

PUTNAM MASTER INTERMEDIATE INCOME TRUST
Form N-CSR
November 25, 2003

Putnam
Master
Intermediate
Income Trust

Item 1. Report to Stockholders:

The following is a copy of the report transmitted to stockholders pursuant to Rule 30e-1 under the Investment Company Act of 1940:

ANNUAL REPORT ON PERFORMANCE AND OUTLOOK

9-30-03

[GRAPHIC OMITTED: YELLOW WATCH DUO]

[SCALE LOGO OMITTED]

From the Trustees

[GRAPHIC OMITTED: PHOTO OF JOHN A. HILL AND GEORGE PUTNAM, III]

John A. Hill and
George Putnam, III

Dear Fellow Shareholder:

You may have seen media coverage of market timing allegations involving Putnam Investments. A separate letter has been sent to you detailing the steps being taken by Putnam Investments to address these matters. In addition, the Board of Trustees of The Putnam Funds is conducting an independent investigation of these issues. When that investigation is complete, we will report to you on the steps we are taking to make sure that nothing like this happens in the future. We will, of course, ensure that your fund is fully compensated for any losses resulting from improper trading activity at Putnam. We appreciate your loyalty and want you to know that we intend to restore full confidence in Putnam, an organization that aspires to the highest ethical and business standards.

The balance of this report focuses on the performance of your fund. We are pleased to report that Putnam Master Intermediate Income Trust recorded a robust gain, at net asset value, for the fiscal year ended September 30, 2003. It strongly outperformed its primary benchmark index, though it came in slightly below its Lipper category average. You will find the details on the facing page.

The management team's decision to focus more heavily on lower-rated higher-yielding bonds provided the impetus behind these results. Their efforts to reduce the fund's sensitivity to interest-rate changes proved successful and a favorable currency strategy also contributed to the positive performance.

In the following report, the managers provide a detailed discussion of their approach to the market environment that prevailed during the period. They also offer their views on the fund's prospects for fiscal 2004.

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Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill
Chairman of the Trustees

George Putnam, III
President of the Funds

November 19, 2003

Report from Fund Management

Fund highlights

- * During the fiscal year ended September 30, 2003, Putnam Master Intermediate Income Trust had a total return at net asset value (NAV) of 20.42%. The fund's return at market price was 8.35%.
- * The fund outperformed its primary benchmark, the Lehman Government Credit Index, which returned 6.51% during the period. The fund's other comparative indexes, the Citigroup Non-U.S. World Government Bond Index and the JP Morgan Global High Yield Index, returned 17.80% and 27.18%, respectively.
- * Due to its underweighting in emerging-market securities, the fund underperformed the average return of 21.85% for the Lipper Flexible Income Funds (closed-end) category.
- * The fund's lower performance at market price was primarily the result of a reduction in the fund's dividend, which occurred in February 2003. See page 5 for details.
- * See the Performance Summary beginning on page 7 for complete fund performance, comparative performance, and Lipper data.

Performance commentary

The fund's fiscal year began just weeks before a turning point in the bond market. Starting in mid October 2002, higher-yielding, non-Treasury bonds began to significantly outperform Treasuries. This outperformance benefited the fund, which was invested predominantly in such bonds -- corporate investment-grade and high-yield bonds, emerging-market bonds, and mortgage-backed securities. As bonds from these sectors appreciated, the credit spread, or difference in yield between Treasuries and these higher-yielding securities, narrowed, bolstering the fund's returns. As a result, the fund strongly outperformed its benchmark index, which is composed of lower-yielding, higher-quality bonds (including Treasuries). The fund's underperformance of its Lipper category average reflects our underweighting of emerging-market securities relative to other funds in the category, discussed further on page 3.

FUND PROFILE

Putnam Master Intermediate Income Trust seeks high current income and relative stability by investing in limited-maturity bonds in the investment-grade and high-yield sectors, as well as non-U.S. bond markets. The fund is designed for investors seeking high current income, asset class diversification, or both.

The significantly lower return at market price reflects a reduction in the fund's dividend, which caused investor demand for the fund -- a key

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factor in market price performance -- to decline.

Market overview

The beginning of this fund's fiscal year in October 2002 marked a seminal change in the global credit markets. Hints of an economic recovery, a passing of the September 11 anniversary, and an improvement in the stock market all contributed to a sudden improvement in the direction of credit spreads. As a result, investment-grade corporate bonds, high-yield corporate bonds, and emerging-market bonds all significantly outperformed U.S. Treasuries over the course of the reporting period.

In July and August of 2003, Treasury prices declined sharply after rallying in May and the first half of June. Having reached a historical low of 3.11% on June 13, the benchmark 10-year Treasury yield -- which moves in the opposite direction to its price -- then increased by over one and a half percentage points by the beginning of September -- an extremely large increase for a 10-week period. While this event shook all fixed-income sectors, higher-yielding bonds with lower sensitivity to interest-rate changes (which made up much of the fund's portfolio) fared much better than Treasuries.

Mortgage-backed securities performed well for much of the year, but their performance suffered somewhat during the summer because of excessive refinancing. When homeowners refinance their mortgages at lower rates, they "prepay" their existing mortgages, hurting investors who have been receiving these higher levels of interest income.

Emerging markets generally fared well, with above-average returns that we attribute to higher commodity prices, especially oil prices. The dollar continued to move lower relative to other major currencies, including the yen and the euro, as low interest rates and the threat of deflation in the United States caused global investors to seek higher returns in other countries.

MARKET SECTOR PERFORMANCE 12 MONTHS ENDED 9/30/03

Bonds

| | |
|---|--------|
| Lehman Government Credit Index | 6.51% |
| JP Morgan Global Diversified Emerging Markets Index | 29.19% |
| Citigroup Non-U.S. World Government Bond Index (international bonds) | 17.80% |
| JP Morgan Global High Yield Index (high-yield bonds) | 27.18% |

Equities

| | |
|---|--------|
| S&P 500 Index (broad stock market) | 24.40% |
| Russell 2000 Growth Index (small-company growth stocks) | 41.72% |
| Russell 2000 Value Index (small-company value stocks) | 31.66% |

These indexes provide an overview of performance in different market sectors for the 12 months ended 9/30/03.

Strategy overview

Several of the fund's areas of emphasis -- including high-yield bonds, mortgage-backed securities (MBSs), and international bonds -- performed well during the period. Our significant allocation to high-yield corporate bonds, which increased during the second half of the period, was particularly helpful, as they were among the strongest-performing fixed-income securities over the period. As yield spreads narrowed toward the end of the period, we reduced this allocation, but still maintain a large high-yield weighting. We sought to keep the fund's exposure to another higher-risk area of the portfolio -- emerging-market securities -- low (relative to the fund's competitors). Because this subgroup of the fund's international holdings delivered strong performance, our strategy detracted from the fund's relative performance.

Over the second half of the fiscal year, the fund was much less sensitive to interest-rate changes than other funds in its category, reflecting our decision to keep the portfolio duration (a measure of interest-rate sensitivity) relatively short. While rates continued to decline in May and June, this positioning hurt relative performance, but when rates spiked in July and August, the fund gained significant ground against funds in its peer group. The fund's currency strategy has been on target; we emphasized the Australian dollar and European currencies, and continued to underweight the U.S. dollar. Toward the end of the fiscal year, we also began to increase our emphasis on the yen. All of these positions were beneficial to the fund's absolute and relative performance.

[GRAPHIC OMITTED: horizontal bar chart SECTOR WEIGHTINGS COMPARED]

SECTOR WEIGHTINGS COMPARED

| | as of 3/31/03 | as of 9/30/03 |
|-----------------------|------------------|------------------|
| High yield | 45.9% | 48.1% |
| U.S. investment grade | 31.1% | 27.2% |
| International | 23.0% | 24.7% |

Footnote reads:

This chart shows how the fund's weightings have changed over the last six months. Weightings are shown as a percentage of total investment portfolio. Holdings will vary over time.

How fund holdings and sector allocations affected performance

Throughout the year, the fund's largest sector weighting (close to half of its assets) was in high-yield bonds, and this position was a significant contributor to the fund's strong returns during the period. High-yield bonds have performed well during the past 12 months for several reasons. Among the most important is the decline in default

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rates. Although still high by historical standards, corporate defaults have steadily declined since hitting a peak in January 2002. This trend has been seen as a positive sign that, if it continues, may help high-yield bond performance over the next several years. Second, fixed-income investors have been seeking higher yields and have become more willing to take on risk in exchange. As a result, high-yield bonds have significantly outperformed Treasuries, causing a narrowing in the yield spread between Treasuries and high-yield bonds. This narrowing has been another strong driver of high-yield bond performance. Finally, corporations are generally focusing on reducing debt, improving their balance sheets, and increasing profits -- all of which have generally helped improve credit quality in the high-yield market.

[GRAPHIC OMITTED: TOP HOLDINGS]

TOP HOLDINGS

High Yield Sector

- 1 HMM Properties, Inc.
Company guaranty, Ser B, 7 78s, 2008
- 2 Qwest Services Corp
144A notes 13 12s, 2010
- 3 Pioneer Natural Resources Co.
Company guaranty 9 58s, 2010

International Sector

- 1 Russia (Federation of)
Unsubordinated bonds 8 14s, 2010
- 2 United Kingdom
Treasury bonds, 7 12s, 2006
- 3 Germany (Federal Republic of)
Bonds, Ser. 95 7 38s, 2005

U.S. Investment Grade Sector

- 1 Government National
Mortgage Association
Pass through certificates, 5s, TBA
October 1, 2033
- 2 Federal National Mortgage Association
Pass through certificates, 6 12s, TBA
October 1, 2032
- 3 US Government Treasury notes
1 58s, March 31, 2005

Footnote reads:

These holdings represent 16.5% of the funds net assets as of 9/30/03. Portfolio holdings will vary over time.

Bonds of several corporate high-yield issuers performed well for the fund during the past year, including those of HMM Properties, Inc. and Qwest Services Corp. HMM, which owns the Marriott hotel chain, has benefited from an improvement in the hotel business since 9/11. The

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company is financially strong and has dependable cash flows. Qwest, a telecommunications company, has increased significantly in price and is one of the fund's top-performing high-yield holdings. We felt it was attractively valued, and the market has concurred in the past six months. Qwest has worked through an SEC investigation of its accounting practices, sold its directory business, and cut costs and reduced debt.

Some industrial holdings made positive contributions in the high-yield portion of the fund, including Tyco, a conglomerate, and Georgia Pacific, a large paper company. These firms benefited from the strength of the high-yield bond market and the recovering economy, which has translated into increased availability of funding for them.

The fund's holdings of AK Steel Corp. and Collins and Aikman Products, an auto and truck parts maker, detracted from performance during the period due to disappointing earnings. However, if the economy continues to grow, as we believe it will, we expect these holdings to benefit. We have maintained the fund's positions. Mortgage-backed securities (MBSs), a subgroup within the fund's U.S. investment-grade sector, were among the weakest-performing securities in the fund on a relative basis, primarily because of the refinancing crunch that occurred in the spring and summer of 2003. However, our strategy of investing in different types of MBSs helped us take advantage of the diversification this sector offers while maximizing the available opportunities. For example, we invested in commercial mortgage-backed securities, which are less prone to refinancing than residential mortgages, as well as agency-wrapped FHA/VA reperforming MBSs. These are traditional mortgage-backed securities in which the borrowers have become delinquent on making payments for a period of time and, as a result, the securities are less likely to be refinanced. Because these securities are guaranteed by government-sponsored agencies (Fannie Mae and Freddie Mac), they do not represent a major credit risk, and the fund has benefited from the higher income that they produce.

The fund's international bonds benefited from slowing global economies, especially in Europe, where the fund's Swedish government bonds outperformed. These securities attracted investors in part because they outperformed German government bonds. Canadian and New Zealand government bonds also performed well for the fund, benefiting from the countries' commodity-based economies. European high-yield bonds, a small allocation in the fund, had weaker performance than their U.S. counterparts, primarily as a result of slower economic growth in Europe, but they still made a solid contribution during the year.

Please note that all holdings discussed in this report are subject to review in accordance with the fund's investment strategy and may vary in the future.

OF SPECIAL INTEREST

As a result of significant declines in the yields of shorter- and intermediate-duration bonds over the past several years, the level of income produced by the fund's holdings has declined. In February 2003, the fund lowered its distribution rate from \$0.045 per share to \$0.038 per share.

The fund's management team

This fund is managed by the Putnam Core Fixed-Income Team. The members of this team are D. William Kohli (Portfolio Leader), David Waldman (Portfolio Member), Carl Bell, Rob Bloemker, Andrea Burke, Kevin Cronin, Steve Horner, Michael Salm, and John Van Tassel.

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The outlook for your fund

The following commentary reflects anticipated developments that could affect your fund over the next six months, as well as your management team's plans for responding to them.

We anticipate continued interest-rate volatility in the coming months as investors come to terms with two different economic scenarios. The first is a continuation of the cyclical recovery from recession, which has been stimulated by tax cuts, low interest rates, and increased capital spending among corporations, as well as signs of growth in Asia. These trends, if they continue, could lead to faster growth and potentially higher inflation. Higher inflation, in turn, could lead to higher interest rates, which would hurt your fund's performance. In the second scenario, certain structural "headwinds" could dampen growth. These inhibitors may include lower-than-expected corporate profits, a decline in consumer spending, a lack of new job creation, and a dearth of much-needed corporate capital spending. A positive effect of slower growth would be lower inflation and lower interest rates, which would be positive for the bond market and for your fund.

The conflict between stimulating and inhibiting forces on the economy may produce higher volatility in the bond market in the months ahead, but we believe that your fund's holdings, which are well diversified and generally less sensitive to interest-rate movements than Treasuries, should continue to perform as the economy sorts itself out. Since the fund is so well diversified, certain sectors and holdings in the portfolio have the potential to benefit from either faster or slower growth. For example, the fund's emphasis on a shorter portfolio duration, which is designed to reduce sensitivity to interest-rate changes, may help mitigate the negative impact of rising interest rates, while the fund's high-yield bond holdings should benefit from continued strength in the economy.

We would like to caution shareholders that the strong returns of the past year are well above the historical average for a fund of this type, and that this strong performance is not likely to be repeated. That being said, we believe that for those seeking income, investing in a well-diversified fund such as this one remains a sensible approach.

The views expressed in this report are exclusively those of Putnam Management. They are not meant as investment advice. International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Additional risks may be associated with emerging markets securities, including illiquidity and volatility. Lower-rated bonds may offer higher yields in return for more risk. Mutual funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk.

Performance summary

This section provides information about your fund's performance during its fiscal year, which ended September 30, 2003. Performance should always be considered in light of a fund's investment strategy. Past performance does not indicate future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate and you may have a gain or a loss when you sell your shares. A profile of your fund's strategy appears on the first page of this report. See page 8 for definitions of some terms used in

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this section.

TOTAL RETURN FOR PERIODS ENDED 9/30/03

| | NAV | Market price |
|---------------------------------|--------|--------------|
| 1 year | 20.42% | 8.35% |
| 5 years | 33.98 | 29.04 |
| Annual average | 6.02 | 5.23 |
| 10 years | 86.65 | 82.09 |
| Annual average | 6.44 | 6.18 |
| Life of fund (since 4/29/88) | | |
| Annual average | 7.92 | 6.81 |

Performance does not reflect taxes on reinvested distributions.

COMPARATIVE INDEX RETURNS FOR PERIODS ENDED 9/30/03

| | Lehman Govt. Credit Index | Citigroup Non-U.S. World Govt. Bond Index | JP Morgan Global High Yield Index+ | CSFB High Yield Index | Lipper Flexible Income Funds (closed-end) category average* |
|---------------------------------|------------------------------------|--|---|-----------------------------|--|
| 1 year | 6.51% | 17.80% | 27.18% | 28.05% | 21.85% |
| 5 years | 38.24 | 27.17 | 29.84 | 32.62 | 31.51 |
| Annual average | 6.69 | 4.92 | 5.36 | 5.81 | 5.29 |
| 10 years | 95.82 | 80.00 | -- | 99.52 | 78.39 |
| Annual average | 6.95 | 6.05 | -- | 7.15 | 5.90 |
| Life of fund (since 4/29/88) | | | | | |
| Annual average | 8.50 | 7.02 | -- | 9.09 | 8.06 |

Index and Lipper results should be compared to fund performance at net asset value.

* Over the 1-, 5-, and 10-year periods ended 9/30/03, there were 12, 12, and 9 funds, respectively, in this Lipper category.

+ This comparative index replaced the CSFB High Yield Index on 12/30/02 because, in Putnam Management's opinion, the securities tracked by this index more accurately reflect the types of securities generally held by the fund. The JP Morgan Global High Yield Index's inception date was 12/31/93.

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| PRICE AND DISTRIBUTION INFORMATION 12 MONTHS ENDED 9/30/03 | | |
|--|---------|--------------|
| Distributions (number) | 12 | |
| Income | \$0.484 | |
| Capital gains | -- | |
| Total | \$0.484 | |
| Share value: | NAV | Market price |
| 9/30/02 | \$6.26 | \$6.38 |
| 9/30/03 | 6.99 | 6.41 |
| Current return (end of period) | | |
| Current dividend rate 1 | 6.52% | 7.11% |

1 Most recent distribution, excluding capital gains, annualized and divided by NAV or market price at end of period.

Terms and definitions

Total return shows how the value of the fund's shares changed over time, assuming you held the shares through the entire period and reinvested all distributions in the fund.

Net asset value (NAV) is the value of all your fund's assets, minus any liabilities divided by the number of outstanding shares.

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

Comparative indexes

Citigroup (formerly Salomon Smith Barney) Non-U.S. World Government Bond Index is an unmanaged index of government bonds from 10 countries.

JP Morgan Global High Yield Index is an unmanaged index used to mirror the investable universe of the U.S. dollar global high-yield corporate debt market of both developed and emerging markets.

JP Morgan Global Diversified Emerging Markets Index is an unmanaged index of global emerging markets fixed-income securities.

Lehman Government Credit Index is an unmanaged index of U.S fixed-income securities.

Russell 2000 Growth Index is an unmanaged index of those companies in the Russell 2000 Index chosen for their growth orientation.

Russell 2000 Value Index is an unmanaged index of those companies in the Russell 2000 Index chosen for their value orientation.

S&P 500 Index is an unmanaged index of common stock performance.

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Indexes assume reinvestment of all distributions and do not account for fees. Securities and performance of a fund and an index will differ. You cannot invest directly in an index.

Lipper Inc. is a third-party industry ranking entity that ranks funds (without sales charges) with similar current investment styles or objectives as determined by Lipper. Lipper category averages reflect performance trends for funds within a category and are based on results at net asset value.

Putnam's policy on confidentiality

In order to conduct business with our shareholders, we must obtain certain personal information such as account holders' addresses, telephone numbers, Social Security numbers, and the names of their financial advisors. We use this information to assign an account number and to help us maintain accurate records of transactions and account balances.

It is our policy to protect the confidentiality of your information, whether or not you currently own shares of our funds, and in particular, not to sell information about you or your accounts to outside marketing firms. We have safeguards in place designed to prevent unauthorized access to our computer systems and procedures to protect personal information from unauthorized use.

Under certain circumstances, we share this information with outside vendors who provide services to us, such as mailing and proxy solicitation. In those cases, the service providers enter into confidentiality agreements with us, and we provide only the information necessary to process transactions and perform other services related to your account. We may also share this information with our Putnam affiliates to service your account or provide you with information about other Putnam products or services. It is also our policy to share account information with your financial advisor, if you've listed one on your Putnam account.

If you would like clarification about our confidentiality policies or have any questions or concerns, please don't hesitate to contact us at 1-800-225-1581, Monday through Friday, 8:30 a.m. to 7:00 p.m., or Saturdays from 9:00 a.m. to 5:00 p.m. Eastern Time.

Putnam is committed to managing our mutual funds in the best interests of our shareholders. Our proxy voting guidelines and policies are available on the Putnam Individual Investor Web site, www.putnaminvestments.com, by calling Putnam's Shareholder Services at 1-800-225-1581, or on the SEC's Web site, www.sec.gov.

A guide to the financial statements

These sections of the report, as well as the accompanying Notes, preceded by the Independent Auditors' Report, constitute the fund's financial statements.

The fund's portfolio lists all the fund's investments and their values as of the last day of the reporting period. Holdings are organized by asset type and industry sector, country, or state to show areas of concentration and diversification.

Statement of assets and liabilities shows how the fund's net assets and share price are determined. All investment and noninvestment assets are

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added together. Any unpaid expenses and other liabilities are subtracted from this total. The result is divided by the number of shares to determine the net asset value per share, which is calculated separately for each class of shares. (For funds with preferred shares, the amount subtracted from total assets includes the net assets allocated to remarketed preferred shares.)

Statement of operations shows the fund's net investment gain or loss. This is done by first adding up all the fund's earnings -- from dividends and interest income -- and subtracting its operating expenses to determine net investment income (or loss). Then, any net gain or loss the fund realized on the sales of its holdings -- as well as any unrealized gains or losses over the period -- is added to or subtracted from the net investment result to determine the fund's net gain or loss for the fiscal year.

Statement of changes in net assets shows how the fund's net assets were affected by distributions to shareholders and by changes in the number of the fund's shares. It lists distributions and their sources (net investment income or realized capital gains) over the current reporting period and the most recent fiscal year-end. The distributions listed here may not match the sources listed in the Statement of operations because the distributions are determined on a tax basis and may be paid in a different period from the one in which they were earned.

Financial highlights provide an overview of the fund's investment results, per-share distributions, expense ratios, net investment income ratios, and portfolio turnover in one summary table, reflecting the five most recent reporting periods. In a semiannual report, the highlight table also includes the current reporting period. For open-end funds, a separate table is provided for each share class.

Independent auditors' report

The Board of Trustees and Shareholders
Putnam Master Intermediate Income Trust:

We have audited the accompanying statement of assets and liabilities of Putnam Master Intermediate Income Trust, including the fund's portfolio, as of September 30, 2003, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the four years in the period then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our 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 September 30, 2003 by correspondence with the custodian and brokers or by other appropriate auditing procedures. 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 audits provide a reasonable basis for our opinion.

