Total Expenses to Average Net Assets (%)	.75(d)	.78	.82	1.03(a)(d)
Ratio of Net Investment Income to Average Net Assets (%)	1.79(d)	1.78	2.24	2.73(a)(d)
Portfolio Turnover (%)	49.66(e)	214.89	197.96	23.41(e)

*Financial highlights for periods ended through October 31, 1992 have been restated to conform with requirements issued by the SEC in April, 1993.

**Activity for the period from March 5, 1985 to April 18, 1985 is not included.

***During fiscal 1992, the Fund expanded its investment flexibility to include corporate bonds, foreign securities, warrants and restricted securities. Accordingly, results of operations prior to fiscal 1992, as presented above may not reflect those that would have been achieved under the Fund's current investment policies (Note 1).

(a)Reflects a voluntary expense limitation in effect during the period. As a result of such limitation, expenses of the Fund for the period ended July 31, 1985 reflect a reduction of less than $0.01 per share.

(b)See Note 1 to the Financial statements. For federal income tax purposes, $0.02 per share of net investment income distributions were redesignated as distributions from paid-in capital for the year ended October 31, 1991, $0.02 per share of paid-in-capital distributions were redesignated as distributions from net investment income for the year ended October 31, 1990, and $0.02 per share of paid-in capital were redesignated as distributions from net realized gains for the year ended October 31, 1989. For the year ended October 31, 1988, $0.148 per share of net realized capital gains distributions represented return of capital for federal income tax purposes.

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

(d)Annualized.

(e)Not annualized.

/TABLE

Notes to
financial statements
October 31, 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 high current return by investing in a diversified portfolio of equity and debt securities.

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 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 value, and other investments are stated at fair value following procedures approved by the Trustees. (See paragraph F of Note 1 with respect to valuation of options outstanding).

B) TBA purchase commitments The Fund may enter into "TBA" (to be announced) purchase commitments to purchase securities for a fixed unit price at a future date beyond customary settlement time. Although the unit price has been established, the principal value has not been finalized. However, the amount of the commitment will not fluctuate more than 2.0% from the principal amount. The Fund holds, and maintains until settlement date, cash or high-grade debt obligations in an amount sufficient to meet the purchase price, or the Fund enters into offsetting contracts for the forward sale of other securities it owns. TBA purchase commitments may be considered securities in themselves, and involve a risk of loss if the value of the security to be purchased declines prior to the settlement date, which risk is in addition to the risk of decline in the value of the Fund's other assets. Unsettled TBA purchase commitments are valued at the current market value of the underlying securities, generally according to the procedures described under "Security valuation" above.

Although the Fund will generally enter into TBA purchase commitments with the intention of acquiring securities for its portfolio or for delivery pursuant to options contracts it has entered into, the Fund may dispose of a commitment prior to settlement if Putnam Management deems it appropriate to do so.

C) 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 of other registered investment companies managed by Putnam Investment Management, Inc. (Putnam Management) (formerly known as Putnam Management Company, Inc.), the Fund's Manager, a wholly-owned subsidiary of Putnam Investments, Inc. (formerly known as The Putnam Companies, Inc.), and certain other accounts. These balances may be invested in one or more repurchase agreements and/or short-term money market instruments.

D) Repurchase agreements The Fund, or any joint trading account, 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.

E) 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.

F) Option accounting principles When the Fund writes a call or put option, an amount equal to the premium received by the Fund is included in the Fund's "Statement of assets and liabilities" as an asset and an equivalent liability. The amount of the liability is subsequently "marked-to-market" to reflect the current market value of the option written. The current market value of a written option is the last sale price or, in the absence of a sale, the last offering price. If an option expires on its stipulated expiration date, or if the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of a closing purchase transaction exceeds the premium received when the option was written) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is extinguished. If a written call option is exercised, the Fund realizes a gain or loss from the sale of the underlying security and the proceeds of the sale are increased by the premium originally received. If a written put option is exercised, the amount of the premium originally received reduces the cost of the security which the Fund purchases upon exercise of the option.

The Fund writes covered call options; that is, options for which it holds the underlying security or its equivalent. Accordingly, the risk in writing a call option is that the Fund relinquishes the opportunity to profit if the market price of the underlying security increases and the option is exercised. In writing a put option, the Fund assumes the risk of incurring a loss if the market price of the underlying security decreases and the option is exercised.

The premium paid by the Fund for the purchase of an option is included in the Fund's "Statement of assets and liabilities" as an investment and is subsequently "marked-to-market" to reflect the current market value of the option. If an option the Fund has purchased expires on the stipulated expiration date, the Fund realizes a loss in the amount of the cost of the option. If the Fund enters into a closing sale transaction, the Fund realizes a gain or loss, depending on whether the proceeds from the closing sale transaction are greater or less than the cost of the option. If the Fund exercises a call option, the cost of the securities acquired by exercising the call is increased by the premium paid to buy the call. If the Fund exercises a put option, it realizes a gain or loss from the sale of the underlying security and the proceeds from such sale are decreased by the premium originally paid.

Stock index options are similar to options on individual securities in that the purchaser of an index option acquires the right to buy, and the writer undertakes the obligation to sell, an index at a stated exercise price during the term of the option. Instead of giving the right to take or make actual delivery of securities, the holder of a stock index option has the right to receive a cash exercise settlement amount. This amount is equal to the amount by which the fixed exercise price of the option exceeds (in the case of a put) or is less than (in the case of a call) the closing value of the underlying index on the date of the exercise, multiplied by a fixed "index multiplier." The Fund writes options on stock indices only to the extent that it holds in its portfolio underlying securities, which, in the judgment of Putnam Management, correlate closely with the stock index.