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In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Putnam Master Intermediate Income Trust as of September 30, 2003, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Boston, Massachusetts

November 17, 2003

The fund's portfolio

September 30, 2003

Corporate bonds and notes (51.1%) (a)

| | Value |
|--|-------|
|--|-------|

Advertising and Marketing Services (0.2%)

| | |
|--|-----------|
| \$238,719 Adams Outdoor Advertising bank term loan FRN 4.5844s, 2008 (acquired 4/2/03, cost \$238,121) (RES) | \$239,117 |
| 200,000 Lamar Media Corp. bank term loan FRN Ser. B, 3.4375s, 2010 (acquired 2/27/03, cost \$200,000) (RES) | 201,250 |
| 560,000 Lamar Media Corp. company guaranty 7 1/4s, 2013 | 585,200 |
| | 1,025,567 |

Automotive (1.0%)

| | |
|--|---------|
| 1,020,000 Collins & Aikman Products company guaranty 10 3/4s, 2011 | 887,400 |
| 160,000 Dana Corp. notes 10 1/8s, 2010 | 178,800 |
| 675,000 Dana Corp. notes 9s, 2011 | 739,125 |
| EUR 50,000 Dana Corp. notes 9s, 2011 | 61,126 |
| \$295,000 Dana Corp. notes 6 1/2s, 2009 | 295,000 |
| 360,000 Dana Corp. notes 6 1/4s, 2004 | 363,600 |
| 160,000 Delco Remy International, Inc. company guaranty 11s, 2009 | 145,600 |
| 390,000 Delco Remy International, Inc. company guaranty 10 5/8s, 2006 | 369,525 |
| 420,000 Dura Operating Corp. company guaranty Ser. D, 9s, 2009 | 390,600 |
| 180,000 Hayes Lemmerz International, Inc. bank term loan FRN 5.9267s, 2009 (acquired 6/3/03, cost \$178,200) (RES) | 181,406 |
| 805,000 Lear Corp. company guaranty Ser. B, 8.11s, 2009 | 925,750 |
| EUR 215,000 Lear Corp. sr. notes 8 1/8s, 2008 | 282,867 |
| \$113,361 SPX Corp. bank term loan FRN Ser. B, 3.375s, 2009 (acquired 7/23/02, cost \$42,524) (RES) | 114,034 |
| EUR 300,000 Teksid Aluminum 144A company guaranty 11 3/8s, 2011 (Luxembourg) | 354,540 |

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| | | |
|-----------|--|-----------|
| \$485,000 | Tenneco Automotive, Inc. company guaranty Ser. B, 11 5/8s, 2009 | 477,725 |
| 750,000 | Tenneco Automotive, Inc. 144A sec. notes 10 1/4s, 2013 | 813,750 |
| 150,000 | TRW Automotive bank term loan FRN Ser. C-1, 4.13s, 2011 (acquired 7/21/03, cost \$150,000) (RES) | 150,703 |
| | | ----- |
| | | 6,731,551 |

Basic Materials (5.4%)

| | | |
|-----------|--|-----------|
| 10,000 | Abitibi-Consolidated Finance LP company guaranty 7 7/8s, 2009 | 10,741 |
| 960,000 | Acetex Corp. sr. notes 10 7/8s, 2009 (Canada) | 1,063,200 |
| 145,000 | Acetex Corp. 144A sr. notes 10 7/8s, 2009 (Canada) | 160,588 |
| 1,060,000 | AK Steel Corp. company guaranty 7 3/4s, 2012 | 731,400 |
| 154,144 | Appleton Papers, Inc. bank term loan FRN Ser. C, 4.3764s, 2006 (acquired 6/4/02, cost \$154,722) (RES) | 154,658 |
| 785,000 | Appleton Papers, Inc. company guaranty Ser. B, 12 1/2s, 2008 | 859,575 |
| 780,000 | Armco, Inc. sr. notes 9s, 2007 | 561,600 |
| 85,000 | Avecia Group PLC company guaranty 11s, 2009 (United Kingdom) | 74,375 |
| 575,000 | Better Minerals & Aggregates Co. company guaranty 13s, 2009 | 370,875 |
| 530,000 | Compass Minerals Group, Inc. company guaranty 10s, 2011 | 583,000 |
| 1,041,866 | Doe Run Resources Corp. company guaranty Ser. A1, 11 3/4s, 2008 (acquired various dates from 7/27/01 to 5/27/03, cost \$554,349) (RES) (PIK) | 416,746 |
| 765,000 | Dow Chemical Co. (The) notes 5 3/4s, 2009 | 813,565 |
| 195,000 | Equistar Chemical notes 6 1/2s, 2006 | 184,275 |
| 185,000 | Equistar Chemicals LP notes 8 3/4s, 2009 | 172,975 |
| 1,690,000 | Equistar Chemicals LP/Equistar Funding Corp. company guaranty 10 1/8s, 2008 | 1,681,550 |
| 390,000 | Equistar Chemicals LP/Equistar Funding Corp. 144A sr. notes 10 5/8s, 2011 | 386,100 |
| 985,000 | Georgia-Pacific Corp. company guaranty 8 7/8s, 2010 | 1,078,575 |
| 505,000 | Georgia-Pacific Corp. debs. 9 1/2s, 2011 | 559,288 |
| 451,000 | Georgia-Pacific Corp. 144A sr. notes 7 3/8s, 2008 | 465,094 |
| 545,000 | Gerdau Ameristeel Corp/Gusap Partners 144A sr. notes 10 3/8s, 2011 (Canada) | 547,725 |
| 150,000 | Graphics Packaging bank term loan FRN 3.86s, 2010 (acquired 8/6/03, cost \$150,000) (RES) | 150,713 |
| 198,500 | Hercules, Inc. bank term loan FRN Ser. B, 4.3681s, 2007 (acquired 12/17/02, cost \$198,004) (RES) | 198,996 |
| 2,140,000 | Hercules, Inc. company guaranty 11 1/8s, 2007 | 2,477,050 |
| 485,000 | Huntsman Advanced Materials, LLC | |

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|-------------|---|-----------|
| | 144A sec. notes 11s, 2010 | 504,400 |
| 567,004 | Huntsman Corp. bank term loan FRN Ser. A, 5.9508s, 2007 (acquired various dates from 6/10/02 to 9/24/03, cost \$504,775) (RES) | 518,337 |
| 301,555 | Huntsman Corp. bank term loan FRN Ser. B, 8.4375s, 2007 (acquired various dates from 6/10/02 to 9/24/03, cost \$269,037) (RES) | 275,672 |
| 1,030,000 | Huntsman ICI Chemicals, Inc. company guaranty 10 1/8s, 2009 | 973,350 |
| 1,375,000 | Huntsman ICI Holdings sr. disc. notes zero %, 2009 | 543,125 |
| EUR 415,000 | Huntsman International, LLC sr. sub. notes Ser. EXCH, 10 1/8s, 2009 | 420,371 |
| \$265,000 | Huntsman LLC 144A sec. notes 11 5/8s, 2010 | 261,025 |
| 240,000 | IMC Global, Inc. company guaranty Ser. B, 11 1/4s, 2011 | 249,600 |
| 395,000 | IMC Global, Inc. company guaranty Ser. B, 10 7/8s, 2008 | 410,800 |
| 1,385,000 | ISP Chemco, Inc. company guaranty Ser. B, 10 1/4s, 2011 | 1,544,275 |
| 275,000 | ISP Holdings, Inc. sec. sr. notes Ser. B, 10 5/8s, 2009 | 298,375 |
| 60,000 | Kaiser Aluminum & Chemical Corp. sr. notes Ser. B, 10 7/8s, 2006 (In default) (NON) | 46,200 |
| 1,685,000 | Kaiser Aluminum & Chemical Corp. sr. sub. notes 12 3/4s, 2003 (In default) (NON) | 134,800 |
| 400,000 | Louisiana-Pacific Corp. sr. notes 8 7/8s, 2010 | 465,000 |
| 335,000 | Lyondell Chemical Co. bonds 11 1/8s, 2012 | 329,975 |
| 135,000 | Lyondell Chemical Co. company guaranty 9 1/2s, 2008 | 125,550 |
| 5,000 | Lyondell Chemical Co. company guaranty 9 1/2s, 2008 | 4,625 |
| 1,370,000 | Lyondell Chemical Co. notes Ser. A, 9 5/8s, 2007 | 1,301,500 |
| EUR 800,000 | MDP Acquisitions PLC sr. notes 10 1/8s, 2012 (Ireland) | 1,017,598 |
| \$85,000 | MDP Acquisitions PLC sr. notes 9 5/8s, 2012 (Ireland) | 93,075 |
| 330,502 | MDP Acquisitions PLC sub. notes 15 1/2s, 2013 (Ireland) (PIK) | 364,378 |
| EUR 210,000 | Messer Griesheim Holdings AG sr. notes 10 3/8s, 2011 (Germany) | 280,200 |
| \$980,000 | Millennium America, Inc. company guaranty 9 1/4s, 2008 | 1,016,750 |
| 10,000 | Millennium America, Inc. company guaranty 7s, 2006 | 9,750 |
| 190,000 | Millennium America, Inc. 144A sr. notes 9 1/4s, 2008 | 197,125 |
| 500,000 | Noveon International bonds 13s, 2011 | 515,000 |
| 460,000 | Noveon International company guaranty Ser. B, 11s, 2011 | 519,800 |
| 935,000 | OM Group, Inc. company guaranty 9 1/4s, 2011 | 920,975 |
| 900,000 | Pacifica Papers, Inc. sr. notes 10s, 2009 (Canada) | 954,000 |
| 509,465 | PCI Chemicals Canada sec. sr. notes | |

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| 10s, 2008 (Canada) | 441,961 |
| 243,657 Pioneer Cos., Inc. sec. FRN 4.64s, 2006 | 211,372 |
| 805,000 Potlatch Corp. company guaranty 10s, 2011 | 893,550 |
| 505,000 Resolution Performance Products, LLC sr. notes 9 1/2s, 2010 | 517,625 |
| 295,000 Rhodia SA 144A sr. sub. notes 8 7/8s, 2011 (France) | 289,100 |
| 310,000 Royster-Clark, Inc. 1st mtge. 10 1/4s, 2009 | 241,800 |
| 285,000 Salt Holdings Corp. 144A sr. disc. notes stepped-coupon zero % (12s, 6/1/06), 2013 (STP) | 171,000 |
| 775,000 Salt Holdings Corp. 144A sr. notes stepped-coupon zero % (12 3/4s, 12/15/07), 2012 (STP) | 542,500 |
| 80,000 Smurfit-Stone Container Corp. company guaranty 8 1/4s, 2012 | 83,600 |
| 850,000 Solutia, Inc. company guaranty 11 1/4s, 2009 | 824,500 |
| 885,000 Steel Dynamics, Inc. company guaranty 9 1/2s, 2009 | 946,950 |
| 137,417 Sterling Chemicals, Inc. sec. notes 10s, 2007 (PIK) | 129,172 |
| 930,000 Stone Container Corp. sr. notes 9 3/4s, 2011 | 1,009,050 |
| 350,000 Stone Container Corp. sr. notes 9 1/4s, 2008 | 380,625 |
| 800,000 Stone Container Corp. sr. notes 8 3/8s, 2012 | 840,000 |
| 300,000 Tembec Industries, Inc. company guaranty 8 1/2s, 2011 (Canada) | 292,500 |
| 80,000 Tembec Industries, Inc. company guaranty 7 3/4s, 2012 (Canada) | 75,200 |
| 50,000 Texas Petrochemical Corp. sr. sub. notes 11 1/8s, 2006 (In default) (NON) | 14,000 |
| 200,000 Texas Petrochemical Corp. sr. sub. notes Ser. B, 11 1/8s, 2006 (In default) (NON) | 56,000 |
| 745,000 Ucar Finance, Inc. company guaranty 10 1/4s, 2012 | 813,913 |
| 605,000 United States Steel Corp. sr. notes 9 3/4s, 2010 | 620,125 |
| 510,000 WCI Steel, Inc. sr. notes Ser. B, 10s, 2004 (In default) (NON) | 153,000 |
| 38,500 Weirton Steel Corp. sr. notes 10s, 2008 (In default) (NON) | 5,775 |
| 780,000 Wheeling-Pittsburgh Steel Corp. sr. notes 9 1/4s, 2007 (In default) (NON) | 85,800 |
| 410,000 WHX Corp. sr. notes 10 1/2s, 2005 | 352,600 |
| | ----- |
| | 37,990,013 |

Building Materials (0.6%)

| | |
|---|-----------|
| 1,075,000 American Standard Cos., Inc. company guaranty 7 5/8s, 2010 | 1,198,625 |
| 270,000 Atrium Cos., Inc. company guaranty Ser. B, 10 1/2s, 2009 | 288,900 |
| 320,000 Building Materials Corp. company guaranty 8s, 2008 | 320,000 |
| 775,000 Dayton Superior Corp. 144A sec. notes 10 3/4s, 2008 | 794,375 |

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|-----------|---|-----------|
| 190,000 | NCI Building Systems, Inc. bank term loan FRN Ser. B, 4.35s, 2008 (acquired 9/4/02, cost \$190,000) (RES) | 190,871 |
| 450,000 | Nortek, Inc. sr. notes Ser. B, 8 7/8s, 2008 | 465,750 |
| 90,000 | Nortek, Inc. sr. sub. notes Ser. B, 9 7/8s, 2011 | 94,725 |
| 330,000 | Nortek, Inc. 144A sr. notes Ser. B, 9 1/8s, 2007 | 339,900 |
| 1,510,000 | Owens Corning notes 7 1/2s, 2005 (In default) (NON) | 681,388 |
| | | ----- |
| | | 4,374,534 |

Capital Goods (5.0%)

| | | |
|-----------|---|-----------|
| 250,000 | Advanced Glass Fiber Yarns bank term loan FRN Ser. A, 6 1/2s, 2004 (acquired 9/12/02, cost \$175,000) (RES) | 150,000 |
| 230,000 | Advanced Glass Fiber Yarns sr. sub. notes 9 7/8s, 2009 (In default) (NON) | 2,300 |
| 830,000 | AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007 | 815,475 |
| 209,084 | Alliant Techsystems, Inc. bank term loan FRN Ser. C, 3.4924s, 2009 (acquired 5/7/02, cost \$209,084) (RES) | 210,260 |
| 154,286 | Allied Waste Industries, Inc. bank term loan FRN 4.3927s, 2010 (acquired 4/25/03, cost \$154,286) (RES) | 155,760 |
| 25,714 | Allied Waste Industries, Inc. bank term loan FRN Ser. C, 4.393s, 2010 (acquired 4/25/03, cost \$25,714) (RES) | 25,939 |
| 1,430,000 | Allied Waste North America, Inc. company guaranty Ser. B, 9 1/4s, 2012 | 1,580,150 |
| 480,000 | Allied Waste North America, Inc. company guaranty Ser. B, 8 7/8s, 2008 | 519,600 |
| 1,175,000 | Allied Waste North America, Inc. company guaranty Ser. B, 8 1/2s, 2008 | 1,263,125 |
| 20,000 | Allied Waste North America, Inc. company guaranty Ser. B, 7 5/8s, 2006 | 20,900 |
| 330,000 | Allied Waste North America, Inc. 144A Structured Notes 8.2s, 2006 (issued by Credit and Repackaged Securities, Ltd.) (Cayman Islands) | 350,559 |
| 200,000 | Amsted Industries bank term loan FRN 5.12s, 2010 (acquired 8/12/03, cost \$199,000) (RES) | 200,583 |
| 1,320,000 | Argo-Tech Corp. company guaranty 8 5/8s, 2007 | 1,280,400 |
| 200,000 | Argo-Tech Corp. company guaranty Ser. D, 8 5/8s, 2007 | 194,000 |
| 500,000 | BE Aerospace, Inc. sr. sub. notes 9 1/2s, 2008 | 455,000 |
| 135,000 | BE Aerospace, Inc. sr. sub. notes Ser. B, 8 7/8s, 2011 | 116,775 |
| 670,000 | BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008 | 584,575 |
| 290,000 | Berry Plastics Corp. company guaranty 10 3/4s, 2012 | 324,075 |
| 945,000 | Blount, Inc. company guaranty 13s, 2009 | 841,050 |

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| | 945,000 | Blount, Inc. company guaranty 7s, 2005 | 926,100 |
| | 555,000 | Briggs & Stratton company guaranty 8 7/8s, 2011 | 621,600 |
| | 270,000 | Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008 | 262,238 |
| EUR | 575,000 | BSN Financing Co. SA company guaranty Ser. EUR, 10 1/4s, 2009 (Luxembourg) | 684,536 |
| EUR | 340,000 | BSN Glasspack 144A sec. notes 9 1/4s, 2009 (France) | 403,779 |
| | \$200,000 | Crown Cork & Seal Company, Inc. bank term loan FRN Ser. B, 4.14s, 2008 (acquired 2/21/03, cost \$198,000) (RES) | 201,450 |
| | 535,000 | Crown Holdings SA 144A sec. notes 10 7/8s, 2013 (France) | 589,838 |
| | 1,760,000 | Crown Holdings SA 144A sec. notes 9 1/2s, 2011 (France) | 1,892,000 |
| | 1,000,000 | Decrane Aircraft Holdings Co. company guaranty Ser. B, 12s, 2008 | 450,000 |
| | 149,625 | EaglePicher bank term loan FRN 4.64s, 2009 (acquired 8/6/03, cost \$150,500) (RES) | 150,685 |
| | 715,000 | Earle M. Jorgensen Co. sec. notes 9 3/4s, 2012 | 761,475 |
| | 930,000 | FIMEP SA sr. notes 10 1/2s, 2013 (France) | 1,050,900 |
| EUR | 360,000 | Flender Holdings 144A notes 11s, 2010 | 452,680 |
| | \$92,942 | Flowserve Corp. bank term loan FRN Ser. C, 3.911s, 2009 (acquired 4/30/02, cost \$92,942) (RES) | 93,482 |
| | 555,000 | Flowserve Corp. company guaranty 12 1/4s, 2010 | 635,475 |
| EUR | 95,000 | Flowserve Finance BV company guaranty 12 1/4s, 2010 (Netherlands) | 124,158 |
| | \$95,000 | Fonda Group, Inc. sr. sub. notes Ser. B, 9 1/2s, 2007 | 76,950 |
| | 199,649 | Graham Packaging bank term loan FRN 5.1055s, 2010 (acquired 2/18/03, cost \$198,651) (RES) | 200,448 |
| | 665,000 | Hexcel Corp. sr. sub. notes 9 3/4s, 2009 | 694,925 |
| | 460,000 | Insilco Holding Co. sr. disc. notes zero %, 2008 (In default) (NON) | 2,300 |
| EUR | 275,000 | Invensys, PLC sr. unsub. notes 5 1/2s, 2005 (United Kingdom) | 310,577 |
| | \$420,000 | Jordan Industries, Inc. sr. notes Ser. D, 10 3/8s, 2007 | 189,000 |
| | 375,000 | K&F Industries, Inc. sr. sub. notes Ser. B, 9 5/8s, 2010 | 412,500 |
| | 239,000 | K&F Industries, Inc. sr. sub. notes Ser. B, 9 1/4s, 2007 | 246,368 |
| | 330,000 | L-3 Communications Corp. company guaranty Ser. B, 8s, 2008 | 342,375 |
| | 140,000 | L-3 Communications Corp. 144A Structured Notes 8 1/2s, 2006 (Issued by Credit and Repackaged Securities, Ltd.) (Cayman Islands) | 157,046 |
| | 176,400 | Laidlaw International, Inc. bank term loan FRN 7s, 2009 (acquired 6/18/03, cost \$172,872) (RES) | 177,282 |
| | 740,000 | Laidlaw International, Inc. 144A sr. notes 10 3/4s, 2011 | 793,650 |
| | 305,000 | Manitowoc Co., Inc. (The) company | |

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| | | |
|-----|--|------------|
| | guaranty 10 1/2s, 2012 | 342,363 |
| EUR | 190,000 Manitowoc Co., Inc. (The) company guaranty 10 3/8s, 2011 | 237,919 |
| | \$394,876 Michigan Electric Transmission Co./Michigan Electric Transmission, Inc. bank term loan FRN Ser. B, 3.6s, 2007 (acquired various dates from 4/22/02 to 5/3/02, cost \$554,101) (RES) | 396,192 |
| | 925,000 Motors and Gears, Inc. sr. notes Ser. D, 10 3/4s, 2006 | 721,500 |
| | 880,000 Owens-Brockway Glass company guaranty 8 7/8s, 2009 | 937,200 |
| | 560,000 Owens-Brockway Glass company guaranty 8 1/4s, 2013 | 571,200 |
| | 520,000 Owens-Brockway Glass company guaranty 7 3/4s, 2011 | 538,200 |
| | 685,000 Owens-Brockway Glass sr. sec. notes 8 3/4s, 2012 | 734,663 |
| | 95,000 Pliant Corp. company guaranty 13s, 2010 | 88,350 |
| | 515,000 Pliant Corp. 144A sec. notes 11 1/8s, 2009 | 553,625 |
| | 585,000 Roller Bearing Company of America company guaranty Ser. B, 9 5/8s, 2007 | 538,200 |
| | 1,140,000 Sequa Corp. sr. notes 9s, 2009 | 1,242,600 |
| | 240,000 Sequa Corp. sr. notes Ser. B, 8 7/8s, 2008 | 259,200 |
| | 430,000 Siebe PLC 144A notes 7 1/8s, 2007 (United Kingdom) | 422,475 |
| | 205,000 Siebe PLC 144A sr. unsub. 6 1/2s, 2010 (United Kingdom) | 188,088 |
| | 535,000 Sweetheart Cup Co. company guaranty 12s, 2004 | 522,963 |
| | 430,000 TD Funding Corp. 144A sr. sub. notes 8 3/8s, 2011 | 462,250 |
| | 1,245,000 Tekni-Plex, Inc. company guaranty Ser. B, 12 3/4s, 2010 | 1,220,100 |
| | 75,000 Terex Corp. company guaranty 8 7/8s, 2008 | 78,188 |
| | 730,000 Terex Corp. company guaranty Ser. B, 10 3/8s, 2011 | 819,425 |
| | 130,000 Terex Corp. company guaranty Ser. D, 8 7/8s, 2008 | 136,175 |
| | 296,256 Titan Corp. (The) bank term loan FRN Ser. B, 4.4346s, 2009 (acquired various dates from 5/14/02 to 6/3/02, cost \$297,385) (RES) | 296,564 |
| | 370,000 Titan Corp. (The) 144A sr. sub. notes 8s, 2011 | 432,900 |
| | 50,000 Transdigm, Inc. bank term loan FRN 4.13s, 2010 (acquired 7/21/03, cost \$50,000) (RES) | 50,458 |
| | 660,000 Trimas Corp. company guaranty 9 7/8s, 2012 | 669,900 |
| | 365,000 Vought Aircraft Industries Inc. 144A sr. notes 8s, 2011 | 372,300 |
| | | ----- |
| | | 34,827,341 |

Commercial and Consumer Services (0.3%)

| | |
|---------|--|
| 143,242 | Coinmach Corp. bank term loan FRN Ser. B, 4.0327s, 2009 (acquired |
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| | 1/31/02, cost \$143,063) (RES) | 143,749 |
| 1,190,000 | Coinmach Corp. sr. notes 9s, 2010 | 1,267,350 |
| 49,875 | Corrections Corporation of America bank term loan FRN 3.88s, 2008 (acquired 8/5/03, cost \$49,875) (RES) | 50,187 |
| 441,621 | Derby Cycle Corp. (The) sr. notes 10s, 2008 (In default) (NON) | 24,289 |
| DEM 1,265,879 | Derby Cycle Corp. (The) sr. notes 9 3/8s, 2008 (In default) (NON) | 41,447 |
| \$645,000 | IESI Corp. company guaranty 10 1/4s, 2012 | 699,825 |
| 90,000 | Worldspan bank term loan FRN 4 7/8s, 2007 (acquired 6/30/03, cost \$89,100) (RES) | 90,281 |
| | | ----- |
| | | 2,317,128 |

Communication Services (4.9%)

| | | |
|-------------|---|-----------|
| 1,440,000 | ACC Escrow Corp. 144A sr. notes 10s, 2011 | 1,548,000 |
| 420,000 | Airgate PCS, Inc. sr. sub. notes stepped-coupon zero % (13 1/2s, 10/1/04), 2009 (STP) | 319,200 |
| 640,000 | Alamosa Delaware, Inc. company guaranty 13 5/8s, 2011 | 627,200 |
| 280,000 | Alamosa Delaware, Inc. company guaranty 12 1/2s, 2011 | 270,200 |
| 3,000 | Alamosa PCS Holdings, Inc. company guaranty stepped-coupon zero % (12 7/8s, 2/15/05), 2010 (STP) | 2,370 |
| 295,000 | American Tower Corp. sr. notes 9 3/8s, 2009 | 300,900 |
| 550,000 | Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda) (In default) (NON) | 82,500 |
| 1,870,000 | Centennial Cellular Operating Co. 144A sr. notes 10 1/8s, 2013 | 1,926,100 |
| 1,015,000 | Cincinnati Bell, Inc. 144A company guaranty 7 1/4s, 2013 | 1,004,850 |
| 756,908 | Colo.com, Inc. 144A sr. notes 13 7/8s, 2010 (In default) (NON) | 1,892 |
| 55,000 | Colt Telecommunications Group PLC sr. disc. notes 12s, 2006 (United Kingdom) | 55,138 |
| GBP 220,000 | Colt Telecommunications Group PLC sr. notes 10 1/8s, 2007 (United Kingdom) | 361,831 |
| EUR 110,000 | Colt Telecommunications Group PLC sr. notes 7 5/8s, 2009 (United Kingdom) | 115,906 |
| \$580,000 | Crown Castle International Corp. sr. disc. notes stepped-coupon zero % (10 3/8s, 5/15/04), 2011 (STP) | 582,900 |
| 765,000 | Crown Castle International Corp. sr. notes 9 3/8s, 2011 | 816,638 |
| 90,000 | Crown Castle International Corp. sr. notes 9s, 2011 | 92,925 |
| 1,100,000 | Dobson Communications Corp. 144A sr. notes 8 7/8s, 2013 | 1,105,500 |
| 940,000 | Dobson/Sygnnet Communications, Inc. sr. notes 12 1/4s, 2008 | 1,008,150 |
| 265,000 | Eircom Funding 144A sr. sub. notes 8 1/4s, 2013 (Ireland) | 284,875 |
| 390,000 | Fairpoint Communications, Inc. sr. sub. notes 12 1/2s, 2010 | 415,350 |
| 80,000 | Firstworld Communication Corp. sr. | |

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| | disc. notes zero %, 2008 (In default) (NON) | 8 |
| 328,078 | Globix Corp. company guaranty 11s, 2008 (PIK) | 249,339 |
| 160,000 | Horizon PCS, Inc. company guaranty 13 3/4s, 2011 (In default) (NON) | 36,800 |
| 60,000 | Intermedia Communications, Inc. sr. notes Ser. B, 8.6s, 2008 (In default) (NON) | 50,100 |
| 910,000 | iPCS, Inc. sr. disc. notes stepped-coupon zero % (14s, 7/15/05), 2010 (In default) (NON) (STP) | 100,100 |
| 506,000 | IWO Holdings, Inc. company guaranty 14s, 2011 | 83,490 |
| 85,000 | Level 3 Communications, Inc. sr. notes 9 1/8s, 2008 | 72,250 |
| 1,500,000 | Level 3 Financing Inc. 144A sr. notes 10 3/4s, 2011 | 1,496,250 |
| 725,000 | Madison River Capital Corp. sr. notes 13 1/4s, 2010 | 761,250 |
| 530,000 | Metromedia Fiber Network, Inc. sr. notes 10s, 2009 (In default) (NON) | 38,425 |
| 570,000 | Metromedia Fiber Network, Inc. sr. notes Ser. B, 10s, 2008 (In default) (NON) | 41,325 |
| 774,000 | Millicom International Cellular SA 144A sr. notes 11s, 2006 (Luxembourg) | 791,415 |
| 123,750 | Nextel Communications, Inc. bank term loan FRN Ser. B, 4.5671s, 2008 (acquired 12/19/02, cost \$114,468) (RES) | 124,169 |
| 123,750 | Nextel Communications, Inc. bank term loan FRN Ser. C, 4.8171s, 2008 (acquired 12/19/02, cost \$114,468) (RES) | 124,169 |
| 8,000 | Nextel Communications, Inc. sr. disc. notes 9.95s, 2008 | 8,420 |
| 930,000 | Nextel Communications, Inc. sr. notes 9 1/2s, 2011 | 1,027,650 |
| 1,000,000 | Nextel Communications, Inc. sr. notes 9 3/8s, 2009 | 1,085,000 |
| 625,000 | Nextel Communications, Inc. sr. notes 7 3/8s, 2015 | 631,250 |
| 385,000 | Nextel Partners, Inc. sr. notes 12 1/2s, 2009 | 439,863 |
| 550,000 | Nextel Partners, Inc. sr. notes 11s, 2010 | 600,875 |
| 1,315,000 | Nextel Partners, Inc. 144A sr. notes 8 1/8s, 2011 | 1,282,125 |
| 620,000 | Orbital Imaging Corp. sr. notes Ser. B, 11 5/8s, 2005 (In default) (NON) | 303,800 |
| 318,500 | PanAmSat Corp. bank term loan FRN Ser. B, 4.62s, 2009 (acquired 2/21/02, cost \$318,102) (RES) | 319,637 |
| 830,000 | PanAmSat Corp. company guaranty 8 1/2s, 2012 | 869,425 |
| 195,000 | Qwest Communications International, Inc. bank term loan FRN 6 1/2s, 2007 (acquired 6/5/03, cost \$193,050) (RES) | 198,803 |
| 2,055,000 | Qwest Corp. 144A notes 8 7/8s, 2012 | 2,281,050 |
| 2,611,000 | Qwest Services Corp. 144A notes 13 1/2s, 2010 | 3,041,815 |
| 50,000 | Rogers Cantel, Ltd. debs. 9 3/8s, 2008 (Canada) | 52,375 |

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| 770,000 | Rogers Cantel, Ltd. sr. sub. notes 8.8s, 2007 (Canada) | 789,250 |
| 280,000 | Rogers Wireless, Inc. sec. notes 9 5/8s, 2011 (Canada) | 321,650 |
| 270,000 | Rural Cellular Corp. sr. sub. notes Ser. B, 9 5/8s, 2008 | 245,700 |
| 1,545,000 | Telus Corp. notes 8s, 2011 (Canada) | 1,803,643 |
| 198,500 | Time Warner Telecom, Inc. bank term loan FRN Ser. B, 5.1s, 2009 (acquired 1/15/03, cost \$173,688) (RES) | 197,756 |
| 510,000 | TSI Telecommunication Services, Inc. company guaranty Ser. B, 12 3/4s, 2009 | 512,550 |
| 390,000 | U S West, Inc. notes 5 5/8s, 2008 | 380,250 |
| 417,000 | UbiquiTel Operating Co. bonds stepped-coupon zero % (14s, 4/15/05), 2010 | 283,560 |
| 1,210,000 | US UnWired, Inc. company guaranty stepped-coupon Ser. B, zero % (13 3/8s, 11/1/04), 2009 (STP) | 883,300 |
| 405,000 | US West Capital Funding, Inc. company guaranty 6 1/4s, 2005 | 396,900 |
| 1,080,000 | Western Wireless Corp. 144A sr. notes 9 1/4s, 2013 | 1,101,600 |
| 10,000 | Williams Communications Group, Inc. notes zero %, 2010 (In default) (NON) | 1 |
| 220,000 | Williams Communications Group, Inc. notes zero %, 2008 (In default) (NON) | 2 |
| 200,000 | Williams Communications Group, Inc. notes zero %, 2007 (In default) (NON) | 2 |
| | | ----- |
| | | 33,949,767 |
| Conglomerates (0.3%) | | |
| ----- | | |
| 365,000 | Tyco International Group SA company guaranty 6 3/4s, 2011 (Luxembourg) | 385,075 |
| 55,000 | Tyco International Group SA company guaranty 6 3/8s, 2006 (Luxembourg) | 57,613 |
| 225,000 | Tyco International Group SA company guaranty 6 3/8s, 2005 (Luxembourg) | 234,000 |
| 1,670,000 | Tyco International Group SA notes 6 3/8s, 2011 (Luxembourg) | 1,722,188 |
| | | ----- |
| | | 2,398,876 |
| Consumer (0.5%) | | |
| ----- | | |
| 1,055,000 | Icon Health & Fitness company guaranty 11 1/4s, 2012 | 1,128,850 |
| 200,000 | Jostens, Inc. bank term loan FRN Ser. B, 3.64s, 2010 (acquired 7/28/03, cost \$200,000) (RES) | 201,325 |
| 510,000 | Jostens, Inc. sr. sub. notes 12 3/4s, 2010 | 591,600 |
| 1,681,000 | Samsonite Corp. sr. sub. notes 10 3/4s, 2008 | 1,756,645 |
| | | ----- |
| | | 3,678,420 |
| Consumer Staples (7.8%) | | |
| ----- | | |
| 40,000 | Adelphia Communications Corp. notes (NON) | 27,600 |

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| | | | |
|-----|-----------|---|---------|
| | 215,000 | Adelphia Communications Corp. sr. notes 10 7/8s, 2010 (In default) (NON) | 150,500 |
| | 50,000 | Adelphia Communications Corp. sr. notes 9 3/8s, 2009 (In default) (NON) | 35,750 |
| | 341,000 | Adelphia Communications Corp. sr. notes Ser. B, 9 7/8s, 2007 (In default) (NON) | 237,848 |
| | 580,000 | Adelphia Communications Corp. sr. notes Ser. B, 7 3/4s, 2009 (In default) (NON) | 406,000 |
| EUR | 260,000 | Ahold Finance USA eurobonds 6 3/8s, 2005 | 303,626 |
| | \$660,000 | AMC Entertainment, Inc. sr. sub. notes 9 7/8s, 2012 | 719,400 |
| | 700,000 | AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2011 | 735,000 |
| | 450,000 | AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2009 | 466,313 |
| | 445,065 | American Seafood Group, LLC bank term loan FRN Ser. B, 4.36s, 2009 (acquired 4/11/02, cost \$444,620) (RES) | 445,714 |
| | 196,349 | AMF Bowling Worldwide bank term loan FRN Ser. B, 5.4521s, 2008 (acquired 3/1/02, cost \$195,858) (RES) | 196,921 |
| | 342,227 | Archibald Candy Corp. company guaranty 10s, 2007 (PIK) | 130,046 |
| | 635,000 | Armkel, LLC/Armkel Finance sr. sub. notes 9 1/2s, 2009 | 700,088 |
| | 140,000 | Aurora Foods, Inc. sr. sub. notes Ser. B, 9 7/8s, 2007 (In default) (NON) | 79,800 |
| | 415,000 | Aurora Foods, Inc. 144A sr. sub. notes Ser. D, 9 7/8s, 2007 (In default) (NON) | 236,550 |
| | 10,263 | Australis Media, Ltd. sr. disc. notes 15 3/4s, 2003 (Australia) (In default) (DEF) (NON) | 1 |
| | 565,000 | Brand Services, Inc. company guaranty 12s, 2012 | 627,150 |
| | 655,000 | Capital Records, Inc. 144A company guaranty 8 3/8s, 2009 | 668,100 |
| | 171,923 | Carmike Cinemas, Inc. bank term loan FRN Ser. B, 7 3/4s, 2005 (acquired 10/4/02, cost \$167,625) (RES) | 172,782 |
| | 900,000 | Century Cable Holdings bank term loan FRN 6s, 2009 6/5/02 and 6/11/02, cost \$749,082) (RES) | 775,286 |
| | 158,791 | Charter Communications Holdings, LLC bank term loan FRN Ser. B, 3.86s, 2008 (acquired 1/9/03, cost \$137,950) (RES) | 150,216 |
| | 100,000 | Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP) | 51,500 |
| | 525,000 | Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 5/15/06), 2011 (STP) | 288,750 |
| | 415,000 | Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 1/15/05), 2010 (STP) | 280,125 |

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| 1,595,000 | Charter Communications Holdings, LLC/Capital Corp. sr. notes 11 1/8s, 2011 | 1,303,913 |
| 860,000 | Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 3/4s, 2009 | 703,050 |
| 420,000 | Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 1/4s, 2010 | 327,600 |
| 1,560,000 | Charter Communications Holdings, LLC/Capital Corp. sr. notes 10s, 2011 | 1,177,800 |
| 745,000 | Charter Communications Holdings, LLC/Capital Corp. sr. notes 9 5/8s, 2009 | 575,513 |
| 375,000 | Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 5/8s, 2009 | 286,875 |
| 30,000 | Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 1/4s, 2007 | 25,500 |
| 650,000 | Cinemark USA, Inc. sr. sub. notes 9s, 2013 | 693,875 |
| 1,600,000 | Cinemark USA, Inc. sr. sub. notes Ser. B, 8 1/2s, 2008 | 1,660,000 |
| 150,000 | Constellation Brands, Inc. company guaranty 8 1/2s, 2009 | 158,250 |
| 305,000 | Constellation Brands, Inc. company guaranty Ser. B, 8s, 2008 | 330,925 |
| 425,000 | Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012 | 456,875 |
| 156,758 | Constellation Energy Group, Inc. bank term loan FRN Ser. B, 3 7/8s, 2008 (acquired 3/20/03, cost \$156,758) (RES) | 157,972 |
| 570,000 | Cott Beverages USA, Inc. company guaranty 8s, 2011 | 612,750 |
| 150,000 | CSC Holdings, Inc. sr. notes 7 7/8s, 2007 | 153,375 |
| 170,000 | Dean Foods Co. sr. notes 6 5/8s, 2009 | 177,650 |
| 210,000 | Del Monte Corp. company guaranty Ser. B, 9 1/4s, 2011 | 231,000 |
| 560,000 | Del Monte Corp. 144A sr. sub. notes 8 5/8s, 2012 | 611,800 |
| 230,878 | Del Monte Foods Co. bank term loan FRN Ser. B, 4.8581s, 2010 (acquired 12/16/02, cost \$229,724) (RES) | 233,379 |
| 180,000 | DirecTV bank term loan FRN Ser. B, 4.0039s, 2010 (acquired 3/4/03 and 8/5/03, cost \$180,000) (RES) | 180,698 |
| 2,742,000 | Diva Systems Corp. sr. disc. notes Ser. B, 12 5/8s, 2008 (In default) (NON) | 219,360 |
| 1,370,000 | Doane Pet Care Co. sr. sub. debs. 9 3/4s, 2007 | 1,301,500 |
| 27,391 | Dole Food Co. bank term loan FRN Ser. B, 5.0875s, 2008 (acquired 3/28/03, cost \$27,391) (RES) | 27,563 |
| 260,000 | Dole Food Co. sr. notes 8 7/8s, 2011 | 276,900 |
| 200,000 | Dole Food Co. sr. notes 7 1/4s, 2009 | 213,000 |
| 665,000 | Domino's, Inc. 144A sr. sub. notes 8 1/4s, 2011 | 702,406 |
| 380,000 | Eagle Family Foods company guaranty Ser. B, 8 3/4s, 2008 | 250,800 |
| 1,015,000 | Echostar DBS Corp. sr. notes 10 3/8s, 2007 | 1,127,919 |
| 1,509,000 | Echostar DBS Corp. sr. notes 9 1/8s, 2009 | 1,707,056 |
| 1,660,000 | Echostar DBS Corp. 144A sr. notes | |

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| | 6 3/8s, 2011 | 1,651,700 |
| 125,000 | Echostar DBS Corp. 144A sr. notes FRN 4.41s, 2008 | 127,813 |
| 95,000 | Elizabeth Arden, Inc. sec. notes Ser. B, 11 3/4s, 2011 | 108,300 |
| 198,000 | Emmis Communications Corp. bank term loan FRN Ser. C, 3 3/8s, 2009 (acquired 6/20/02, cost \$197,753) (RES) | 198,935 |
| 235,000 | Emmis Communications Corp. company guaranty Ser. B, 8 1/8s, 2009 | 244,988 |
| 61,000 | Emmis Communications Corp. sr. disc. notes stepped-coupon zero % (12 1/2s, 3/15/06), 2011 (STP) | 54,290 |
| 625,000 | Fleming Cos., Inc. company guaranty 10 1/8s, 2008 (In default) (NON) | 103,125 |
| 515,000 | Fleming Cos., Inc. sr. notes 9 1/4s, 2010 (In default) (NON) | 73,388 |
| 124,000 | French Fragrances, Inc. company guaranty Ser. D, 10 3/8s, 2007 | 128,960 |
| 265,000 | French Fragrances, Inc. sr. notes Ser. B, 10 3/8s, 2007 | 276,263 |
| 45,000 | Granite Broadcasting Corp. sr. sub. notes 10 3/8s, 2005 | 44,325 |
| 610,000 | Granite Broadcasting Corp. sr. sub. notes 9 3/8s, 2005 | 592,463 |
| 820,000 | Granite Broadcasting Corp. sr. sub. notes 8 7/8s, 2008 | 788,225 |
| 415,000 | Gray Television, Inc. company guaranty 9 1/4s, 2011 | 457,538 |
| 70,000 | Insight Midwest LP/Insight Capital, Inc. bank term loan FRN 3.9375s, 2009 (acquired 1/9/01, cost \$69,895) (RES) | 70,011 |
| 37,590 | Knology, Inc. 144A sr. notes 12s, 2009 (PIK) | 35,898 |
| 585,000 | Land O'Lakes, Inc. sr. notes 8 3/4s, 2011 | 485,550 |
| 250,000 | LIN Television Corp. company guaranty 8s, 2008 | 268,750 |
| 300,000 | MGM Studios bank term loan FRN Ser. B, 4.1s, 2008 (acquired 6/10/02, cost \$300,000) (RES) | 300,656 |
| 910,000 | News America Holdings, Inc. company guaranty 9 1/4s, 2013 | 1,190,564 |
| 61,486 | Nexstar Broadcasting bank term loan FRN Ser. B, 4.12s, 2011 (acquired 2/5/03, cost \$61,486) (RES) | 61,717 |
| 26,014 | Nexstar Mission Broadcasting bank term loan FRN 4.12s, 2011 (acquired 2/5/03, cost \$26,014) (RES) | 26,112 |
| 1,115,000 | North Atlantic Trading Co. company guaranty Ser. B, 11s, 2004 | 1,064,825 |
| 500,000 | Olympus Cable bank term loan FRN Ser. B, 6s, 2010 (acquired 6/20/02, cost \$435,750) (RES) | 444,659 |
| 220,000 | ONO Finance PLC sr. notes 14s, 2011 (United Kingdom) | 201,025 |
| 100,000 | ONO Finance PLC sr. notes 13s, 2009 (United Kingdom) | 90,125 |
| 15,000 | Pegasus Communications Corp. sr. notes 12 1/2s, 2007 | 12,000 |
| 60,000 | Pegasus Communications Corp. sr. | |

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|-------------|---|-----------|
| | notes Ser. B, 9 3/4s, 2006 | 47,400 |
| 400,000 | Pegasus Satellite sr. notes 12 3/8s, 2006 | 320,000 |
| 197,000 | Playtex Products, Inc. bank term loan FRN Ser. C, 4.6164s, 2009 (acquired 6/3/02, cost \$197,000) (RES) | 196,508 |
| 1,595,000 | Playtex Products, Inc. company guaranty 9 3/8s, 2011 | 1,531,200 |
| 480,000 | Polaroid Corp. sr. notes 11 1/2s, 2006 (In default) (NON) | 97,200 |
| 650,000 | Premier International Foods PLC sr. notes 12s, 2009 (United Kingdom) | 711,750 |
| 1,000,000 | Premier Parks, Inc. sr. notes 10s, 2007 | 982,500 |
| 1,050,000 | Premium Standard Farms, Inc. sr. notes 9 1/4s, 2011 | 1,050,000 |
| 1,896,149 | Quorum Broadcast Holdings, LLC notes stepped-coupon zero % (15s, 5/15/06), 2009 (STP) | 1,403,719 |
| 133,500 | Rayovac Corp. bank term loan FRN Ser. B, 4.8748s, 2009 (acquired 9/26/02, cost \$133,367) (RES) | 133,778 |
| 352,000 | RCN Corp. sr. disc. notes Ser. B, zero %, 2008 | 160,160 |
| 400,000 | Regal Cinemas, Inc. company guaranty Ser. B, 9 3/8s, 2012 | 450,000 |
| 700,000 | Remington Arms Co., Inc. company guaranty 10 1/2s, 2011 | 717,500 |
| 465,000 | Revlon Consumer Products sr. notes 9s, 2006 | 325,500 |
| 360,000 | Revlon Consumer Products sr. notes 8 1/8s, 2006 | 248,400 |
| GBP 100,000 | RHM Finance, Ltd. bonds stepped-coupon Ser. B1, 11 1/2s (17 1/4s, 2/28/11), 2011 (Cayman Islands) (STP) | 141,211 |
| \$120,000 | Rite Aid Corp. bank term loan FRN 4.12s, 2008 (acquired 5/16/03, cost \$119,850) (RES) | 121,400 |
| 560,000 | Rite Aid Corp. company guaranty 9 1/2s, 2011 | 632,800 |
| 115,000 | Rite Aid Corp. 144A notes 6s, 2005 | 115,575 |
| 675,000 | Rite Aid Corp. 144A sr. notes 9 1/4s, 2013 | 715,500 |
| 380,000 | Rite Aid Corp. 144A sr. sec. notes 8 1/8s, 2010 | 404,700 |
| 550,000 | Rogers Cablesystems, Ltd. sr. notes Ser. B, 10s, 2005 (Canada) | 589,875 |
| 246,256 | Roundy's, Inc. bank term loan FRN 3.6362s, 2009 (acquired 6/3/02, cost \$246,256) (RES) | 246,872 |
| 820,000 | Sbarro, Inc. company guaranty 11s, 2009 | 709,300 |
| 470,000 | Scotts Co. (The) company guaranty 8 5/8s, 2009 | 495,850 |
| 282,113 | Shoppers Drug Mart bank term loan FRN Ser. F, 3.163s, 2009 (acquired various dates from 5/22/02 to 5/29/02, cost \$283,363) (RES) | 282,340 |
| 340,000 | Sinclair Broadcast Group, Inc. company guaranty 8 3/4s, 2011 | 369,750 |
| 375,000 | Sinclair Broadcast Group, Inc. company guaranty 8s, 2012 | 395,625 |
| 93,750 | Six Flags, Inc. bank term loan FRN Ser. B, 3.37s, 2009 (acquired | |

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| | 1/15/03, cost \$93,633) (RES) | 93,382 |
| 1,600,000 | Six Flags, Inc. sr. notes 8 7/8s, 2010 | 1,472,000 |
| 1,270,000 | TeleWest Communications PLC debs. 11s, 2007 (United Kingdom) (In default) (NON) | 619,125 |
| 260,000 | TeleWest Communications PLC debs. 9 5/8s, 2006 (United Kingdom) (In default) (NON) | 122,200 |
| 200,000 | TeleWest Communications PLC sr. notes Ser. S, 9 7/8s, 2010 (United Kingdom) (In default) (NON) | 91,000 |
| 80,000 | TeleWest Communications PLC 144A sr. notes 11 1/4s, 2008 (United Kingdom) (In default) (NON) | 38,400 |
| 60,000 | TM Group Holdings sr. notes 11s, 2008 (United Kingdom) | 63,300 |
| 290,000 | United Rentals (North America), Inc. company guaranty Ser. B, 10 3/4s, 2008 | 321,900 |
| 120,000 | Vivendi Universal SA bank term loan FRN Ser. B, 3.8677s, 2008 (acquired 6/23/03, cost \$120,000) (France) (RES) | 120,600 |
| 770,000 | Vivendi Universal SA 144A notes 6 1/4s, 2008 (France) | 793,100 |
| 455,000 | Vivendi Universal SA 144A sr. notes 9 1/4s, 2010 (France) | 522,681 |
| 680,000 | Williams Scotsman, Inc. company guaranty 9 7/8s, 2007 | 669,800 |
| 1,421,000 | Young Broadcasting, Inc. company guaranty 10s, 2011 | 1,506,260 |
| 82,000 | Young Broadcasting, Inc. company guaranty Ser. B, 8 3/4s, 2007 | 83,230 |
| 60,000 | Yum! Brands, Inc. sr. notes 8 7/8s, 2011 | 69,900 |
| 265,000 | Yum! Brands, Inc. sr. notes 8 1/2s, 2006 | 294,150 |
| 1,060,000 | Yum! Brands, Inc. sr. notes 7.65s, 2008 | 1,171,300 |
| | | ----- |
| | | 54,521,316 |

Energy (4.6%)

| | | |
|-----------|--|-----------|
| 710,000 | Arch Western Finance, LLC 144A sr. notes 6 3/4s, 2013 | 731,300 |
| 690,000 | Belden & Blake Corp. company guaranty Ser. B, 9 7/8s, 2007 | 652,050 |
| 640,000 | BRL Universal Equipment sec. notes 8 7/8s, 2008 | 681,600 |
| 340,000 | Chesapeake Energy Corp. company guaranty 9s, 2012 | 382,500 |
| 215,000 | Chesapeake Energy Corp. company guaranty 8 3/8s, 2008 | 233,275 |
| 115,000 | Chesapeake Energy Corp. company guaranty 8 1/8s, 2011 | 124,775 |
| 155,000 | Chesapeake Energy Corp. sr. notes Ser. B, 8 1/2s, 2012 | 164,300 |
| 1,135,000 | Chesapeake Energy Corp. 144A sr. notes 7 1/2s, 2013 | 1,191,750 |
| 875,000 | Comstock Resources, Inc. company guaranty 11 1/4s, 2007 | 949,375 |
| 695,000 | Dresser, Inc. company guaranty 9 3/8s, 2011 | 728,013 |
| 215,000 | El Paso Energy Partners LP company guaranty Ser. B, 8 1/2s, 2011 | 231,663 |
| 545,000 | Encore Acquisition Co. company | |