G) 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 on securities held and excise tax on income and capital gains.

H) Distributions to shareholders Distributions to shareholders are recorded by the Fund on the ex-dividend date. Distributions are declared from projected net investment income and net realized short-term capital gains that the Fund is likely to earn over the longer term.

I) Equalization The Fund follows the accounting practice known as equalization by which a portion of the proceeds from sales and costs of repurchases of shares of beneficial interest equivalent, on a per share basis, to the amount of distributable investment income on the date of the transaction is credited or charged to undistributed net investment income. As a result, undistributed net investment income per share is unaffected by sales or repurchases of Fund shares.

Note 2
Management fee,
administrative
services, and
other transactions

Compensation of Putnam Investment Management, 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, 0.50% of the next $500 million, 0.45% of any amount over $1.5 billion. This fee is subject, under current law, 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.

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 year ended October 31, 1993, the Fund paid $26,194 for these services.

Trustees of the Fund receive an annual Trustee's fee of $1,520, 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 are provided by the 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 year ended October 31, 1993, amounted to $793,007. Investor servicing and custodian fees reported in the Statement of operations for the year ended October 31, 1993, have been reduced by credits allowed by PFTC.

The Fund has adopted a distribution plan ("The Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940. The purpose of the Plan is to compensate Putnam Mutual Funds Corp. (formerly known as Putnam Financial Services, Inc.), a wholly-owned subsidiary of Putnam Investments, Inc., for services provided and expenses incurred by it in distributing shares of the Fund. The Trustees have approved payment by the Fund to Putnam Mutual Funds Corp. at an annual rate of 0.25% of the Fund's average net assets. For the period ended October 31, 1993, the Fund paid $1,406,671 in distribution fees.

During the year ended October 31, 1993, Putnam Mutual Funds Corp., acting as an underwriter, received net commissions of $63,319 from the sale of shares of the Fund.

Note 3
Purchases
and sales of

securities

During the year ended October 31, 1993, purchases and sales of investment securities other than U.S. government obligations and short-term investments aggregated $617,270,689 and $787,061,316, respectively. Purchases and sales of U.S. government obligations aggregated $642,385,803 and $543,011,319, respectively. In determining the net gain or loss on securities sold, the cost of securities has been determined on the identified cost basis.

Written options on stock indices during the year are summarized as follows:

	Number of Contracts	Premiums Received
Options outstanding at beginning of year	4,000	$3,738,125
Options expired	(4,000)	(3,738,125)
Written options outstanding at end of year	--	$ --

Purchased option transactions during the year are summarized as follows:

	Number of Contracts	Cost
Options outstanding at beginning of year	4,000	$6,870,000
Options expired	(4,000)	(6,870,000)
Purchased options outstanding at end of year	--	$ --

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Note 4
Capital shares

At October 31, 1993, there was an unlimited number of shares of beneficial interest authorized. Transactions in capital shares were as follows:

<S> <C> <C> <C> <C>

	Year ended October 31			
	1993		1992	
	Shares	Amount	Shares	Amount
Shares sold	2,314,999	$ 20,453,900	2,988,710	$ 25,508,714
Shares issued in connection with reinvestment of distributions	2,676,939	23,302,220	4,333,326	36,374,197
	4,991,938	43,756,120	7,322,036	61,882,911
Shares repurchased	(20,087,445)	(178,674,037)	(14,631,240)	(124,584,724)
Portion represented by undistributed net investment income	--	225,742	--	57,190
Net decrease	(15,095,507)	$(134,692,175)	(7,309,204)	$(62,644,623)

/TABLE

Federal tax information

For the fiscal year ended October 31, 1993, the Fund made distributions of $0.45 per share from net investment income gain, constitute "dividend income" for federal income tax purposes. The Fund has designated 18.53% of the investment income as qualifying for the dividends-received deductions for corporations.

In addition, the long-term capital gain of $0.21 per share is taxable as "capital gains" for federal income tax purposes.

The Form 1099 you will receive in January 1994 will show the tax status of all distributions paid to your account in calendar 1993.

As required by law, your Fund reports to the Internal Revenue Service on a calendar year basis the amount of distributions paid to each shareholder.

Fund performance supplement

Putnam Managed Income Trust is a fund managed for current return through a diversified portfolio of equity and fixed income securities.

The Lehman Brothers Government/Corporate Bond Index is an unmanaged list of publicly issued U.S. Treasury obligations, debt obligations of U.S. government agencies (excluding mortgage-backed securities), fixed rate, nonconvertible investment-grade corporate debt securities and U.S. dollar-denominated SEC-registered nonconvertible debt issued by foreign governmental entities or international agencies and assumes reinvestment of all distributions.

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.

Putnam
Managed
Income
Trust

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

Investor servicing agent
Putnam Investor Services
Mailing address:
P.O. Box 41203
Providence, RI 02940-1203
1-800-225-1581

Custodian
Putnam Fiduciary
Trust Company

Legal counsel
Ropes & Gray

Independent accountants
Price Waterhouse

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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George Putnam
President

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Executive Vice President

Patricia C. Flaherty
Senior Vice President

Lawrence J. Lasser
Vice President

Gordon H. Silver
Vice President

John R. Verani
Vice President

Peter Carman
Vice President

Thomas V. Reilly
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Edward Bousa
Vice President
and Fund Manager

William N. Shiebler
Vice President

John D. Hughes
Vice President
and Treasurer

Paul O'Neil
Vice President

Beverly Marcus
Clerk and Assistant
Treasurer

This report is for the information of shareholders of Putnam Managed Income Trust. 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.

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(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.