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|-----------|---|-----------|
| | guaranty 8 3/8s, 2012 | 572,250 |
| 200,000 | Forest Oil Corp. company guaranty 7 3/4s, 2014 | 206,500 |
| 300,000 | Forest Oil Corp. sr. notes 8s, 2011 | 318,000 |
| 335,000 | Forest Oil Corp. sr. notes 8s, 2008 | 355,100 |
| 430,000 | Hornbeck Offshore Services, Inc. sr. notes 10 5/8s, 2008 | 471,925 |
| 295,000 | Key Energy Services, Inc. sr. notes 6 3/8s, 2013 | 294,263 |
| 80,000 | Leviathan Gas Corp. company guaranty Ser. B, 10 3/8s, 2009 | 86,800 |
| 700,000 | Newfield Exploration Co. sr. notes 7 5/8s, 2011 | 745,500 |
| 2,950,000 | OAQ Gazprom 144A notes 9 5/8s, 2013 (Russia) | 3,156,500 |
| 500,000 | OAQ Gazprom notes Ser. REGS, 9 5/8s, 2013 (Russia) | 535,000 |
| 470,000 | Offshore Logistics, Inc. company guaranty 6 1/8s, 2013 | 448,850 |
| 540,000 | Parker Drilling Co. company guaranty Ser. B, 10 1/8s, 2009 | 550,800 |
| 89,550 | Peabody Energy Corp. bank term loan FRN Ser. B, 3.6356s, 2010 (acquired 3/20/03, cost \$89,550) (RES) | 90,166 |
| 2,750,000 | Petronas Capital, Ltd. company guaranty 7s, 2012 (Malaysia) | 3,117,950 |
| 2,170,000 | Petronas Capital, Ltd. 144A company guaranty 7s, 2012 (Malaysia) | 2,460,346 |
| 2,260,000 | Pioneer Natural Resources Co. company guaranty 9 5/8s, 2010 | 2,813,700 |
| 115,000 | Pioneer Natural Resources Co. company guaranty 6 1/2s, 2008 | 124,488 |
| 380,000 | Plains All American Pipeline LP/Plains All American Finance Corp. company guaranty 7 3/4s, 2012 | 412,300 |
| 485,000 | Plains Exploration & Production Co. 144A sr. sub. notes 8 3/4s, 2012 | 518,950 |
| 670,000 | Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011 | 728,625 |
| 425,000 | Pride Petroleum Services, Inc. sr. notes 9 3/8s, 2007 | 437,750 |
| 600,000 | Seabulk International, Inc. 144A sr. notes 9 1/2s, 2013 | 602,250 |
| 270,000 | Seven Seas Petroleum, Inc. sr. notes Ser. B, 12 1/2s, 2005 (In default) (NON) | 29,700 |
| 745,000 | Star Gas Partners LP/Star Gas Finance Co. sr. notes 10 1/4s, 2013 | 793,425 |
| 364,615 | Star Gas Propane 1st Mtge. 8.04s, 2009 | 359,146 |
| 710,000 | Stone Energy Corp. sr. sub. notes 8 1/4s, 2011 | 752,600 |
| 330,000 | Swift Energy Co. sr. sub. notes 10 1/4s, 2009 | 349,800 |
| 470,000 | Swift Energy Co. sr. sub. notes 9 3/8s, 2012 | 505,250 |
| 360,000 | Tesoro Petroleum Corp. sec. notes 8s, 2008 | 369,000 |
| 740,000 | Trico Marine Services, Inc. company guaranty 8 7/8s, 2012 | 540,200 |
| 150,000 | Universal Compression, Inc. sr. notes 7 1/4s, 2010 | 154,500 |
| 670,000 | Vintage Petroleum, Inc. sr. notes 8 1/4s, 2012 | 720,250 |
| 405,000 | Vintage Petroleum, Inc. sr. sub. | |

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| | notes 9 3/4s, 2009 | 431,325 |
| 145,000 | Vintage Petroleum, Inc. sr. sub. notes 7 7/8s, 2011 | 149,350 |
| 120,000 | Weg Acquisition bank term loan FRN 5.61s, 2008 (acquired 6/13/03, cost \$118,800) (RES) | 120,900 |
| 925,000 | Westport Resources Corp. company guaranty 8 1/4s, 2011 | 1,010,563 |
| 280,000 | Westport Resources Corp. 144A company guaranty 8 1/4s, 2011 | 305,900 |
| 500,000 | XCL, Ltd. 144A company guaranty 13 1/2s, 2004 (In default) (NON) | 150,000 |
| 390,000 | XTO Energy, Inc. sr. notes 7 1/2s, 2012 | 431,925 |
| 230,000 | XTO Energy, Inc. sr. notes 6 1/4s, 2013 | 238,050 |
| | | ----- |
| | | 32,530,498 |

Financial (1.4%)

| | | |
|--|--|-----------|
| | 460,000 Chevy Chase Savings Bank, Inc. sub. debs. 9 1/4s, 2005 | 462,300 |
| | 790,000 Consecoco, Inc. 144A notes zero %, 2009 (In default) (NON) | 1 |
| | 120,000 Crescent Real Estate Equities LP notes 7 1/2s, 2007 (R) | 122,400 |
| | 765,000 Crescent Real Estate Equities LP sr. notes 9 1/4s, 2009 (R) | 822,375 |
| | 2,192,000 Finova Group, Inc. notes 7 1/2s, 2009 | 1,085,040 |
| | 219,612 Hilb, Rogal & Hamilton Co. bank term loan FRN Ser. B, 3 7/8s, 2007 (acquired 6/20/02, cost \$219,612) (RES) | 221,534 |
| | 177,975 Infinity Inc. bank term loan FRN 3.61s, 2010 (acquired 7/2/03, cost \$177,975) (RES) | 179,013 |
| | 840,000 iStar Financial, Inc. sr. notes 8 3/4s, 2008 (R) | 938,700 |
| | 125,000 iStar Financial, Inc. sr. notes 7s, 2008 (R) | 133,750 |
| | 1,831,500 JP Morgan HY disc. notes 8s, 2008 | 1,858,973 |
| | 258,000 Nationwide Credit, Inc. sr. notes Ser. A, 10 1/4s, 2008 (In default) (NON) | 3 |
| | 112,000 Ocwen Financial Corp. notes 11 7/8s, 2003 | 112,000 |
| | 770,000 Resource America, Inc. 144A sr. notes 12s, 2004 | 777,700 |
| | 2,065,000 Sovereign Bancorp, Inc. sr. notes 10 1/2s, 2006 | 2,458,079 |
| | 540,000 Western Financial Bank sub. debs. 9 5/8s, 2012 | 584,550 |
| | | ----- |
| | | 9,756,418 |

Gaming & Lottery (2.9%)

| | | |
|--|--|---------|
| | 500,000 Ameristar Casinos, Inc. company guaranty 10 3/4s, 2009 | 568,750 |
| | 590,000 Argosy Gaming Co. company guaranty 10 3/4s, 2009 | 646,050 |
| | 160,000 Argosy Gaming Co. sr. sub. notes 9s, 2011 | 174,000 |
| | 165,000 Borgata Resorts bank term loan FRN Ser. B, 5.1793s, 2007 (acquired 6/5/02, cost \$164,588) (RES) | 165,928 |

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| 750,000 | Boyd Gaming Corp. sr. sub. notes 8 3/4s, 2012 | 811,875 |
| 370,000 | Chumash Casino & Resort Enterprise 144A sr. notes 9 1/4s, 2010 | 397,750 |
| 900,000 | Herbst Gaming, Inc. sec. notes Ser. B, 10 3/4s, 2008 | 999,000 |
| 630,000 | Hollywood Park, Inc. company guaranty Ser. B, 9 1/4s, 2007 | 643,388 |
| 940,000 | Horseshoe Gaming Holdings company guaranty 8 5/8s, 2009 | 1,003,450 |
| 540,000 | Majestic Investor Holdings/Capital Corp. company guaranty 11.653s, 2007 | 588,600 |
| 430,000 | Mandalay Resort Group 144A sr. notes 6 1/2s, 2009 | 437,525 |
| 1,970,000 | MGM Mirage, Inc. company guaranty 8 1/2s, 2010 | 2,216,250 |
| 490,000 | Mirage Resorts, Inc. notes 6 3/4s, 2008 | 515,725 |
| 105,000 | Mohegan Tribal Gaming Authority sr. notes 8 1/8s, 2006 | 113,269 |
| 200,000 | Mohegan Tribal Gaming Authority sr. sub. notes 8 3/8s, 2011 | 218,000 |
| 1,420,000 | Mohegan Tribal Gaming Authority 144A sr. sub. notes 6 3/8s, 2009 | 1,432,425 |
| 1,020,000 | Park Place Entertainment Corp. sr. notes 7 1/2s, 2009 | 1,091,400 |
| 380,000 | Park Place Entertainment Corp. sr. notes 7s, 2013 | 392,825 |
| 395,000 | Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008 | 437,463 |
| 115,000 | Park Place Entertainment Corp. sr. sub. notes 8 1/8s, 2011 | 123,913 |
| 199,000 | Penn National Gaming, Inc. bank term loan FRN Ser. B, 5.0563s, 2010 (acquired 2/19/03, cost \$198,751) (RES) | 199,995 |
| 455,000 | Penn National Gaming, Inc. company guaranty Ser. B, 11 1/8s, 2008 | 509,600 |
| 955,000 | Penn National Gaming, Inc. sr. sub. notes 8 7/8s, 2010 | 1,027,819 |
| 119,700 | Pinnacle Entertainment, Inc. bank term loan FRN Ser. B, 5.7406s, 2008 (acquired 4/3/03, cost \$118,204) (RES) | 120,299 |
| 370,000 | Pinnacle Entertainment, Inc. sr. sub. notes 8 3/4s, 2013 | 366,300 |
| 220,000 | Pinnacle Entertainment, Inc. sr. sub. notes Ser. B, 9 1/2s, 2007 | 225,225 |
| 395,000 | Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009 | 391,544 |
| 565,000 | Riviera Holdings Corp. company guaranty 11s, 2010 | 560,056 |
| 248,125 | Scientific Gaming bank term loan FRN Ser. B, 4.61s, 2008 (acquired 12/11/02, cost \$246,884) (RES) | 248,559 |
| 750,000 | Station Casinos, Inc. sr. notes 8 3/8s, 2008 | 806,250 |
| 410,000 | Trump Atlantic City Associates company guaranty 11 1/4s, 2006 | 314,675 |
| 1,535,000 | Trump Casino Holdings, LLC company guaranty 11 5/8s, 2010 | 1,371,906 |
| 945,000 | Venetian Casino Resort, LLC company guaranty 11s, 2010 | 1,077,300 |

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20,197,114

Health Care (3.7%)

| | | |
|-----------|--|-----------|
| 54,952 | ALARIS Medical Systems, Inc. bank term loan FRN 3.8694s, 2009 (acquired 6/30/03, cost \$54,952) (RES) | 55,447 |
| 515,000 | ALARIS Medical Systems, Inc. sr. sub. notes 7 1/4s, 2011 | 517,575 |
| 100,000 | Alderwoods Group, Inc. bank term loan FRN 4.387s, 2008 (acquired 9/9/03, cost \$100,000) (RES) | 101,000 |
| 1,385,700 | Alderwoods Group, Inc. company guaranty 12 1/4s, 2009 | 1,534,663 |
| 697,000 | Alliance Imaging, Inc. sr. sub. notes 10 3/8s, 2011 | 724,880 |
| 435,000 | AmerisourceBergen Corp. company guaranty 7 1/4s, 2012 | 442,613 |
| 560,000 | AmerisourceBergen Corp. sr. notes 8 1/8s, 2008 | 602,000 |
| 990,000 | Ardent Health Services 144A sr. sub. notes 10s, 2013 | 1,049,400 |
| 870,000 | Biovail Corp. sr. sub. notes 7 7/8s, 2010 (Canada) | 896,100 |
| 297,000 | Community Health Systems, Inc. bank term loan FRN Ser. B, 3.6399s, 2010 (acquired 7/11/02, cost \$297,000) (RES) | 297,603 |
| 199,500 | Concentra bank term loan FRN 4.9203s, 2009 (acquired 8/12/03, cost \$199,500) (RES) | 200,373 |
| 185,000 | Dade Behring, Inc. company guaranty 11.91s, 2010 | 210,438 |
| 200,000 | DaVita, Inc. bank term loan FRN Ser. C, 3.6193s, 2009 (acquired 7/17/03, cost \$200,000) (RES) | 200,775 |
| 500,000 | Extendicare Health Services, Inc. company guaranty 9 1/2s, 2010 | 542,500 |
| 183,630 | Fisher Scientific International, Inc. bank term loan FRN Ser. B, 3.6s, 2010 (acquired 2/13/03, cost \$183,630) (RES) | 185,053 |
| 37,341 | Genesis Health Ventures, Inc. sec. notes FRN 6.114s, 2007 | 36,968 |
| 100,000 | Hanger Orthopedic Group, Inc. bank term loan FRN 3.87s, 2009 (acquired 9/29/03, cost \$100,000) (RES) | 100,375 |
| 605,000 | Hanger Orthopedic Group, Inc. company guaranty 10 3/8s, 2009 | 676,088 |
| 145,000 | Hanger Orthopedic Group, Inc. sr. sub. notes 11 1/4s, 2009 | 161,313 |
| 1,500,000 | HCA, Inc. med. term notes 8.85s, 2007 | 1,697,091 |
| 1,240,000 | HCA, Inc. notes 7s, 2007 | 1,350,687 |
| 1,095,000 | Healthsouth Corp. notes 7 5/8s, 2012 | 941,700 |
| 510,000 | Healthsouth Corp. sr. notes 8 1/2s, 2008 | 448,800 |
| 245,000 | Healthsouth Corp. sr. notes 8 3/8s, 2011 | 211,925 |
| 205,000 | Healthsouth Corp. sr. notes 7s, 2008 | 176,300 |
| 400,000 | IASIS Healthcare Corp. company guaranty 13s, 2009 | 449,000 |
| 75,000 | IASIS Healthcare Corp. company guaranty 8 1/2s, 2009 | 77,625 |

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| | | | |
|---------------------|-----------|---|------------|
| | 1,000,000 | Integrated Health Services, Inc. sr. sub. notes Ser. A, 9 1/2s, 2007 (In default) (NON) | 21,250 |
| | 380,000 | Integrated Health Services, Inc. sr. sub. notes Ser. A, 9 1/4s, 2008 (In default) (NON) | 8,550 |
| | 149,625 | Kinetic Concepts, Inc. bank term loan FRN 3.87s, 2011 (acquired 8/5/03, cost \$149,969) (RES) | 150,420 |
| | 1,440,000 | Magellan Health Svcs., Inc. sr. sub. notes 9s, 2008 (In default) (NON) | 799,200 |
| | 270,000 | Magellan Health Svcs., Inc. 144A sr. notes 9 3/8s, 2007 (In default) (NON) | 279,450 |
| | 149,625 | Medex, Inc. bank term loan FRN 4.86s, 2009 (acquired various dates from 5/16/03 to 6/16/03, cost \$149,551) (RES) | 150,248 |
| | 560,000 | Mediq, Inc. debs. zero %, 2009 (In default) (NON) | 56 |
| | 925,000 | MedQuest, Inc. company guaranty Ser. B, 11 7/8s, 2012 | 980,500 |
| | 1,590,000 | Multicare Companies, Inc. sr. sub. notes 9s, 2007 (In default) (NON) | 23,850 |
| EUR | 50,000 | NYCO Holdings 144A 11 1/2s, 2013 | 61,562 |
| | \$740,000 | Omnicare, Inc. sr. sub. notes 6 1/8s, 2013 | 723,350 |
| | 1,135,000 | PacifiCare Health Systems, Inc. company guaranty 10 3/4s, 2009 | 1,308,088 |
| | 670,000 | Province Healthcare Co. sr. sub. notes 7 1/2s, 2013 | 666,650 |
| | 75,000 | Service Corp. International notes 7.2s, 2006 | 75,000 |
| | 25,000 | Service Corp. International notes 6 7/8s, 2007 | 24,875 |
| | 110,000 | Service Corp. International notes 6 1/2s, 2008 | 108,900 |
| | 1,580,000 | Service Corp. International notes 6s, 2005 | 1,587,900 |
| | 270,000 | Service Corp. International notes Ser. (a), 7.7s, 2009 | 276,075 |
| | 720,000 | Stewart Enterprises, Inc. notes 10 3/4s, 2008 | 802,800 |
| | 115,000 | Tenet Healthcare Corp. sr. notes 6 3/8s, 2011 | 110,113 |
| | 560,000 | Tenet Healthcare Corp. sr. notes 5 3/8s, 2006 | 548,800 |
| | 1,995,000 | Triad Hospitals Holdings company guaranty Ser. B, 11s, 2009 | 2,194,500 |
| | 632,042 | Triad Hospitals, Inc. bank term loan FRN Ser. B, 4.11s, 2008 (acquired 4/24/01, cost \$631,410) (RES) | 634,915 |
| | 35,000 | Triad Hospitals, Inc. company guaranty Ser. B, 8 3/4s, 2009 | 38,063 |
| | 305,000 | Ventas Realty LP/Capital Corp. company guaranty 9s, 2012 | 338,550 |
| | | | ----- |
| | | | 25,801,957 |
| Homebuilding (1.0%) | | | |
| | 430,000 | Beazer Homes USA, Inc. company guaranty 8 5/8s, 2011 | 463,325 |
| | 630,000 | D.R. Horton, Inc. sr. notes 7 7/8s, 2011 | 683,550 |

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| | | |
|---------|--|-----------|
| 190,000 | D.R. Horton, Inc. sr. notes 6 7/8s, 2013 | 190,475 |
| 630,000 | D.R. Horton, Inc. sr. notes 5 7/8s, 2013 | 582,750 |
| 450,000 | K. Hovnanian Enterprises, Inc. company guaranty 10 1/2s, 2007 | 519,750 |
| 575,000 | K. Hovnanian Enterprises, Inc. company guaranty 8 7/8s, 2012 | 615,250 |
| 130,000 | K. Hovnanian Enterprises, Inc. company guaranty 8s, 2012 | 139,100 |
| 210,000 | K. Hovnanian Enterprises, Inc. 144A sr. sub. notes 7 3/4s, 2013 | 216,300 |
| 365,000 | KB Home sr. sub. notes 9 1/2s, 2011 | 400,131 |
| 295,000 | Meritage Corp. 144A sr. notes 9 3/4s, 2011 | 322,288 |
| 615,000 | Ryland Group, Inc. sr. notes 9 3/4s, 2010 | 699,563 |
| 140,000 | Ryland Group, Inc. sr. notes 5 3/8s, 2008 | 140,875 |
| 385,000 | Schuler Homes, Inc. company guaranty 10 1/2s, 2011 | 436,494 |
| 190,000 | Technical Olympic USA, Inc. company guaranty 10 3/8s, 2012 | 204,250 |
| 135,000 | Technical Olympic USA, Inc. company guaranty 9s, 2010 | 142,425 |
| 250,000 | Toll Corp. sr. sub. notes 8 1/4s, 2011 | 273,125 |
| 160,000 | WCI Communities, Inc. company guaranty 10 5/8s, 2011 | 175,200 |
| 530,000 | WCI Communities, Inc. company guaranty 9 1/8s, 2012 | 567,100 |
| | | ----- |
| | | 6,771,951 |

Household Furniture and Appliances (0.2%)

| | | |
|---------|---|-----------|
| 701,000 | Sealy Mattress Co. company guaranty Ser. B, zero %, 2007 | 716,773 |
| 890,000 | Sealy Mattress Co. sr. sub. notes Ser. B, 9 7/8s, 2007 | 903,350 |
| | | ----- |
| | | 1,620,123 |

Lodging/Tourism (1.4%)

| | | |
|-----------|---|------------|
| 695,000 | FelCor Lodging LP company guaranty 9 1/2s, 2008 (R) | 747,125 |
| 850,000 | Hilton Hotels Corp. notes 7 5/8s, 2012 | 935,000 |
| 4,260,000 | HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008 (R) | 4,377,150 |
| 250,000 | HMH Properties, Inc. sr. notes Ser. C, 8.45s, 2008 | 260,313 |
| 279,000 | Host Marriott LP sr. notes Ser. E, 8 3/8s, 2006 (R) | 291,904 |
| 585,000 | ITT Corp. notes 6 3/4s, 2005 | 616,444 |
| 1,510,000 | John Q. Hammons Hotels LP/John Q. Hammons Hotels Finance Corp. III 1st mtge. Ser. B, 8 7/8s, 2012 | 1,630,800 |
| 670,000 | RFS Partnership LP company guaranty 9 3/4s, 2012 | 687,588 |
| 100,000 | Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 7/8s, 2012 | 109,500 |
| 390,000 | Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 3/8s, 2007 | 418,275 |
| | | ----- |
| | | 10,074,099 |

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Publishing (2.2%)

| | | |
|-----------|---|-----------|
| 42,643 | Affinity Group Holdings bank term loan FRN Ser. B1, 4.85s, 2009 (acquired 5/27/03, cost \$42,536) (RES) | 42,656 |
| 106,607 | Affinity Group Holdings bank term loan FRN Ser. B2, 5.1479s, 2009 (acquired 5/27/03, cost \$106,341) (RES) | 106,641 |
| 1,203,000 | Affinity Group Holdings sr. notes 11s, 2007 | 1,233,075 |
| 200,000 | Dex Media West, LLC bank term loan FRN 3.87s, 2010 (acquired 9/9/03, cost \$200,000) (RES) | 201,750 |
| 1,115,000 | Dex Media West, LLC 144A sr. notes 8 1/2s, 2010 | 1,206,988 |
| 670,000 | Garden State Newspapers, Inc. sr. sub. notes 8 5/8s, 2011 | 703,500 |
| 50,000 | Garden State Newspapers, Inc. sr. sub. notes Ser. B, 8 3/4s, 2009 | 51,375 |
| 450,000 | Hollinger International Publishing, Inc. sr. notes 9s, 2010 | 474,188 |
| 1,512,785 | Hollinger Participation Trust 144A sr. notes 12 1/8s, 2010 (Canada) (PIK) | 1,701,883 |
| 530,000 | Key3media Group, Inc. company guaranty 11 1/4s, 2011 (In default) (NON) | 5,300 |
| 120,000 | Moore Wallace bank term loan FRN Ser. B, 3.7313s, 2010 (acquired 3/13/03, cost \$120,000) (RES) | 121,013 |
| 188,478 | PRIMEDIA, Inc. bank term loan FRN Ser. B, 4.0979s, 2009 (acquired 2/10/03, cost \$180,468) (RES) | 184,974 |
| 1,095,000 | PRIMEDIA, Inc. company guaranty 8 7/8s, 2011 | 1,136,063 |
| 350,000 | PRIMEDIA, Inc. company guaranty 7 5/8s, 2008 | 344,750 |
| 800,000 | PRIMEDIA, Inc. 144A sr. notes 8s, 2013 | 802,000 |
| 165,000 | Quebecor Media, Inc. sr. disc. notes stepped-coupon zero % (13 3/4s, 7/15/06), 2011 (Canada) (STP) | 137,981 |
| 1,055,000 | Quebecor Media, Inc. sr. notes 11 1/8s, 2011 (Canada) | 1,200,063 |
| 248,108 | RH Donnelley Finance Corp. I bank term loan FRN Ser. B, 5.1295s, 2010 (acquired 12/04/02, cost \$245,627) (RES) | 252,489 |
| 925,000 | RH Donnelley Finance Corp. I 144A sr. notes 8 7/8s, 2010 | 1,036,000 |
| 600,000 | RH Donnelley Finance Corp. I 144A sr. sub. notes 10 7/8s, 2012 | 708,000 |
| 168,038 | Sum Media bank term loan FRN Ser. B, 3.61s, 2009 (acquired 2/4/03, cost \$168,038) (RES) | 168,248 |
| 875,000 | Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009 | 901,250 |
| 655,000 | Vertis, Inc. sub. notes 13 1/2s, 2009 | 609,150 |
| 455,000 | Vertis, Inc. 144A sec. notes 9 3/4s, 2009 | 478,888 |
| 920,000 | Von Hoffman Press, Inc. company guaranty 10 1/4s, 2009 | 982,100 |
| 100,000 | Von Hoffman Press, Inc. company guaranty FRN 10 3/8s, 2007 | 100,750 |
| 130,878 | Von Hoffman Press, Inc. debs. 13s, 2009 (PIK) | 122,698 |
| 62,000 | Yell Finance BV sr. notes 10 3/4s, | |

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| | | |
|-------------------|--|------------|
| | 2011 (Netherlands) | 71,300 |
| | | ----- |
| | | 15,085,073 |
| Retail (0.9%) | | |
| | ----- | |
| | 85,643 Advance Stores bank term loan FRN Ser. C, 3.983s, 2007 (acquired 3/4/03, cost \$85,643) (RES) | 85,879 |
| | 455,000 Asbury Automotive Group, Inc. company guaranty 9s, 2012 | 455,000 |
| | 885,000 Autonation, Inc. company guaranty 9s, 2008 | 991,200 |
| | 335,000 Gap, Inc. (The) notes 6.9s, 2007 | 360,125 |
| | 375,000 Hollywood Entertainment Corp. sr. sub. notes 9 5/8s, 2011 | 406,875 |
| | 840,000 J. Crew Operating Corp. 144A sr. sub. notes 10 3/8s, 2007 | 852,600 |
| | 575,000 JC Penney Co., Inc. notes 9s, 2012 | 649,750 |
| | 30,000 JC Penney Co., Inc. notes 8s, 2010 | 32,925 |
| | 320,000 JC Penney Co., Inc. notes Ser. MTNA, 7.05s, 2005 | 332,800 |
| | 1,580,000 Saks, Inc. company guaranty 8 1/4s, 2008 | 1,730,100 |
| | 515,000 United Auto Group, Inc. company guaranty 9 5/8s, 2012 | 562,638 |
| | | ----- |
| | | 6,459,892 |
| Technology (1.4%) | | |
| | ----- | |
| | 630,000 AMI Semiconductor, Inc. company guaranty 10 3/4s, 2013 | 708,750 |
| | 149,250 Amkor Technologies, Inc. bank term loan FRN 5.1247s, 2006 (acquired 4/17/03, cost \$149,447) (RES) | 151,147 |
| | 390,000 Amkor Technologies, Inc. structured notes 12.58s, 2005 (issued by STEERS Credit Linked Trust 2000) | 409,500 |
| | 195,000 Avaya, Inc. sec. sr. notes 11 1/8s, 2009 | 225,713 |
| | 785,000 DigitalNet Holdings Inc. 144A sr. notes 9s, 2010 | 832,100 |
| EUR | 580,000 Getronics NV sub. notes 13s, 2008 (Netherlands) | 324,985 |
| \$1, | 150,000 Iron Mountain, Inc. company guaranty 8 5/8s, 2013 | 1,221,875 |
| | 170,000 Iron Mountain, Inc. company guaranty 8 1/8s, 2008 (Canada) | 176,375 |
| | 390,000 Iron Mountain, Inc. sr. sub. notes 8 1/4s, 2011 | 405,600 |
| | 790,000 ON Semiconductor Corp. company guaranty 13s, 2008 | 900,600 |
| | 560,000 SCG Holding & Semiconductor Corp. company guaranty 12s, 2009 | 583,800 |
| | 620,000 Seagate Technology Hdd Holdings company guaranty 8s, 2009 (Cayman Islands) | 682,000 |
| | 144,297 Telex Communications Group, Inc. sr. sub. notes Ser. A, zero %, 2006 | 79,363 |
| | 185,000 Xerox Capital Europe PLC company guaranty 5 7/8s, 2004 (United Kingdom) | 185,925 |
| | 535,000 Xerox Corp. company guaranty 9 3/4s, 2009 | 593,850 |
| EUR | 195,000 Xerox Corp. sr. notes 9 3/4s, 2009 | 248,721 |
| | \$300,000 Xerox Corp. sr. notes 7 5/8s, 2013 | 295,875 |
| | 1,785,000 Xerox Corp. sr. notes 7 1/8s, 2010 | 1,778,306 |

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9,804,485

Textiles (0.4%)

| | | |
|---------|--|--------------------|
| 560,000 | Galey & Lord, Inc. company guaranty 9 1/8s, 2008 (In default) (NON) | 4,200 |
| 295,000 | Levi Strauss & Co. bank term loan FRN 10s, 2009 (acquired 9/23/03, cost \$295,000) (RES) | 301,514 |
| 940,000 | Levi Strauss & Co. sr. notes 12 1/4s, 2012 | 752,000 |
| 460,000 | Oxford Industries, Inc. 144A sr. notes 8 7/8s, 2011 | 489,900 |
| 505,000 | Russell Corp. company guaranty 9 1/4s, 2010 | 536,563 |
| 615,000 | William Carter Holdings Co. (The) company guaranty Ser. B, 10 7/8s, 2011 | 688,800 |
| | | ----- 2,772,977 |

Tire & Rubber (--%)

| | | |
|---------|--|---------|
| 220,000 | Goodyear Tire & Rubber Co. (The) notes 7.857s, 2011 | 184,800 |
|---------|--|---------|

Transportation (1.1%)

| | | |
|-------------|---|-----------|
| 445,000 | Allied Holdings, Inc. company guaranty Ser. B, 8 5/8s, 2007 | 413,850 |
| 550,000 | American Airlines, Inc. pass-through certificates Ser. 01-1, 6.817s, 2011 | 462,000 |
| 80,000 | American Airlines, Inc. pass-through certificates Ser. 99-1, 7.024s, 2009 | 76,800 |
| 985,000 | Calair, LLC/Calair Capital Corp. company guaranty 8 1/8s, 2008 | 837,250 |
| 320,000 | Continental Airlines, Inc. pass-through certificates Ser. D, 7.568s, 2006 | 240,000 |
| 930,000 | CSX Corp. notes 6 1/4s, 2008 | 1,041,083 |
| 390,000 | Delta Air Lines, Inc. pass-through certificates Ser. 00-1, 7.779s, 2005 | 322,178 |
| 267,352 | Delta Air Lines, Inc. pass-through certificates Ser. 02-1, 7.779s, 2012 | 216,555 |
| 925,000 | Evergreen International Aviation, Inc. 144A sec. notes 12s, 2010 | 841,750 |
| EUR 400,000 | Fixed-Link Finance BV sec. notes Ser. B2-X, 7.85s, 2009 (Netherlands) | 321,347 |
| \$910,000 | Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008 | 1,003,275 |
| 190,000 | Kansas City Southern Railway Co. company guaranty 7 1/2s, 2009 | 197,125 |
| 135,000 | Navistar International Corp. sr. notes Ser. B, 8s, 2008 | 137,700 |
| 540,000 | Northwest Airlines, Inc. company guaranty 7 5/8s, 2005 | 473,850 |
| 261,692 | NWA Trust sr. notes Ser. A, 9 1/4s, 2012 | 259,730 |
| 195,176 | Pacer International, Inc. bank term loan FRN 4.4757s, 2010 (acquired 6/10/03, cost \$195,858) (RES) | 196,559 |
| 190,000 | Travel Centers of America, Inc. company guaranty 12 3/4s, 2009 | 216,600 |

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| | | |
|-----------|--|-----------|
| 620,000 | United AirLines, Inc. debs. 9 1/8s, 2012 (In default) (NON) | 58,125 |
| 1,370,337 | US Air, Inc. pass-through certificates Ser. 93-A2, 9 5/8s, 2004 (In default) (NON) | 479,618 |
| | | ----- |
| | | 7,795,395 |

Utilities & Power (3.9%)

| | | |
|-----------|---|-----------|
| 54,000 | AES Corp. (The) sr. notes 8 7/8s, 2011 | 53,730 |
| 30,000 | AES Corp. (The) sr. notes 8 3/4s, 2008 | 30,075 |
| 1,885,000 | AES Corp. (The) 144A sec. notes 8 3/4s, 2013 | 1,979,250 |
| 940,000 | Allegheny Energy Supply 144A bonds 8 1/4s, 2012 | 827,200 |
| 335,000 | Allegheny Energy, Inc. notes 7 3/4s, 2005 | 336,675 |
| 425,000 | Avon Energy Partners Holdings 144A notes 7.05s, 2007 (United Kingdom) | 361,250 |
| 40,000 | Avon Energy Partners Holdings 144A notes 6.46s, 2008 (United Kingdom) | 36,237 |
| 970,000 | Calpine Canada Energy Finance company guaranty 8 1/2s, 2008 (Canada) | 697,188 |
| 250,000 | Calpine Corp. bank term loan FRN 6.86s, 2007 (acquired 7/11/03, cost \$250,000) (RES) | 235,486 |
| 460,000 | Calpine Corp. sr. notes 8 3/4s, 2007 | 342,700 |
| 390,000 | Calpine Corp. sr. notes 8 1/2s, 2011 | 274,950 |
| 700,000 | Calpine Corp. sr. notes 7 7/8s, 2008 | 493,500 |
| 1,940,000 | Calpine Corp. 144A sec. notes 8 1/2s, 2010 | 1,784,800 |
| 280,000 | CenterPoint Energy Resources Corp. debs. 6 1/2s, 2008 | 297,817 |
| 240,000 | CenterPoint Energy Resources Corp. 144A notes 7 7/8s, 2013 | 269,624 |
| 150,000 | CMS Energy Corp. pass-through certificates 7s, 2005 | 148,875 |
| 600,000 | CMS Energy Corp. sr. notes 8.9s, 2008 | 621,000 |
| 230,000 | CMS Energy Corp. sr. notes 8 1/2s, 2011 | 234,025 |
| 180,000 | CMS Energy Corp. 144A sr. notes 7 3/4s, 2010 | 178,650 |
| 295,000 | Dynegy Holdings, Inc. sr. notes 6 7/8s, 2011 | 247,063 |
| 1,810,000 | Dynegy Holdings, Inc. 144A sec. notes 10 1/8s, 2013 | 1,909,550 |
| 40,000 | Dynegy-Roseton Danskamme company guaranty Ser. A, 7.27s, 2010 | 37,400 |
| 265,000 | Edison Mission Energy sr. notes 10s, 2008 | 233,200 |
| 440,000 | Edison Mission Energy sr. notes 9 7/8s, 2011 | 376,200 |
| 320,000 | Edison Mission Energy sr. notes 7.73s, 2009 | 260,800 |
| 155,000 | El Paso CGP Co. debs. 6 1/2s, 2008 | 124,775 |
| 200,000 | El Paso CGP Co. notes 6 3/8s, 2009 | 158,000 |
| 275,000 | El Paso Corp. notes Ser. MTN, 6.95s, 2007 | 240,625 |
| 670,000 | El Paso Corp. sr. notes 7 3/8s, 2012 | 547,725 |
| 365,000 | El Paso Natural Gas Co. 144A sr. notes 7 5/8s, 2010 | 352,225 |
| 925,000 | El Paso Production Holding Co. 144A sr. notes 7 3/4s, 2013 | 878,750 |
| 100,000 | Gemstone Investor, Ltd. 144A company guaranty 7.71s, 2004 | 98,750 |

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| | | |
|---------|---|---------------|
| 380,323 | Midland Funding II Corp. debts. Ser. A, 11 3/4s, 2005 | 413,602 |
| 385,000 | Midwest Generation LLC pass-through certificates Ser. A, 8.3s, 2009 | 365,750 |
| 270,000 | Mirant Americas Generation, Inc. sr. notes 8.3s, 2011 (In default) (NON) | 211,950 |
| 950,000 | Mirant Americas Generation, Inc. sr. notes 7 5/8s, 2006 (In default) (NON) | 752,875 |
| 280,000 | Mirant Americas Generation, Inc. sr. notes 7.2s, 2008 (In default) (NON) | 221,900 |
| 280,000 | Mission Energy Holding Co. sec. notes 13 1/2s, 2008 | 184,800 |
| 560,000 | Nevada Power Co. 144A 2nd mtge. 9s, 2013 | 578,200 |
| 340,000 | Northwest Pipeline Corp. company guaranty 8 1/8s, 2010 | 368,900 |
| 145,000 | Orion Power Holdings, Inc. sr. notes 12s, 2010 | 163,850 |
| 360,000 | Pacific Gas & Electric Co. 144A sr. notes 7 3/8s, 2005 (In default) (NON) | 369,000 |
| 855,000 | PG&E Corp. 144A sec. notes 6 7/8s, 2008 | 897,750 |
| 160,000 | PG&E Gas Transmission Northwest sr. notes 7.1s, 2005 | 164,400 |
| 615,000 | PSEG Energy Holdings, Inc. notes 7 3/4s, 2007 | 611,925 |
| 485,000 | SEMCO Energy, Inc. 144A sr. notes 7 3/4s, 2013 | 488,031 |
| 565,000 | Sierra Pacific Resources notes 8 3/4s, 2005 | 526,863 |
| 90,000 | Southern California Edison Co. notes 6 3/8s, 2006 | 94,500 |
| 920,000 | Southern California Edison Co. 144A 1st mtge. 8s, 2007 | 1,028,100 |
| 320,000 | Teco Energy, Inc. notes 10 1/2s, 2007 | 356,400 |
| 160,000 | Teco Energy, Inc. notes 7.2s, 2011 | 157,600 |
| 405,000 | Teco Energy, Inc. notes 7s, 2012 | 390,319 |
| 365,000 | Teco Energy, Inc. sr. notes 7 1/2s, 2010 | 370,019 |
| 595,000 | Western Resources, Inc. sr. notes 9 3/4s, 2007 | 664,913 |
| 105,000 | Williams Cos., Inc. (The) notes 9 1/4s, 2004 | 107,100 |
| 150,000 | Williams Cos., Inc. (The) notes 8 1/8s, 2012 | 156,000 |
| 755,000 | Williams Cos., Inc. (The) notes Ser. A, 6 3/4s, 2006 | 758,775 |
| 545,000 | Williams Cos., Inc. (The) notes 6 1/2s, 2006 | 546,363 |
| 705,000 | Williams Cos., Inc. (The) sr. notes 8 5/8s, 2010 | 747,300 |
| 375,000 | Williams Holdings Of Delaware notes 6 1/2s, 2008 | 363,750 |
| 120,000 | Williams Products bank term loan FRN 4.9s, 2007 (acquired 6/4/03, cost \$120,000) (RES) | 120,975 |
| 926,682 | York Power Funding 144A notes 12s, 2007 (Cayman Islands) (In default) (NON) | 648,677 |
| | | ----- |
| | | 27,498,682 |
| | | ----- |
| | Total Corporate bonds and notes (cost \$355,326,393) | \$358,167,977 |

Foreign government bonds and notes (18.6%) (a)

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| Principal amount | | Value |
|------------------|--|-------------|
| \$6,890,000 | Brazil (Federal Republic of) bonds 2.188s, 2012 | \$5,512,000 |
| 1,495,000 | Brazil (Federal Republic of) unsub. 10s, 2011 | 1,461,363 |
| 3,000,000 | Bulgaria (Republic of) 144A bonds 8 1/4s, 2015 | 3,412,500 |
| CAD 8,510,000 | Canada (Government of) bonds 6s, 2011 | 6,972,018 |
| CAD 3,680,000 | Canada (Government of) bonds Ser. WH31, 6s, 2008 | 2,991,466 |
| \$900,000 | Chile (Republic of) bonds 5 1/2s, 2013 | 936,000 |
| 364,629 | Colombia (Republic of) bank guaranty 9 3/4s, 2011 | 405,650 |
| 1,040,000 | Colombia (Republic of) bonds Ser. NOV, 9 3/4s, 2009 | 1,151,800 |
| 5,305,000 | Colombia (Republic of) notes 10 3/4s, 2013 | 5,941,600 |
| EUR 770,000 | Colombia (Republic of) unsub. bonds Ser. 15A, 11 3/8s, 2008 | 1,022,023 |
| \$915,000 | Dominican (Republic of) 144A notes 9.04s, 2013 | 828,075 |
| 1,000,000 | Ecuador (Republic of) bonds Ser. REGS, 12s, 2012 | 827,500 |
| 1,000,000 | El Salvador (Republic of) 144A notes 8 1/2s, 2011 | 1,090,000 |
| EUR 8,330,000 | Germany (Federal Republic of) bonds Ser. 95, 7 3/8s, 2005 | 10,319,331 |
| EUR 1,345,000 | Hellenic Greece (Republic of) bonds 3 1/2s, 2008 | 1,585,558 |
| \$185,000 | Indonesia (Republic of) FRN 2.005s, 2006 | 159,100 |
| 460,000 | Indonesia (Republic of) FRN 2.005s, 2005 | 418,600 |
| EUR 3,400,000 | Italy (Government of) treasury bonds 5 1/2s, 2010 | 4,400,798 |
| NZD 9,290,000 | New Zealand (Government of) bonds 6 1/2s, 2013 | 5,776,485 |
| NZD 5,804,000 | New Zealand (Government of) bonds Ser. 709, 7s, 2009 | 3,667,473 |
| \$1,635,000 | Peru (Republic of) notes 9 1/8s, 2008 | 1,908,863 |
| EUR 355,000 | Philippines (Republic of) 144A bonds 9 1/8s, 2010 | 437,506 |
| \$12,690,000 | Russia (Federation of) unsub. 8 1/4s, 2010 | 14,327,010 |
| EUR 305,000 | South Africa (Republic of) bonds 5 1/4s, 2013 | 346,234 |
| \$2,855,000 | South Africa (Republic of) notes 7 3/8s, 2012 | 3,237,570 |
| EUR 1,000,000 | Spain (Government of) bonds 5.4s, 2011 | 1,292,373 |
| SEK 30,690,000 | Sweden (Government of) bonds 6 3/4s, 2014 | 4,699,830 |
| SEK 26,915,000 | Sweden (Government of) bonds Ser. 3101, 4s, 2008 | 4,268,719 |
| \$1,000,000 | Turkey (Republic of) bonds 11 3/4s, 2010 | 1,141,500 |
| 3,000,000 | Turkey (Republic of) notes 9 7/8s, 2008 | 3,237,000 |
| 401,804 | Ukraine (Government of) sr. notes Ser. REGS, 11s, 2007 | 446,806 |
| EUR 231,936 | Ukraine (Government of) sr. notes Ser. REGS, 10s, 2007 | 292,186 |
| \$730,000 | Ukraine (Government of) sr. notes, 7.65s, 2013 | 725,620 |
| GBP 4,030,000 | United Kingdom treasury bonds 7 1/4s, 2007 | 7,448,231 |
| GBP 6,900,000 | United Kingdom treasury bonds | |

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| | 7 1/2s, 2006 | 12,586,341 |
| \$1,835,000 | United Mexican States notes 7 1/2s, 2012 | 2,076,303 |
| 8,440,000 | United Mexican States notes 6 3/8s, 2013 | 8,874,660 |
| 630,000 | United Mexican States notes 4 5/8s, 2008 | 642,600 |
| 3,428,480 | Venezuela (Republic of) FRB 1 7/8s, 2007 | 3,098,660 |
| 465,000 | Venezuela (Republic of) 144A notes 10 3/4s, 2013 | 428,963 |
| | | ----- |
| | Total Foreign government bonds and notes (cost \$116,502,678) | \$130,396,315 |
| U.S. government and agency obligations (13.5%) (a) | | |
| Principal amount | | Value |
| ----- | | |
| U.S. Government and Agency Mortgage Obligations (9.8%) | | |
| ----- | | |
| | Federal National Mortgage Association Pass-Through Certificates | |
| \$201 | 8 1/2s, March 1, 2006 | \$215 |
| 24,529 | 8s, with due dates from October 1, 2025 to July 1, 2028 | 26,638 |
| 61,691 | 7 1/2s, December 1, 2029 | 65,851 |
| 669,233 | 6 1/2s, August 1, 2032 | 697,636 |
| 19,728,000 | 6 1/2s, TBA, October 1, 2032 | 20,560,285 |
| 12,489,400 | 5s, TBA, October 1, 2033 | 12,489,400 |
| | Government National Mortgage Association Pass-Through Certificates | |
| 4,097,676 | 5s, with due dates from August 15, 2033 to September 15, 2033 | 4,109,116 |
| 31,032,000 | 5s, TBA, October 1, 2033 | 31,090,185 |
| | | ----- |
| | | 69,039,326 |
| U.S. Treasury Obligations (3.7%) | | |
| ----- | | |
| | U.S. Treasury Notes | |
| 7,500,000 | 6 1/2s, February 15, 2010 | 8,900,100 |
| 16,690,000 | 1 5/8s, March 31, 2005 | 16,792,360 |
| | | ----- |
| | | 25,692,460 |
| | | ----- |
| | Total U.S. government and agency obligations (cost \$93,386,439) | \$94,731,786 |
| Asset-backed securities (7.7%) (a) | | |
| Principal amount | | Value |
| ----- | | |
| \$419,290 | ABSC Nims Trust 144A Ser. 03-HE5, Class A, 7s, 2033 | \$409,856 |
| | Ameriquist Mortgage Securities, Inc. | |
| 104,000 | FRB Ser. 03-10, 4.869s, 2012 | 85,456 |
| 83,000 | FRB Ser. 03-8, Class MV6, 4.86s, 2033 | 69,709 |
| 164,000 | FRN Ser. 03-AR3, Class M5, 4.87s, 2033 | 155,480 |
| 418,000 | FRN Ser. 03-1, Class M4, 4.2s, 2033 | 349,353 |
| | Amortizing Residential Collateral Trust | |
| 19,303,636 | Ser. 02-BC1, Class A, IO, 6s, 2005 | 744,486 |
| 387,000 | FRN Ser. 02-BC5, Class B, 3.37s, 2032 | 330,462 |
| 144,000 | FRN Ser. 02-BC7, Class B3, 3.12s, 2032 | 124,453 |
| 507,040 | AQ Finance NIM Trust Ser. 03-N1, Class Note, 9.37s, 2033 | 507,028 |

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|------------|---|-----------|
| | AQ Finance NIM Trust 144A | |
| 994,826 | Ser. 03-N2, Class Note, 9.3s, 2033 | 994,826 |
| 213,000 | Ser. 03-N9A, Class NOTE, 7.385s, 2033 | 213,000 |
| | Arc Net Interest Margin Trust 144A | |
| 312,278 | Ser. 02-8A, Class A1, 7 3/4s, 2032 | 309,705 |
| 158,470 | Ser. 02-1A, Class A, 7 3/4s, 2032 | 158,443 |
| 98,135 | Arc Net Interest Margin Trust Ser. 02-5A, Class A, 7 3/4s, 2032 | 97,503 |
| 383,000 | Arcap, Inc. 144A Ser. 03-1A, Class E, 6.33s, 2038 (R) | 395,208 |
| 180,000 | Argent Securities, Inc. FRB Ser. 03-W1, Class MV6, 4.87s, 2033 | 142,128 |
| | Asset Backed Funding Certificates 2031 | 340,140 |
| 434,000 | FRB Ser. 03-WF1, Class M3, 4.17s, 2032 | 434,000 |
| 132,000 | FRB Ser. 03-WF1, Class M4, 4.37s, 2032 | 120,816 |
| 63,513 | Asset Backed Funding Corp. NIM Trust Ser. 02-WF1, 9.32s, 2032 | 63,513 |
| 154,388 | Asset Backed Funding Corp. NIM Trust 144A Ser. 03-WF1, Class N1, 8.35s, 2032 | 154,388 |
| | Asset Backed Securities Corp. Home Equity Loan Trust | |
| 250,000 | FRB Ser. 02-HE3, Class M4, 4.12s, 2032 | 215,614 |
| 159,000 | FRB Ser. 03-HE5, Class M5, 5.37s, 2033 | 137,202 |
| 362,000 | FRB Ser. 03-HE6, Class M6, 5.12s, 2033 | 316,388 |
| 372,000 | FRN Ser. 03-HE1, Class M4, 5.62s, 2033 | 324,655 |
| 390,000 | FRN Ser. 03-HE3, Class M5, 5.12s, 2033 | 333,188 |
| 806,000 | FRN Ser. 03-HE2, Class M4, 4.97s, 2033 | 776,130 |
| 340,001 | Aviation Capital Group Trust 144A FRB Ser. 03-2A, Class G1, 1.82s, 2033 | 340,001 |
| 1,845,000 | Bank One Issuance Trust FRN Ser. 02-C1, Class C1, 2.08s, 2009 | 1,833,973 |
| | Bayview Financial Acquisition Trust | |
| 995,000 | Ser. 02-CA, Class A, IO, 7.15s, 2004 | 37,623 |
| 710,870 | FRN Ser. 01-DA, Class M3, 2.52s, 2031 | 703,762 |
| 34,465,189 | Ser. 03-X, Class AIO1, IO, 1.36s, 2006 | 506,207 |
| | CDC Mortgage Capital Trust | |
| 257,000 | FRB Ser. 03-HE3, Class B3, 4.87s, 2033 | 213,079 |
| 349,997 | FRN Ser. 03-HE2, Class B3, 4.87s, 2033 | 298,238 |
| 68,072 | Chase Funding Net Interest Margin Ser. 02-2, 8 1/2s, 2035 | 67,868 |
| | Chase Funding Net Interest Margin 144A | |
| 157,932 | Ser. 03-1A, Class NOTE, 8 3/4s, 2004 | 158,406 |
| 690,482 | Ser. 03-4A, Class NOTE, 6 3/4s, 2036 | 689,722 |
| 390,845 | Ser. 03-2A, Class NOTE, 8 3/4s, 2035 | 388,773 |
| | Conseco Finance Securitizations Corp. | |
| 248,000 | Ser. 00-2, Class A4, 8.48s, 2021 | 258,209 |
| 4,342,000 | Ser. 00-4, Class A6, 8.31s, 2032 | 3,848,182 |
| 1,100,000 | Ser. 00-6, Class M2, 8.2s, 2032 | 550,000 |
| 23,000 | Ser. 01-04, Class A4, 7.36s, 2019 | 21,848 |
| 13,000 | Ser. 01-3, Class A3, 5.79s, 2024 | 12,831 |
| 494,000 | Ser. 01-3, Class A4, 6.91s, 2033 | 455,212 |
| 1,030,000 | Ser. 01-4, Class B1, 9.4s, 2010 | 360,500 |
| 2,960,176 | Ser. 02-1, Class A, 6.681s, 2032 | 2,949,890 |
| 300,000 | Ser. 2001-3, Class M2, 7.44s, 2033 | 99,000 |
| 790,000 | Consumer Credit Reference IDX Securities FRB Ser. 02-1A, Class A, 3.14s, 2007 | 787,346 |
| | First Franklin Mortgage Loan Asset Backed Certificates | |
| 169,000 | Ser. 03-FF3, 4.12s, 2033 | 158,315 |
| 187,000 | FRB Ser. 03-FF4, Class M6, 4.92s, 2033 | 170,141 |
| | Granite Mortgages PLC | |

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| | | | |
|-----|-----------|---|-----------|
| EUR | 1,430,000 | Ser. 03-2, Class 2C1, 5.2s, 2010 (United Kingdom) | 1,644,970 |
| GBP | 1,075,000 | FRN Ser. 03-2, Class 3C, 4.956s, 2043 (United Kingdom) | 1,785,898 |
| | \$165,693 | Green Tree Financial Corp. Ser. 99-3, 6.16s, 2031 | 168,248 |
| | 1,247,000 | Ser. 99-5, Class A5, 7.86s, 2030 Greenpoint Manufactured Housing | 1,114,047 |
| | 2,100,522 | Ser. 00-3, Class IA, 8.45s, 2031 | 1,826,624 |
| | 50,000 | Ser. 99-5, Class A4, 7.59s, 2028 GSAMP Trust | 50,806 |
| | 123,726 | Ser. 02-HE2N, Class Note, 8 1/4s, 2032 | 123,814 |
| | 214,000 | FRB Ser. 03-FM1, Class B3, 5.62s, 2033 | 190,995 |
| | 318,215 | GSAMP Trust 144A Ser. 03-HE1N, Class NOTE, 7 1/4s, 2033 | 340,758 |
| | | Home Equity Asset Trust | |
| | 114,346 | Ser. 02-1N, Class A, 8s, 2032 | 112,917 |
| | 383,000 | FRB Ser. 03-5, Class B3, 5.62s, 2033 Home Equity Asset Trust 144A | 340,321 |
| | 691,565 | Ser. 02-5N, Class A, 8s, 2033 | 677,734 |
| | 278,000 | Ser. 03-4N, Class A, 8s, 2033 | 276,165 |
| | 1,260,000 | LNR CDO, Ltd. Ser. 02-1A, Class FFL, 3.87s, 2037 | 1,164,996 |
| | 598,632 | Long Beach Asset Holdings Corp. 144A Ser. 03-2, Class N1, 7.627s, 2033 | 598,632 |
| | 305,776 | Long Beach Asset Holdings Corp. NIM Trust 144A Ser. 03-4, Class N1, 6.535s, 2033 | 305,681 |
| | 419,000 | Long Beach Mortgage Loan Trust FRN Ser. 03-3, Class M4, 4.62s, 2033 | 343,580 |
| | 1,046,356 | Madison Avenue Manufactured Housing Contract FRN Ser. 02-A, Class B1, 4.37s, 2032 | 680,131 |
| | | Mastr Asset Backed Securities Trust | |
| | 136,000 | FRB Ser. 03-NC1, 5.12s, 2033 | 112,200 |
| | 205,000 | FRB Ser. 03-OPT1, Class MV5, 4.62s, 2032 | 179,831 |
| | 524,000 | FRN Ser. 03-OPT2, Class M5, 4.87s, 2033 Merrill Lynch Mortgage Investors, Inc. | 462,983 |
| | 351,000 | Ser. 03-WM3N, Class N1, 8s, 2005 | 347,702 |
| | 685,000 | FRB Ser. 03-WMC1, Class B2, 4.12s, 2033 | 648,181 |
| | 300,000 | FRB Ser. 03-WMC3, Class B3, 4.12s, 2034 Mid-State Trust | 252,750 |
| | 554,117 | Ser. 10, Class B, 7.54s, 2036 | 498,621 |
| | 440,795 | Ser. 11, Class B, 8.221s, 2038 Morgan Stanley Capital I | 423,232 |
| | 354,000 | FRB Ser. 02-NC6, Class B2, 4.87s, 2032 | 307,427 |
| | 398,000 | FRB Ser. 03-NC10, Class B3, 4.869s, 2013 | 331,646 |
| | 472,000 | FRB Ser. 03-NC8, Class B3, 4.87s, 2033 | 389,432 |
| | 399,000 | FRN Ser. 03-NC6, Class B3, 4.87s, 2033 Morgan Stanley Dean Witter Capital I | 332,138 |
| | 390,000 | FRN Ser. 01-NC3, Class B1, 3.57s, 2031 | 355,043 |
| | 358,000 | FRN Ser. 01-NC4, Class B1, 3.62s, 2032 | 325,014 |
| | 640,000 | FRN Ser. 02-AM2, Class B1, 3.37s, 2032 | 576,757 |
| | 355,000 | FRN Ser. 02-HE1, Class B1, 2.92s, 2032 | 332,571 |
| | 82,798 | Morgan Stanley Dean Witter Capital I 144A Ser. 01-NC4N, Class Note, 8 1/2s, 2032 | 82,884 |
| | 400,000 | New Century Home Equity Loan Trust FRN Ser. 03-2, Class M4, 4.72s, 2033 | 341,000 |
| | 77,228 | NovaStar Caps Trust Ser. 02-C1, Class A, 7.15s, 2031 | 90,406 |
| | | Option One Mortgage Loan Trust | |

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| | | |
|-----------|--|--------------|
| 375,000 | FRB Ser. 03-6, Class M6, 4.62s, 2033 | 321,768 |
| 377,000 | FRN Ser. 03-3, Class M6, 4.62s, 2033 | 334,440 |
| 175,709 | Option One Mortgage Securities Corp. Ser. 02-2A, Class CFTS, 8.83s, 2032 | 175,709 |
| | Option One Mortgage Securities Corp. 144A | |
| 168,583 | Ser. 02-1, Class CTFS, 6 3/4s, 2032 | 167,871 |
| 187,911 | Ser. 03-5, 6.9s, 2033 | 187,911 |
| 233,129 | Option One Mortgage Securities Corp. NIM Trust 144A Ser. 03-2B, Class N1, 7.63s, 2033 (Cayman Islands) | 233,056 |
| 963,377 | Pass-Through Amortizing Credit Card Trust Ser. 02-1A, Class A4FL, 6.62s, 2012 | 960,015 |
| 4,594,057 | Residential Asset Mortgage Products, Inc. Ser. 03-RZ1, Class A, IO, 0.347s, 2005 | 313,688 |
| 157,882 | Rural Housing Trust Ser. 87-1, Class D, 6.33s, 2026 | 166,245 |
| | SAIL Net Interest Margin Notes 144A | |
| 445,599 | Ser. 03-7A, Class A, 7s, 2033 | 442,293 |
| 482,153 | Ser. 03-FF3A, Class A, 6 3/4s, 2033 | 480,281 |
| 138,000 | Ser. 03-8A, Class A, 7s, 2033 | 137,305 |
| | Sasco Arc Net Interest Margin Notes 144A | |
| 426,885 | Ser. 03-3, Class A, 7 3/4s, 2033 | 424,742 |
| 157,519 | Ser. 03-4, Class A, 7 1/2s, 2033 (Cayman Islands) | 157,353 |
| 806,305 | Ser. 03-5, Class A, 7.35s, 2033 (Cayman Islands) | 806,069 |
| 760,239 | Ser. 03-BC2A, Class A, 7 3/4s, 2033 | 758,030 |
| 140,366 | Ser. 02-BC10, Class A, 7 3/4s, 2033 | 139,090 |
| 709,321 | Ser. 03-AM1, Class A, 7 3/4s, 2033 | 705,863 |
| 275,880 | Ser. 03-BC1, Class B, zero %, 2033 | 197,556 |
| 265,000 | Saxon Asset Securities Trust FRB Ser. 03-3, Class M6, 6.656s, 2033 | 228,438 |
| 351,000 | Saxon Net Interest Margin Trust 144A Ser. 03-A, Class A, 6 3/4s, 2033 | 351,000 |
| 140,000 | SCF III Class A2, 2.31s, 2038 | 140,000 |
| 147,108 | SHARP 144A Ser. 03-TC1N, 7 3/4s, 2033 Structured Asset Investment Loan Trust | 147,108 |
| 955,000 | Ser. 03-BC1, Class M3, 4.12s, 2033 | 946,495 |
| 813,539 | Ser. 03-BC1A, Class A, 7 3/4s, 2033 | 809,585 |
| 9,136,654 | Ser. 03-BC2, Class A, IO, 6s, 2005 | 588,864 |
| 138,000 | Ser. 03-BC2, Class B, 7s, 2033 | 131,081 |
| 368,000 | FRN Ser. 03-BC3, Class B, 4.62s, 2033 | 329,015 |
| 395,000 | Structured Asset Securities Corp. FRN Ser. 02-HF2, Class M3, 3.12s, 2032 | 335,966 |
| 390,000 | TIAA Commercial Real Estate Securitization Ser. 02-1A, Class IV, 6.84s, 2037 | 328,804 |
| 904,000 | WALT 144A Ser. 03-1, Class D, 6s, 2010 | 907,814 |
| 2,877,000 | Washington Mutual Ser. 03-S1, Class All, IO, 5.5s, 2033 | 269,719 |
| | | ----- |
| | Total Asset-backed securities (cost \$57,414,623) | \$53,971,565 |

Collateralized mortgage obligations (5.4%) (a)

Principal amount

Value

| | | |
|---------------|---|-----------|
| \$27,567,500 | Deutsche Mortgage & Asset Receiving Corp. Ser. 98-C1, Class X, IO, 1.193s, 2023 | \$965,326 |
| GBP 1,333,369 | Hermione (European Loan Conduit No. | |

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| 14) 144A FRB Class A, 4.102s, 2011 (Ireland) | 2,215,126 |
| Federal National Mortgage Association | |
| \$229,839 Ser. 98-51, Class SG, IO, 25.3s, 2022 | 92,699 |
| 1,380,109 Ser. 02-36, Class SJ, 17.325s, 2029 | 1,540,704 |
| 743,543 Ser. 03-W3, Class 1A3, 7 1/2s, 2042 | 819,120 |
| 13,826 Ser. 03-W2, Class 1A3, 7 1/2s, 2042 | 15,232 |
| 872,147 Ser. 01-T10, Class A2, 7 1/2s, 2041 | 960,797 |
| 22,387 Ser. 01-T8, Class A1, 7 1/2s, 2041 | 24,662 |
| 3,363,089 Ser. 01-T7, Class A1, 7 1/2s, 2041 | 3,704,934 |
| 495,604 Ser. 01-T3, Class A1, 7 1/2s, 2040 | 545,979 |
| 1,489,899 Ser. 01-T1, Class A1, 7 1/2s, 2040 | 1,641,341 |
| 595,502 Ser. 99-T2, Class A1, 7 1/2s, 2039 | 656,033 |
| 320,314 Ser. 00-T6, Class A1, 7 1/2s, 2030 | 352,873 |
| 1,477,160 Ser. 01-T4, Class A1, 7 1/2s, 2028 | 1,627,307 |
| 3,686 Ser. 02-W3, Class A5, 7 1/2s, 2028 | 4,060 |
| 60,895 Ser. 02-21, Class PS, IO, 7.08s, 2025 | 400 |
| 3,809,194 Ser. 02-9, Class MS, IO, 6.98s, 2032 | 328,543 |
| 2,990,215 Ser. 02-36, Class QH, IO, 6.93s, 2029 | 191,929 |
| 666,702 Ser. 02-29, Class SL, IO, 6.93s, 2029 | 18,921 |
| 1,738,377 Ser. 02-63, Class SN, IO, 6.88s, 2032 | 152,108 |
| 1,624,841 Ser. 02-52, Class SL, IO, 6.88s, 2032 | 123,704 |
| 2,800,603 Ser. 02-92, Class SA, IO, 6.83s, 2033 | 341,323 |
| 1,629,123 Ser. 03-7, Class SM, IO, 6.63s, 2023 | 52,183 |
| 4,083,268 Ser. 03-49, Class TS, IO, 6.58s, 2018 | 553,155 |
| 1,827,166 Ser. 03-14, Class KS, IO, 6.48s, 2017 | 168,156 |
| 901,145 Ser. 03-23, Class SC, IO, 6.43s, 2033 | 49,000 |
| 3,314,600 Ser. 03-41, Class SP, IO, 6.08s, 2015 | 291,063 |
| 9,623,799 Ser. 03-34, Class ES, IO, 5.88s, 2033 | 1,005,988 |
| 3,849,492 Ser. 03-34, Class SG, IO, 5.88s, 2033 | 409,610 |
| 2,479,464 Ser. 03-45, Class PI, IO, 5 1/2s, 2029 | 283,589 |
| Federal National Mortgage Association | |
| 6,996,681 Ser. 03-63, Class SE, IO, 5.48s, 2031 | 834,136 |
| 13,877,239 Ser. 03-W10, Class 3A, IO, 2.247s, 2043 | 587,614 |
| 11,561,749 Ser. 03-W10, Class 1A, IO, 2.227s, 2043 | 494,987 |
| 1,733,619 Ser. 318, Class 2, IO, 6s, 2032 | 270,878 |
| 4,814,741 Ser. 329, Class 2, IO, 5.5s, 2033 | 1,008,110 |
| 708,763 Ser. 01-74, Class MI, IO, 6s, 2015 | 47,139 |
| 1,620,244 Ser. 332, Class 2, IO, 6s, 2033 | 302,791 |
| 1,880,500 Ser. 03-24, Class IC, IO, 5s, 2015 | 296,252 |
| 1,347,490 Ser. 322, Class 2, IO, 6s, 2032 | 210,545 |
| 1,582,668 Ser. 03-58, IO, 6s, 2033 | 272,021 |
| 11,358,216 Ser. 03-34, IO, 6s, 2032 | 1,187,289 |
| 2,017,407 Ser. 03-26, Class IG, IO, 6s, 2033 | 338,546 |
| 5,595,291 Ser. 03-23, Class AI, IO, 5s, 2017 | 591,003 |
| 3,361,422 Ser. 03-37, Class IC, IO, 5.5s, 2027 | 352,961 |
| 30,199 Ser. 02-27, Class IA, IO, 6s, 2013 | 193 |
| 232,904 Ser. 02-97, PO, zero %, 2033 | 218,493 |
| 288,149 Ser. 99-51, Class N, PO, zero %, 2029 | 255,057 |
| 219,009 Ser. 99-52, Class MO, PO, zero %, 2026 | 213,544 |
| 108,607 Ser. 96-5, Class PB, PO, zero %, 2024 | 107,521 |
| 17,227 Federal Home Loan Mortgage Corp. | |
| Structured Pass-Through Securities | |
| Ser. T-58, Class 4A, 7 1/2s, 2043 | 18,942 |
| Federal Home Loan Mortgage Corporation | |
| 1,309,500 Ser. 2412, Class GS, FRN, 18.018s, 2032 | 1,532,115 |
| 1,418,300 Ser. 2515, Class IG, IO, 5.5s, 2032 | 428,353 |
| 5,832,044 Ser. 216, IO, 6s, 2032 | 872,987 |
| 2,707,400 Ser. 2448, Class SM, IO, 6.88s, 2032 | 419,647 |
| 729,500 Ser. 2590, Class IH, IO, 5.5s, 2028 | 191,950 |
| 786,443 Ser. 2448, Class SE, IO, 6.98s, 2029 | 26,542 |
| 546,555 Ser. 2478, Class SY, IO, 7.03s, 2021 | 24,937 |

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| | | |
|------------|---|--------------|
| 2,942,623 | Ser. 2579, Class GS, IO, 6.53s, 2017 | 255,107 |
| 715,360 | Ser. 215, Class PO, PO, zero %, 2031 | 653,437 |
| 597,062 | Ser. 2235, PO, zero %, 2030 | 529,519 |
| 3 | Ser. 2078, Class KC, PO, zero % 2023 | 3 |
| 15,700,392 | FFCA Secured Lending Corp. Ser. 00-1, Class X, IO, 1.66s, 2027 | 1,157,951 |
| | Government National Mortgage Association | |
| 523,605 | Ser. 02-36, Class SD, IO, 7.03s, 2029 | 10,636 |
| 1,189,212 | Ser. 02-51, Class SA, IO, 6.98s, 2032 | 41,639 |
| 1,450,144 | Ser. 02-29, Class SX, IO, 6.93s, 2029 | 41,682 |
| 2,073,880 | Ser. 01-43, Class SJ, IO, 6.48s, 2029 | 106,161 |
| 926,361 | Ser. 01-43, Class SD, IO, 6.44s, 2028 | 11,869 |
| 3,421,470 | Ser. 01-19, Class S, IO, 6.38s, 2031 | 290,825 |
| 4,960,900 | Ser. 03-83, Class SI, IO, 5.38s, 2032 | 448,806 |
| 3,489,040 | Ser. 02-47, Class SM, IO, 4.85s, 2032 | 202,800 |
| 239,748 | Ser. 02-40, Class IB, IO, 6.5s, 2028 | 4,158 |
| 314,384 | Ser. 98-2, Class EA, PO, zero %, 2028 | 285,003 |
| 10,427,652 | Merrill Lynch Mortgage Investors, Inc. Ser. 96-C2, IO, 2.11s, 2028 | 746,656 |
| 3,169,881 | Merrill Lynch Mortgage Trust 144A Ser. 02-MW1, Class XP, IO, 1.62s, 2034 | 226,595 |
| 5,450,228 | Mortgage Capital Funding, Inc. Ser. 97-MC2, Class X, IO, 1.54s, 2012 | 212,333 |
| | Strategic Hotel Capital, Inc. 144A | |
| 605,000 | Ser. 03-1, Class I, 3.52s, 2013 | 605,000 |
| 1,626,000 | Ser. 03-1, Class H, 3.22s, 2013 | 1,626,000 |
| 180,000 | Trizechahn Office Properties Trust 144A Ser. 01-TZHA, Class D3, 6.943s, 2013 | 194,168 |
| | | ----- |
| | Total Collateralized mortgage obligations (cost \$41,138,820) | \$37,890,766 |

Preferred stocks (1.1%) (a)

| Number of shares | | Value |
|------------------|---|-----------|
| ----- | | |
| 10,732 | Chevy Chase Preferred Capital Corp. Ser. A, \$5.188 pfd. | \$607,431 |
| 3,150 | Chevy Chase Savings Bank, Inc. \$3.25 pfd. | 87,806 |
| 23,612 | CSC Holdings, Inc. Ser. M, \$11.125 cum. pfd. | 2,476,309 |
| 19,200 | Diva Systems Corp. Ser. C, 6.00% cum. pfd. | 192 |
| 212 | Dobson Communications Corp. 13.00% pfd. (PIK) | 222,600 |
| 1,256 | Dobson Communications Corp. 12.25% pfd. (PIK) | 1,319,252 |
| 320 | First Republic Capital Corp. 144A 10.50% pfd. | 344,000 |
| 11,765 | Fitzgeralds Gaming Corp. zero % cum. pfd. | 118 |
| 12,814 | iStar Financial, Inc. \$1.95 cum. pfd. | 320,350 |
| 41 | Leiner Health Products Ser. C, zero % pfd. | 1 |
| 16,417 | Lodgian, Inc. Ser. A, \$7.06 cum. pfd. (PIK) | 410,424 |
| 100 | Metrocall Holdings, Inc. Ser. A, 15.00% cum. pfd. | 1,100 |
| 3,574 | Microcell Telecommunications, Inc. zero % pfd. (Canada) | 42,390 |
| 1,337 | North Atlantic Trading Co. 12.00% pfd. (PIK) | 22,073 |
| 17 | NTL Europe, Inc. Ser. A, zero % cum. pfd. | 60 |
| 105 | Paxson Communications Corp. 13.25% cum. pfd. (PIK) | 924,000 |

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| | |
|--|-------------|
| 1,301 Rural Cellular Corp. 12.25% pfd. (PIK) | 728,560 |
| | ----- |
| Total Preferred stocks | |
| (cost \$8,619,060) | \$7,506,666 |
| | |
| Common stocks (0.9%) (a) | |
| Number of shares | Value |
| ----- | |
| 2,305 Alderwoods Group, Inc. (NON) | \$17,864 |
| 820,000 AMRESKO Creditor Trust (NON) (R) | 22,960 |
| 1,770 Archibald Candy Corp. (NON) | 5,045 |
| 14,080 Aurora Foods, Inc. (NON) | 1,478 |
| 2,880 Birch Telecom, Inc. (NON) | 9,965 |
| 493 Comdisco Holding Co., Inc. (NON) | 41,412 |
| 36,832 Conseco, Inc. (NON) | 665,186 |
| 3,445,121 Contifinancial Corp. Liquidating Trust Units | 34,451 |
| 15,321 Covad Communications Group, Inc. (NON) | 84,725 |
| 84,755 Dobson Communications Corp. (NON) | 688,211 |
| 22,904 Fitzgeralds Gaming Corp. (NON) | 229 |
| 1,807 Genesis Health Ventures, Inc. (NON) | 43,820 |
| 34,403 Globix Corp. (NON) | 86,008 |
| 7,661 Jasper Energy 144A (NON) | 479 |
| 44,795 Laidlaw International, Inc. (NON) | 441,231 |
| 19,451 Lodgian, Inc. (NON) | 104,063 |
| 120,000 Loewen Group International, Inc. (NON) | 12 |
| 1,400 Mariner Health Care, Inc. (NON) | 17,080 |
| 1,400 Mediq, Inc. (NON) | 140 |
| 166 Metrocall Holdings, Inc. (NON) | 24,070 |
| 30 Microcell Telecommunications, Inc. Class A (Canada) (NON) | 334 |
| 3,552 Microcell Telecommunications, Inc. Class B (Canada) (NON) | 42,155 |
| 870,000 Morrison Knudsen Corp. (NON) | 93,525 |
| 49,759 Pioneer Cos., Inc. (NON) | 226,403 |
| 7,016 Polymer Group, Inc. Class A (NON) | 60,618 |
| 327 Premium Holdings (LP) 144A (NON) | 7,030 |
| 715 PSF Group Holdings, Inc. 144A Class A (NON) | 1,251,828 |
| 167 Quorum Broadcast Holdings, Inc. Class E (acquired 5/15/01, cost \$166,516) (NON) (RES) | 89,187 |
| 120,076 Regal Entertainment Group 144A | 2,010,072 |
| 110 Sterling Chemicals, Inc. (NON) | 1,678 |
| 740 Sun Healthcare Group, Inc. (NON) | 5,365 |
| 948,000 VFB LLC (NON) | 180,120 |
| 2,135 Washington Group International, Inc. (NON) | 57,538 |
| 249 WilTel Communications, Inc. (NON) | 3,979 |
| 1,567 York Research Corp. 144A (NON) | 98 |
| | ----- |
| Total Common stocks | |
| (cost \$15,255,121) | \$6,318,359 |
| | |
| Convertible bonds and notes (0.4%) (a) | |
| Principal amount | Value |
| ----- | |
| \$115,000 AES Corp. (The) cv. sub. notes 4 1/2s, 2005 | \$106,088 |
| 895,000 American Tower Corp. cv. notes 5s, 2010 | 808,856 |
| 200,000 Amkor Technologies, Inc. cv. notes 5 3/4s, 2006 | 190,250 |
| 2,430,000 Cybernet Internet Services | |

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| | | |
|-----------|--|-------------|
| | International, Inc. 144A cv. sr. disc. notes stepped-coupon zero % (13s, 8/15/04) 2009 (Denmark) (In default) (NON) (STP) | 2,430 |
| 230,000 | DaVita, Inc. cv. sub. notes 7s, 2009 | 240,063 |
| 275,000 | Kulicke & Soffa Industries, Inc. cv. sub. notes 4 3/4s, 2006 | 240,969 |
| 18,000 | Millicom International Cellular SA 144A cv. bonds zero %, 2006 (Luxembourg) (PIK) | 36,000 |
| 1,155,000 | Nextel Communications, Inc. cv. sr. notes 6s, 2011 | 1,251,731 |
| 310,000 | Rogers Communications cv. debs. 2s, 2005 (Canada) | 277,838 |
| | | ----- |
| | Total Convertible bonds and notes (cost \$4,743,584) | \$3,154,225 |

Units (0.2%) (a)

| Number of units | | Value |
|-----------------|---|-------------|
| 600,000 | Australis Media, Ltd. units 15 3/4s, 2003 (Australia) (In default) (DEF) (NON) | \$60 |
| 1,193,000 | HMP Equity Holdings Corp. units zero %, 2008 | 578,605 |
| 220,000 | Tom Brown Inc. units 7 1/4s, 2013 | 227,700 |
| 950 | XCL Equity Units zero % | 133,333 |
| 500,000 | XCL, Ltd. 144A units 13 1/2s, 2004 (In default) (NON) | 150,000 |
| | | ----- |
| | Total Units (cost \$2,067,129) | \$1,089,698 |

Convertible preferred stocks (0.1%) (a)

| Number of shares | | Value |
|------------------|--|-----------|
| 9,140 | Crown Castle International Corp. \$3.125 cv. pfd. | \$356,460 |
| 1,991 | Knology, Inc. 144A Ser. D, zero % cv. pfd. | 20 |
| 3,800 | LTV Corp. 144A \$4.125 cv. pfd. (In default) (NON) | 38 |
| 48 | Paxson Communications Corp. 144A 9.75% cv. pfd. (PIK) | 364,800 |
| 6,847 | Telex Communications, Inc. zero % cv. pfd. (In default) (NON) | 6,847 |
| | | ----- |
| | Total Convertible preferred stocks (cost \$912,180) | \$728,165 |

Warrants (--%) (a) (NON)

| Number of warrants | Expiration date | Value |
|--------------------|--|---------------------|
| 1,500 | Comunicacion Celular SA 144A (Colombia) | 11/15/03 \$1,500 |
| 1,020 | Dayton Superior Corp. 144A | 6/15/09 255 |
| 809 | Diva Systems Corp. 144A | 5/15/06 8 |
| 3 | Doe Run Resources Corp. 144A | 12/31/12 1 |
| 295 | MDP Acquisitions PLC 144A (Ireland) | 10/1/13 737 |
| 2,199 | Microcell Telecommunications (Canada) | 5/1/08 3,797 |
| 1,319 | Microcell Telecommunications (Canada) | 5/1/05 1,545 |
| 390 | Mikohn Gaming Corp. 144A | 8/15/08 4 |

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| | | | |
|-------|---|---------|----------|
| 400 | ONO Finance PLC 144A (United Kingdom) | 2/15/11 | 1 |
| 410 | Pliant Corp. 144A | 6/1/10 | 205 |
| 491 | Solutia, Inc. 144A | 7/15/09 | 12,275 |
| 1,851 | Sun Healthcare Group, Inc. | 2/28/05 | 1 |
| 1,830 | Travel Centers of America, Inc. 144A | 5/1/09 | 18,300 |
| 1,670 | Ubiquitel, Inc. 144A | 4/15/10 | 17 |
| 30 | Versatel Telecom NV (Netherlands) | 5/15/08 | 1 |
| 1,317 | Washington Group International, Inc. Ser. A | 1/25/06 | 6,650 |
| 1,506 | Washington Group International, Inc. Ser. B | 1/25/06 | 5,270 |
| 814 | Washington Group International, Inc. Ser. C | 1/25/06 | 2,483 |
| 590 | XM Satellite Radio Holdings, Inc. 144A | 3/15/10 | 6 |
| | Total Warrants (cost \$482,247) | | \$53,056 |

Short-term investments (9.9%) (a)

| Principal amount | | Value |
|------------------|--|---------------|
| \$1,752,000 | U.S. Treasury Note zero %, November 6, 2003 (SEG) | \$1,750,180 |
| 629,218 | Short-term investments held as collateral for loaned securities with yields ranging from 1.04% to 1.19% and due dates ranging from October 1, 2003 to November 18, 2003 (d) | 628,900 |
| 33,912,000 | Interest in \$357,000,000 tri-party repurchase agreement dated September 30, 2003 with UBS Securities, LLC due October 1, 2003 with respect to various U.S. Government obligations -- maturity value of \$33,913,017 for an effective yield of 1.08% | 33,912,000 |
| 33,000,000 | Interest in \$263,000,000 tri-party repurchase agreement dated September 30, 2003 with Goldman Sachs & Co. due October 1, 2003 with respect to various U.S. Government obligations -- maturity value of \$33,000,990 for an effective yield of 1.08% | 33,000,000 |
| | Total Short-term investments (cost \$69,291,080) | \$69,291,080 |
| | Total Investments (cost \$765,139,354) | \$763,299,658 |

(a) Percentages indicated are based on net assets of \$700,693,933.

(DEF) Security is in default of principal and interest.

(NON) Non-income-producing security.

(STP) The interest or dividend rate and date shown parenthetically represent the new interest or dividend rate to be paid and the date the

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fund will begin accruing interest or dividend income at this rate.

- (RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at September 30, 2003 was \$16,870,304 or 2.4% of net assets.
- (PIK) Income may be received in cash or additional securities at the discretion of the issuer.
- (SEG) This security was pledged and segregated with the custodian to cover margin requirements for futures contracts at September 30, 2003.
- (R) Real Estate Investment Trust.
- (d) See Note 1 to the financial statements.

144A after the name of a security represents those 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.

TBA after the name of a security represents to be announced securities (Note 1).

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates shown at September 30, 2003.

DIVERSIFICATION BY COUNTRY

Distribution of investments by country of issue at September 30, 2003:
(as a percentage of Market Value)

| | |
|----------------|--------|
| Brazil | 0.9% |
| Canada | 2.9 |
| Colombia | 1.1 |
| France | 0.7 |
| Germany | 1.4 |
| Italy | 0.6 |
| Luxembourg | 0.6 |
| Malaysia | 0.7 |
| New Zealand | 1.2 |
| Russia | 2.4 |
| South Africa | 0.5 |
| Sweden | 1.2 |
| United Kingdom | 3.6 |
| United States | 77.0 |
| Other | 5.2 |
| ----- | |
| Total | 100.0% |

Forward currency contracts to buy at September 30, 2003
(aggregate face value \$57,307,924)

| | Market value | Aggregate face value | Delivery date | Unrealized appreciation |
|-------------------|-----------------|-------------------------|------------------|----------------------------|
| ----- | ----- | ----- | ----- | ----- |
| Australian Dollar | \$20,697,424 | \$19,866,055 | 12/17/03 | \$831,369 |
| British Pound | 45,604 | 43,636 | 12/17/03 | 1,968 |
| Canadian Dollar | 714,402 | 703,995 | 12/17/03 | 10,407 |
| Danish Krone | 1,098,488 | 1,023,418 | 12/17/03 | 75,070 |

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| | | | | |
|---------------|------------|------------|----------|-------------|
| Euro | 1,386,755 | 1,364,887 | 12/17/03 | 21,868 |
| Japanese Yen | 32,492,896 | 30,962,855 | 12/17/03 | 1,530,041 |
| Swedish Krona | 319,699 | 306,220 | 12/17/03 | 13,479 |
| Swiss Franc | 447,830 | 418,633 | 12/17/03 | 29,197 |
| Taiwan Dollar | 2,633,761 | 2,618,225 | 12/17/03 | 15,536 |
| | | | | ----- |
| | | | | \$2,528,935 |

Forward currency contracts to sell at September 30, 2003
(aggregate face value \$59,287,714)

| | Market value | Aggregate face value | Delivery date | Unrealized appreciation/ (depreciation) |
|--------------------|-----------------|-------------------------|------------------|---|
| British Pound | \$7,362,196 | \$7,154,238 | 12/17/03 | \$ (207,958) |
| Canadian Dollar | 9,736,218 | 9,462,387 | 12/17/03 | (273,831) |
| Euro | 26,169,133 | 24,416,724 | 12/17/03 | (1,752,409) |
| Japanese Yen | 1,612,567 | 1,613,486 | 12/17/03 | 919 |
| New Zealand Dollar | 9,226,829 | 8,850,632 | 12/17/03 | (376,197) |
| Swedish Krona | 8,518,827 | 7,790,247 | 12/17/03 | (728,580) |
| | | | | ----- |
| | | | | \$ (3,338,056) |
| | | | | ----- |

Futures contracts outstanding at September 30, 2003

| | Market value | Aggregate face value | Expiration date | Unrealized appreciation/ (depreciation) |
|--|-----------------|-------------------------|--------------------|---|
| 3 Month Eurodollar (short) | \$33,939,375 | \$33,830,516 | Sep-04 | \$ (108,859) |
| 3 Month Eurodollar (long) | 33,073,425 | 32,916,066 | Sep-06 | 157,359 |
| 3 Month Eurodollar (short) | 32,561,100 | 32,488,712 | Jun-04 | (72,388) |
| 3 Month Eurodollar (long) | 31,708,050 | 31,643,449 | Jun-06 | 64,601 |
| Euro-Bobl 5 yr (long) | 20,996,536 | 20,495,009 | Dec-03 | 501,527 |
| Euro-Bund 10 yr (long) | 21,050,688 | 20,461,065 | Dec-03 | 589,623 |
| Interest Rate Swap 10 yr (long) | 1,683,750 | 1,623,879 | Dec-03 | 59,871 |
| Japanese Government Bond 10 yr (long) | 11,043,602 | 10,916,117 | Dec-03 | 127,485 |
| US Treasury Bond 20 yr (long) | 1,570,188 | 1,469,011 | Dec-03 | 101,177 |
| US Treasury Note 10 yr (long) | 46,193,875 | 43,986,206 | Dec-03 | 2,207,669 |
| US Treasury Note 5 yr (short) | 26,438,219 | 25,786,719 | Dec-03 | (651,500) |
| | | | | ----- |
| | | | | \$2,976,565 |
| | | | | ----- |

TBA sales commitments at September 30, 2003
(proceeds receivable \$5,710,309)

| | Principal amount | Settlement date | Market value |
|------------------------|---------------------|--------------------|-----------------|
| GNMA, 5s, October 2033 | \$5,773,000 | 10/22/03 | \$5,783,824 |
| | | | |

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Interest rate swap contracts outstanding at September 30, 2003

| | Notional amount | Termination date | Unreal apprecia |
|---|--------------------|---------------------|--------------------|
| ----- | | | |
| Agreement with Merrill Lynch Capital Services, Inc. dated November 17, 2000 to pay semi-annually the notional amount multiplied by the three month USD-LIBOR-BBA and receive the notional amount multiplied by 6.68%. | \$6,500,000 | 11/21/05 | \$657 |
| Agreement with Merrill Lynch Capital Services, Inc. dated September 27, 2002 to receive semi-annually the notional amount multiplied by the six month JPY-LIBOR-BBA and pay monthly the notional amount multiplied by 0.399%. | JPY 2,443,000,000 | 10/1/07 | 224 |
| ----- | | | \$881 |

Credit default contracts outstanding at September 30, 2003
(premiums received \$260,184)

| | Notional amount | Ma v |
|--|--------------------|---------|
| ----- | | |
| Agreement with Deutsche Bank effective July 18, 2003, maturing on September 20, 2008, to receive a premium equal to 9.795% times the notional amount. Upon a credit default event of Petroleos Mexicanos, the fund makes a payment of the proportional notional amount times the difference between the par value and the then-market value of Petroleos Mexicanos. | \$415,000 | \$36 |
| Agreement with Lehman Brothers Special Financing, Inc. effective July 18, 2003, maturing on September 20, 2008 to receive a premium equal to 10.02% times the notional amount. Upon a credit default event of Petroleos Mexicanos, the fund makes a payment of the proportional notional amount times the difference between the par value and the then-market value of Petroleos Mexicanos. | 415,000 | 37 |
| Agreement with Deutsche Bank effective September 9, 2003, maturing on September 20, 2013 to receive a premium equal to 21.44% times the notional amount. Upon a credit default event of Petroleos Mexicanos, 7.375% due 12/12/14 the fund makes a payment of the proportional notional amount times the difference between the par value and the then-market value of Petroleos Mexicanos. | 830,000 | 172 |
| ----- | | |

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

Statement of assets and liabilities
September 30, 2003

Assets

| | |
|---|---------------|
| Investments in securities, at value, including \$608,709 of securities on loan (identified cost \$765,139,354) (Note 1) | \$763,299,658 |
| Cash | 224,602 |
| Foreign currency (cost \$1,889,130) (Note 1) | 1,953,945 |
| Dividends, interest and other receivables | 12,424,890 |
| Receivable for securities sold | 14,445,734 |
| Receivable for variation margin (Note 1) | 543,744 |
| Receivable for open forward currency contracts (Note 1) | 2,539,645 |
| Receivable for open swap contracts (Note 1) | 881,405 |
| Receivable for closed forward currency contracts (Note 1) | 644,261 |
| Total assets | 796,957,884 |

Liabilities

| | |
|---|------------|
| Distributions payable to shareholders | 3,787,897 |
| Payable for securities purchased | 80,853,869 |
| Payable for compensation of Manager (Note 2) | 1,265,200 |
| Payable for investor servicing and custodian fees (Note 2) | 109,036 |
| Payable for Trustee compensation and expenses (Note 2) | 76,971 |
| Payable for administrative services (Note 2) | 859 |
| Payable for open forward currency contracts (Note 1) | 3,348,766 |
| Payable for closed forward currency contracts (Note 1) | 117,037 |
| Credit default contracts outstanding, at value (premiums received \$260,184) (Note 1) | 246,278 |
| TBA sales commitments at value (proceeds receivable \$5,710,309) (Note 1) | 5,783,824 |
| Collateral on securities loaned, at value (Note 1) | 628,900 |
| Other accrued expenses | 45,314 |

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| | |
|---|---------------|
| Total liabilities | 96,263,951 |
| Net assets | \$700,693,933 |
| Represented by | |
| Paid-in capital (Note 1) | \$837,942,450 |
| Undistributed net investment income (Note 1) | 7,010,795 |
| Accumulated net realized loss on investments and foreign currency transactions (Note 1) | (145,595,513) |
| Net unrealized appreciation of investments and assets and liabilities in foreign currencies | 1,336,201 |
| Total -- Representing net assets applicable to capital shares outstanding | \$700,693,933 |
| Computation of net asset value | |
| Net asset value per share (\$700,693,933 divided by 100,313,083 shares) | \$6.99 |

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

Statement of operations
Year ended September 30, 2003

Investment income:

| | |
|--|--------------|
| Interest (net of foreign tax of \$3,912) | \$51,677,854 |
| Dividends | 2,185,431 |
| Securities lending | 314 |
| Total investment income | 53,863,599 |

Expenses:

| | |
|--|------------|
| Compensation of Manager (Note 2) | 4,821,015 |
| Investor servicing and custodian fees (Note 2) | 711,028 |
| Trustee compensation and expenses (Note 2) | 25,275 |
| Administrative services (Note 2) | 12,144 |
| Other | 327,855 |
| Total expenses | 5,897,317 |
| Expense reduction (Note 2) | (19,936) |
| Net expenses | 5,877,381 |
| Net investment income | 47,986,218 |

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| | |
|--|---------------|
| Net realized gain on investments (Notes 1 and 3) | 10,355,022 |
| Net realized gain on swap contracts (Note 1) | 653,321 |
| Net realized loss on futures contracts (Note 1) | (2,069,538) |
| Net realized gain on foreign currency transactions (Note 1) | 3,392,416 |
| Net realized gain on credit default contracts (Note 1) | 157,278 |
| Net unrealized depreciation of assets and liabilities in foreign currencies during the year | (312,176) |
| Net unrealized appreciation of investments, futures contracts, swap contracts, credit default contracts and TBA sale commitments during the year | 60,619,220 |
| Net gain on investments | 72,795,543 |
| Net increase in net assets resulting from operations | \$120,781,761 |

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

Statement of changes in net assets

| Increase (decrease) in net assets | Year ended September 30 | |
|---|----------------------------|--------------|
| | 2003 | 2002 |
| Operations: | | |
| Net investment income | \$47,986,218 | \$52,092,366 |
| Net realized gain (loss) on investments and foreign currency transactions | 12,488,499 | (50,122,603) |
| Net unrealized appreciation of investments and assets and liabilities in foreign currencies | 60,307,044 | 24,243,905 |
| Net increase in net assets resulting from operations | 120,781,761 | 26,213,668 |
| Distributions to shareholders: (Note 1) | | |
| From net investment income | (48,538,019) | (52,982,343) |
| From return of capital | -- | (1,087,264) |
| Increase from issuance of common shares in connection with reinvestment of distributions | 829,775 | 315,588 |
| Total increase (decrease) in net assets | 73,073,517 | (27,540,351) |
| Net assets | | |

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| | | |
|--|---------------|---------------|
| Beginning of year | 627,620,416 | 655,160,767 |
| ----- | | |
| End of year (including undistributed net investment income of \$7,010,795 and distributions in excess of net investment income of \$5,846,674, respectively) | \$700,693,933 | \$627,620,416 |
| ----- | | |
| Number of fund shares | | |
| ----- | | |
| Shares outstanding at beginning of year | 100,182,745 | 100,133,127 |
| ----- | | |
| Shares issued in connection with reinvestment of distributions | 130,338 | 49,618 |
| ----- | | |
| Shares outstanding at end of year | 100,313,083 | 100,182,745 |
| ----- | | |

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

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

| Per-share operating performance | Year ended September 30 | | | |
|--|-------------------------|---------|---------|---------|
| | 2003 | 2002 | 2001 | 2000 |
| ----- | | | | |
| Net asset value, beginning of period | \$6.26 | \$6.54 | \$7.13 | \$7.57 |
| ----- | | | | |
| Investment operations: | | | | |
| ----- | | | | |
| From net investment income (a) | .48 | .52 | .58 | .63 |
| ----- | | | | |
| From net realized and unrealized loss on investments | .73 | (.26) | (.57) | (.43) |
| ----- | | | | |
| Total from investment operations | 1.21 | .26 | .01 | .20 |
| ----- | | | | |
| Less distributions: | | | | |
| ----- | | | | |
| From net investment income | (.48) | (.53) | (.46) | (.64) |
| ----- | | | | |
| From return of capital | -- | (.01) | (.14) | -- |
| ----- | | | | |
| Total distributions | (.48) | (.54) | (.60) | (.64) |
| ----- | | | | |
| Net asset value, end of period | \$6.99 | \$6.26 | \$6.54 | \$7.13 |
| ----- | | | | |
| Market value, end of period | \$6.410 | \$6.380 | \$6.050 | \$6.438 |
| ----- | | | | |
| Total return at market value (%) (b) | 8.35 | 14.81 | 3.06 | 10.72 |
| ----- | | | | |

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Ratios and supplemental data

| | | | | |
|---|------------|------------|-----------|-----------|
| Net assets, end of period (in thousands) | \$700,694 | \$627,620 | \$655,161 | \$713,894 |
| Ratio of expenses to average net assets (%) (c) | .89 | .87 | .90 | .87 |
| Ratio of net investment income to average net assets (%) | 7.22 | 7.97 | 8.50 | 8.60 |
| Portfolio turnover (%) | 141.60 (d) | 193.33 (d) | 111.45 | 116.71 |

* Not annualized

- (a) Per share net investment income has been determined on the basis of weighted average number of shares outstanding during the period.
- (b) Total return does not reflect the effect of sales charges.
- (c) Includes amounts paid through expense offset arrangements (Note 2).
- (d) Portfolio turnover excludes certain treasury note transactions executed in connection with a short-term trading strategy.

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

Notes to financial statements September 30, 2003

Note 1 Significant accounting policies

Putnam Master Intermediate Income Trust (the "fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. The fund's investment objective is to seek, with equal emphasis, high current income and relative stability of net asset value, by allocating its investments among the U.S. investment grade sector, high-yield sector and international sector.

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

A) Security valuation Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets. If no sales are reported -- as in the case of some securities traded over-the-counter -- a security is valued at its last reported bid price.

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Market quotations are not considered to be readily available for certain debt obligations; such investments are valued at fair value on the basis of valuations furnished by an independent pricing service or dealers, approved by the Trustees. Such services or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities. For foreign investments, if trading or events occurring in other markets after the close of the principal exchange in which the securities are traded are expected to materially affect the value of the investments, then those investments are valued, taking into consideration these events, at their fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees. Securities quoted in foreign currencies are translated into U.S. dollars at the current exchange rate. Short-term investments having remaining maturities of 60 days or less are valued at amortized cost, which approximates fair value. Other investments, including restricted securities, are valued at fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees.

B) Joint trading account The fund may transfer uninvested cash balances, including cash collateral received under security lending arrangements, into a joint trading account along with the cash of other registered investment companies and certain other accounts managed by Putnam Investment Management, LLC ("Putnam Management"), the fund's manager, an indirect wholly-owned subsidiary of Putnam, LLC. These balances may be invested in issuers of high-grade short-term investments having maturities of up to 397 days for collateral received under security lending arrangements and up to 90 days for other cash investments.

C) 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. Collateral for certain tri-party repurchase agreements is held at the counterparty's custodian in a segregated account for the benefit of the fund and the counterparty. Putnam Management 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 recorded on the trade date (date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis. Interest income is recorded on the accrual basis. Dividend income is recognized on the ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received. All premiums/discounts are amortized /accreted on a yield-to-maturity basis.

E) Foreign currency translation The accounting records of the fund are maintained in U.S. dollars. The market value of foreign securities, currency holdings, and other assets and liabilities are recorded in the books and records of the fund after translation to U.S. dollars based on the exchange rates on that day. The cost of each security is determined using historical exchange rates. Income and withholding taxes are translated at prevailing exchange rates when earned or incurred. The fund does not isolate that portion of realized or unrealized gains or losses resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such gains and losses are included with the net

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realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on closed forward currency contracts, disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions and the difference between the amount of investment income and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized appreciation and depreciation of assets and liabilities in foreign currencies arise from changes in the value of open forward currency contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations, not present with domestic investments.

F) Forward currency contracts The fund may buy and sell forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to protect against a decline in value relative to the U.S. dollar of the currencies in which its portfolio securities are denominated or quoted (or an increase in the value of a currency in which securities a fund intends to buy are denominated, when a fund holds cash reserves and short term investments). The U.S. dollar value of forward currency contracts is determined using current forward currency exchange rates supplied by a quotation service. The market value of the contract will fluctuate with changes in currency exchange rates. The contract is marked to market daily and the change in market value is recorded as an unrealized gain or loss. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The fund could be exposed to risk if the value of the currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the fund is unable to enter into a closing position. Forward currency contracts outstanding at period end are listed after The fund's portfolio.

G) Futures and options contracts The fund may use futures and options contracts to hedge against changes in the values of securities the fund owns or expects to purchase. The fund may also write options on securities it owns or in which it may invest to increase its current returns. The potential risk to the fund is that the change in value of futures and options contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts, or if the counterparty to the contract is unable to perform. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Realized gains and losses on purchased options are included in realized gains and losses on investment securities.

Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. The fund and the broker agree to exchange an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin." Exchange traded options are valued at the last sale price, or if no sales are reported, the last bid price for purchased options and the last ask price for written options. Options traded over-the-counter are valued using prices supplied by dealers. Futures and written option contracts outstanding at period end are listed after The fund's portfolio.

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H) Interest rate swap contracts The fund may enter into interest rate swap contracts, which are arrangements between two parties to exchange cash flows based on a notional principal amount, to manage the fund's exposure to interest rates. Interest rate swap contracts are marked to market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss. Payments made or received are recognized as part of interest income. A portion of the payments received or made upon early termination are recognized as realized gain or loss. The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or if the counterparty defaults on its obligation to perform. Interest rate swap contracts outstanding at period end are listed after The fund's portfolio.

I) Credit default contracts The fund may enter into credit default contracts where one party, the protection buyer, makes an upfront payment to a counter party, the protection seller, in exchange for the right to receive a contingent payment as a result of a credit event related to a specified security or index. The upfront payment received by the fund, as the protection seller, is recorded as a liability on the fund's books. The credit default contracts are marked to market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, as realized gains or losses. In addition to bearing the risk that the credit event will occur, the fund could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index, the possibility that the fund may be unable to close out its position at the same time or at the same price as if it had purchased comparable publicly traded securities or that the counterparty may default on its obligation to perform. Credit default contracts outstanding at period end are listed after The fund's portfolio.

J) TBA purchase commitments The fund may enter into "TBA" (to be announced) 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 commitments will not significantly differ 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 may enter into offsetting contracts for the forward sale of other securities it owns. Income on the securities will not be earned until settlement date. TBA purchase commitments may be considered securities 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, 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.

K) TBA sale commitments The fund may enter into TBA sale commitments to hedge its portfolio positions or to sell mortgage-backed securities it owns under delayed delivery arrangements. Proceeds of TBA sale commitments

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are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, equivalent deliverable securities, or an offsetting TBA purchase commitment deliverable on or before the sale commitment date, are held as "cover" for the transaction.

Unsettled TBA sale commitments are valued at the current market value of the underlying securities, generally according to the procedures described under "Security valuation" above. The contract is "marked-to-market" daily and the change in market value is recorded by the fund as an unrealized gain or loss. If the TBA sale commitment is closed through the acquisition of an offsetting purchase commitment, the fund realizes a gain or loss. If the fund delivers securities under the commitment, the fund realizes a gain or a loss from the sale of the securities based upon the unit price established at the date the commitment was entered into. TBA sale commitments outstanding at period end are listed after The fund's portfolio.

L) Security lending The fund may lend securities, through its agents, to qualified borrowers in order to earn additional income. The loans are collateralized by cash and/or securities in an amount at least equal to the market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The risk of borrower default will be borne by the fund's agents; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending is included in investment income on the Statement of operations. At September 30, 2003, the value of securities loaned amounted to \$608,709. The fund received cash collateral of \$628,900 which is pooled with collateral of other Putnam funds into 36 issuers of high grade short-term investments.

M) Federal taxes It is the policy of the fund to distribute all of its taxable 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, as amended. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains.

At September 30, 2003, the fund had a capital loss carryover of \$139,616,926 available to the extent allowed by tax law to offset future capital gains, if any. The amount of the carryover and the expiration dates are:

| Loss Carryover | Expiration |
|----------------|--------------------|
| \$2,792,982 | September 30, 2004 |
| 1,554,563 | September 30, 2005 |
| 10,039,981 | September 30, 2007 |
| 25,640,537 | September 30, 2008 |
| 24,593,458 | September 30, 2009 |
| 27,431,170 | September 30, 2010 |
| 47,564,235 | September 30, 2011 |

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer to its fiscal year ending September 30, 2004, \$3,314,449 of losses recognized during the period November 1, 2002 to September 30, 2003.

N) Distributions to shareholders Distributions to shareholders from net

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investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. These differences include temporary and permanent differences of losses on wash sale transactions, foreign currency gains and losses, post-October loss deferrals, the expiration of a capital loss carryover, dividends payable, defaulted bond interest, realized and unrealized gains and losses on certain futures contracts, market discount, and interest on payment-in-kind securities. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. For the year ended September 30, 2003, the fund reclassified \$13,409,271 to increase undistributed net investment income and \$7,132,420 to decrease paid-in-capital, with an increase to accumulated net realized losses of \$6,276,851.

The tax basis components of distributable earnings and the federal tax cost as of period end were as follows:

| | |
|--------------------------------------|---------------|
| Unrealized appreciation | \$42,917,213 |
| Unrealized depreciation | (46,984,073) |
| | ----- |
| Net unrealized depreciation | (4,066,860) |
| Undistributed ordinary income | 12,509,386 |
| Capital loss carryforward | (139,616,926) |
| Post October loss | (3,314,449) |
| Cost for federal income tax purposes | \$767,366,518 |

Note 2

Management fee, administrative services and other transactions

Putnam Management is paid for management and investment advisory services quarterly based on the average net assets of the fund. Such fee is based on the following annual rates: 0.75% of the first \$500 million of average weekly net assets, 0.65% of the next \$500 million, 0.60% of the next \$500 million, and 0.55% thereafter.

The fund reimburses Putnam Management an allocated amount 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.

Custodial functions for the fund's assets are provided by Putnam Fiduciary Trust Company (PFTC), a subsidiary of Putnam, LLC. Investor servicing agent functions are provided by Putnam Investor Services, a division of PFTC.

The fund has entered into an arrangement with PFTC whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the fund's expenses. For the year ended September 30, 2003, the fund's expenses were reduced by \$19,936 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$1,144 has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings.

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The fund has adopted a Trustee Fee Deferral Plan (the "Deferral Plan") which allows the Trustees to defer the receipt of all or a portion of Trustees fees payable on or after July 1, 1995. The deferred fees remain invested in certain Putnam funds until distribution in accordance with the Deferral Plan.

The fund has adopted an unfunded noncontributory defined benefit pension plan (the "Pension Plan") covering all Trustees of the fund who have served as a Trustee for at least five years. Benefits under the Pension Plan are equal to 50% of the Trustee's average total retainer and meeting fees for the three years preceding retirement. Pension expense for the fund is included in Trustees compensation and expenses in the Statement of operations. Accrued pension liability is included in Payable for Trustees compensation and expenses in the Statement of assets and liabilities.

Note 3

Purchases and sales of securities

During the year ended September 30, 2003, cost of purchases and proceeds from sales of investment securities other than U.S. government obligations and short-term investments aggregated \$961,981,975 and \$1,006,790,695, respectively. Purchases and sales of U.S. government obligations aggregated \$427,384,969 and \$425,917,066, respectively.

Note 4

Regulatory matters and litigation

On November 13, 2003, Putnam Management agreed to entry of an order by the Securities and Exchange Commission in partial resolution of administrative and cease-and-desist proceedings initiated by the SEC on October 28, 2003 in connection with alleged excessive short-term trading by certain investment professionals. Under the order, Putnam Management will institute new employee trading restrictions and enhanced employee trading compliance, retain an independent compliance consultant, and take other remedial actions. Putnam Management neither admitted nor denied the order's findings that it willfully violated provisions of the securities laws. A civil monetary penalty and other monetary relief, if any, will be determined at a later date. Putnam Management, and not the investors in any Putnam fund, will bear all costs, including civil penalties and associated legal fees. Administrative proceedings initiated by the Commonwealth of Massachusetts on October 28, 2003 against Putnam Management in connection with alleged market timing activities by Putnam employees and by participants in some Putnam-administered 401(k) plans are pending. The SEC's and Commonwealth's allegations also serve as the general basis for numerous lawsuits, including purported class action lawsuits, filed against Putnam Management and certain related parties. Based on currently available information, Putnam Management believes that the pending actions are not likely to materially affect its ability to provide investment management services to its clients, including the Putnam funds.

Review of these matters by counsel for Putnam Management and by separate independent counsel for the Putnam funds and their independent Trustees is continuing. In addition, Marsh & McLennan Companies, Inc., Putnam Management's parent company, has engaged counsel to conduct a separate review of Putnam Management's trading policies and controls.

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Federal tax information
(Unaudited)

The fund has designated 3.03% of the distributions from net investment income as qualifying for the dividends received deduction for corporations.

For its tax year ended September 30, 2003, the fund hereby designates 2.19%, or the maximum amount allowable, of its net taxable income as qualified dividends taxed at individual net capital gain rates.

The Form 1099 you receive in January 2004 will show the tax status of all distributions paid to your account in calendar 2003.

Results of June 12, 2003 shareholder meeting
(Unaudited)

An annual meeting of shareholders of the fund was held on June 12, 2003. At the meeting, each of the nominees for Trustees was elected, as follows:

| | Votes for | Votes withheld |
|-----------------------|------------|----------------|
| Jameson A. Baxter | 92,175,160 | 2,589,781 |
| Charles B. Curtis | 92,192,830 | 2,572,112 |
| John A. Hill | 92,195,839 | 2,569,102 |
| Ronald J. Jackson | 92,221,055 | 2,543,887 |
| Paul L. Joskow | 92,182,800 | 2,582,141 |
| Elizabeth T. Kennan | 92,174,503 | 2,590,438 |
| John H. Mullin, III | 92,178,436 | 2,586,505 |
| Robert E. Patterson | 92,198,075 | 2,566,867 |
| George Putnam, III | 92,187,867 | 2,577,074 |
| A.J.C. Smith | 92,182,051 | 2,582,891 |
| W. Thomas Stephens | 92,166,247 | 2,598,694 |
| W. Nicholas Thorndike | 92,124,495 | 2,640,446 |

All tabulations are rounded to nearest whole number.

About the Trustees

Jameson A. Baxter (9/6/43), Trustee since 1994

Ms. Baxter is the President of Baxter Associates, Inc., a private investment firm that she founded in 1986.

Ms. Baxter serves as a Director of ASHTA Chemicals, Inc., Banta Corporation (a printing and digital imaging firm), Ryerson Tull, Inc. (a steel service corporation), Advocate Health Care, and BoardSource, formerly the National Center for Nonprofit Boards. She is Chairman Emeritus of the Board of Trustees, Mount Holyoke College, having served as Chairman for five years and as a board member for thirteen years. Until 2002, Ms. Baxter was a Director of Intermatic Corporation (a manufacturer of energy control products).

Ms. Baxter has held various positions in investment banking and corporate finance, including Vice President and Principal of the Regency Group, and Vice President of and Consultant to First Boston Corporation. She is a graduate of Mount Holyoke College.

Charles B. Curtis (4/27/40), Trustee since 2001

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Mr. Curtis is President and Chief Operating Officer of the Nuclear Threat Initiative (a private foundation dealing with national security issues) and serves as Senior Advisor to the United Nations Foundation.

Mr. Curtis is a member of the Council on Foreign Relations and the Trustee Advisory Council of the Applied Physics Laboratory, Johns Hopkins University. Until 2003, Mr. Curtis was a member of the Electric Power Research Institute Advisory Council and the University of Chicago Board of Governors for Argonne National Laboratory. Prior to 2002, Mr. Curtis was a Member of the Board of Directors of the Gas Technology Institute and the Board of Directors of the Environment and Natural Resources Program Steering Committee, John F. Kennedy School of Government, Harvard University. Until 2001, Mr. Curtis was a member of the Department of Defense Policy Board and Director of EG&G Technical Services, Inc. (a fossil energy research and development support company).

Prior to May 1997, Mr. Curtis was Deputy Secretary of Energy. He served as Chairman of the Federal Energy Regulatory Commission from 1977 to 1981 and has held positions on the staff of the U.S. House of Representatives, the U.S. Treasury Department, and the Securities and Exchange Commission.

John A. Hill (1/31/42), Trustee since 1985 and Chairman since 2000

Mr. Hill is Vice Chairman and Managing Director of First Reserve Corporation, a private equity buyout firm that specializes in energy investments in the diversified worldwide energy industry.

Mr. Hill is a Director of Devon Energy Corporation, TransMontaigne Oil Company, Continuum Health Partners of New York, and various private companies controlled by First Reserve Corporation, as well as a Trustee of TH Lee Putnam Investment Trust (a closed-end investment company). He is also a Trustee of Sarah Lawrence College.

Prior to acquiring First Reserve Corporation in 1983, Mr. Hill held executive positions in investment banking and investment management with several firms and with the federal government, including Deputy Associate Director of the Office of Management and Budget, and Deputy Director of the Federal Energy Administration. He is active in various business associations, including the Economic Club of New York, and lectures on energy issues in the United States and Europe. Mr. Hill holds a B.A. degree in Economics from Southern Methodist University and pursued graduate studies there as a Woodrow Wilson Fellow.

Ronald J. Jackson (12/17/43), Trustee since 1996

Mr. Jackson is a private investor.

Mr. Jackson is President of the Kathleen and Ronald J. Jackson Foundation (a charitable trust). He is also a member of the Board of Overseers of WGBH (a public television and radio station) as well as a member of the Board of Overseers of the Peabody Essex Museum.

Mr. Jackson is the former Chairman, President, and Chief Executive Officer of Fisher-Price, Inc. (a major toy manufacturer), from which he retired in 1993. He previously served as President and Chief Executive Officer of Stride-Rite, Inc. (a manufacturer and distributor of footwear) and of Kenner Parker Toys, Inc. (a major toy and game manufacturer). Mr. Jackson was President of Talbots, Inc. (a distributor of women's apparel) and has held financial and marketing positions with

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General Mills, Inc. and Parker Brothers (a toy and game company). Mr. Jackson is a graduate of the University of Michigan Business School.

Paul L. Joskow (6/30/47), Trustee since 1997

Dr. Joskow is the Elizabeth and James Killian Professor of Economics and Management, and Director of the Center for Energy and Environmental Policy Research at the Massachusetts Institute of Technology.

Dr. Joskow serves as a Director of National Grid Transco (a UK-based holding company with interests in electric and gas transmission and distribution, and telecommunications infrastructure). He also serves on the board of the Whitehead Institute for Biomedical Research (a non-profit research institution) and has been President of the Yale University Council since 1993. Prior to February 2002, he was a Director of State Farm Indemnity Company (an automobile insurance company) and prior to March 2000 he was a Director of New England Electric System (a public utility holding company).

Dr. Joskow has published five books and numerous articles on topics in industrial organization, government regulation of industry, and competition policy. He is active in industry restructuring, environmental, energy, competition, and privatization policies -- serving as an advisor to governments and corporations worldwide. Dr. Joskow holds a Ph.D. and M. Phil from Yale University and B.A. from Cornell University.

Elizabeth T. Kennan (2/25/38), Trustee since 1992

Dr. Kennan is a partner in and Chairman of Cambus-Kenneth Bloodstock, LLC (cattle and thoroughbred horses). She is President Emeritus of Mount Holyoke College.

Dr. Kennan serves as a Trustee of Northeast Utilities and is a Director of Talbots, Inc. She has served as Director on a number of other boards, including Bell Atlantic, Chastain Real Estate, Shawmut Bank, Berkshire Life Insurance, and Kentucky Home Life Insurance. She is a Trustee of Centre College and of Midway College in Midway, Kentucky. She is also a member of The Trustees of Reservations. Dr. Kennan has served on the oversight committee of the Folger Shakespeare Library, as President of Five Colleges Incorporated, as a Trustee of Notre Dame University, and is active in various educational and civic associations.

As a member of the faculty of Catholic University for twelve years, until 1978, Dr. Kennan directed the post-doctoral program in Patristic and Medieval Studies, taught history, and published numerous articles. Dr. Kennan holds a Ph.D. from the University of Washington in Seattle, an M.S. from St. Hilda's College at Oxford University, and an A.B. from Mount Holyoke College. She holds several honorary doctorates.

John H. Mullin, III (6/15/41), Trustee since 1997

Mr. Mullin is the Chairman and CEO of Ridgeway Farm (a limited liability company engaged in timber and farming).

Mr. Mullin serves as a Director of Alex. Brown Realty, Inc., The Liberty Corporation (a broadcasting company), Progress Energy, Inc. (a utility company, formerly known as Carolina Power & Light), and Sonoco Products, Inc. (a packaging company). Mr. Mullin is Trustee Emeritus of Washington & Lee University, where he served as Chairman of the Investment Committee. Prior to May 2001, he was a Director of Graphic Packaging International Corp.

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Mr. Mullin also served as a Director of Dillon, Read & Co., Inc. until October 1997 and The Ryland Group, Inc. until January 1998. Mr. Mullin is a graduate of Washington & Lee University and The Wharton Graduate School, University of Pennsylvania.

Robert E. Patterson (3/15/45), Trustee since 1984

Mr. Patterson is Senior Partner of Cabot Properties, L.P. and Chairman of Cabot Properties, Inc.

Mr. Patterson serves as Chairman of the Joslin Diabetes Center, as a Trustee of Sea Education Association, and as a Director of Brandywine Trust Company. Prior to December 2001, he was President and Trustee of Cabot Industrial Trust (a publicly traded real estate investment trust). Prior to February 1998, Mr. Patterson was Executive Vice President and Director of Acquisitions of Cabot Partners Limited Partnership (a registered investment advisor involved in institutional real estate investments). Prior to 1990, he served as Executive Vice President of Cabot, Cabot & Forbes Realty Advisors, Inc. (the predecessor company of Cabot Partners) and as a Senior Vice President of the Beal Companies (a real estate management, investment, and development firm).

Mr. Patterson practiced law and held various positions in state government, and was the founding Executive Director of the Massachusetts Industrial Finance Agency. Mr. Patterson is a graduate of Harvard College and Harvard Law School.

W. Thomas Stephens (9/2/42), Trustee since 1997

Mr. Stephens serves on a number of corporate boards.

Mr. Stephens serves as a Director of Xcel Energy Incorporated (a public utility company), TransCanada Pipelines Limited, Norske Canada, Inc. (a paper manufacturer), and Qwest Communications. Until 2003, Mr. Stephens was a Director of Mail-Well, Inc. (a diversified printing company). He served as Chairman of Mail-Well until 2001 and as CEO of MacMillan-Bloedel, Ltd. (a forest products company) until 1999.

Prior to 1996, Mr. Stephens was Chairman and Chief Executive Officer of Johns Manville Corporation. He holds B.S. and M.S. degrees from the University of Arkansas.

W. Nicholas Thorndike (3/28/33), Trustee since 1992

Mr. Thorndike serves on the boards of various corporations and charitable organizations.

Mr. Thorndike is a Director of Courier Corporation (a book publisher and manufacturer) and The Providence Journal Co. (a newspaper publisher). He is also a Trustee of Northeastern University and an honorary Trustee of Massachusetts General Hospital, where he previously served as Chairman and President. Prior to September 2000, he was a Director of Bradley Real Estate, Inc.; prior to April 2000, he was a Trustee of Eastern Utilities Associates; and prior to December 2001, he was a Trustee of Cabot Industrial Trust.

Mr. Thorndike has also served as Chairman of the Board and Managing Partner of Wellington Management Company/Thorndike, Doran, Paine & Lewis (a registered investment advisor that manages mutual funds and institutional assets), as a Trustee of the Wellington Group of Funds (currently The Vanguard Group), and as Chairman and a Director of Invest

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Fund, Inc. Mr. Thorndike is a graduate of Harvard College.

George Putnam, III* (8/10/51), Trustee since 1984 and President since 2000

Mr. Putnam is President of New Generation Research, Inc. (a publisher of financial advisory and other research services), and of New Generation Advisers, Inc. (a registered investment advisor to private funds). Mr. Putnam founded the New Generation companies in 1986.

Mr. Putnam is a Director of The Boston Family Office, LLC (a registered investment advisor). He is a Trustee of St. Mark's School, Shore Country Day School, and until 2002 was a Trustee of the Sea Education Association.

Mr. Putnam previously worked as an attorney with the law firm of Dechert Price & Rhoads in Philadelphia. He is a graduate of Harvard College, Harvard Business School, and Harvard Law School.

A.J.C. Smith* (4/13/34), Trustee since 1986

Mr. Smith is Chairman of Putnam Investments and a Director of Marsh & McLennan Companies, Inc.

Mr. Smith is also a Director of Trident Corp. (a limited partnership with over thirty institutional investors). He is also a Trustee of the Carnegie Hall Society, the Educational Broadcasting Corporation, and the National Museums of Scotland. He is Chairman of the Central Park Conservancy and a Member of the Board of Overseers of the Joan and Sanford I. Weill Graduate School of Medical Sciences of Cornell University. Prior to May 2000 and November 1999, Mr. Smith was Chairman and CEO, respectively, of Marsh & McLennan Companies, Inc.

The address of each Trustee is One Post Office Square, Boston, MA 02109.

As of September 30, 2003, there were 102 Putnam Funds.

Each Trustee serves for an indefinite term, until his or her resignation, retirement at age 72, death, or removal.

* Trustees who are or may be deemed to be "interested persons" (as defined in the Investment Company Act of 1940) of the fund, Putnam Management, Putnam Retail Management, or Marsh & McLennan Companies, Inc., the parent company of Putnam, LLC and its affiliated companies. Messrs. Putnam, III, and Smith are deemed "interested persons" by virtue of their positions as officers or shareholders of the fund or Putnam Management, Putnam Retail Management, or Marsh & McLennan Companies, Inc. George Putnam, III is the President of your fund and each of the other Putnam funds. Mr. Smith serves as a Director of Marsh & McLennan Companies, Inc.

Officers

In addition to George Putnam, III, the other officers of the fund are shown below:

Charles E. Porter (7/26/38)
Executive Vice President, Treasurer
and Principal Financial Officer
Since 1989

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Managing Director, Putnam Investments
and Putnam Management

Patricia C. Flaherty (12/1/46)
Senior Vice President
Since 1993

Senior Vice President, Putnam Investments and Putnam
Management

Karnig H. Durgarian (1/13/56)
Vice President and Principal Executive Officer
Since 2002

Senior Managing Director, Putnam Investments

Steven D. Krichmar (6/27/58)
Vice President and Principal Financial Officer
Since 2002

Managing Director, Putnam Investments. Prior to July 2001,
Partner, PricewaterhouseCoopers LLP

Michael T. Healy (1/24/58)
Assistant Treasurer and Principal
Accounting Officer
Since 2000

Managing Director, Putnam Investments

Beth S. Mazor (4/6/58)
Vice President
Since 2002

Senior Vice President, Putnam Investments

Gordon H. Silver (7/3/47)
Vice President
Since 1990

Senior Managing Director, Putnam Investments, Putnam
Management and Putnam Retail Management

Mark C. Trenchard (6/5/62)
Vice President and BSA Compliance Officer
Since 2002

Senior Vice President, Putnam Investments

William H. Woolverton (1/17/51)
Vice President and Chief Legal Officer
Since 2003

Managing Director, Putnam Investments, Putnam Management and
Putnam Retail Management

Judith Cohen (6/7/45)
Clerk and Assistant Treasurer
Since 1993

Clerk and Assistant Treasurer, The Putnam Funds

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The address of each Officer is One Post Office Square,
Boston, MA 02109.

Fund information

About Putnam Investments

One of the largest mutual fund families in the United States, Putnam Investments has a heritage of investment leadership dating back to Judge Samuel Putnam, whose Prudent Man Rule has defined fiduciary tradition and practice since 1830. Founded over 65 years ago, Putnam Investments was built around the concept that a balance between risk and reward is the hallmark of a well-rounded financial program. We presently manage over 100 mutual funds in growth, value, blend, fixed income, and international.

Investment Manager

Putnam Investment
Management, LLC
One Post Office Square
Boston, MA 02109

Marketing Services

Putnam Retail Management
One Post Office Square
Boston, MA 02109

Custodian

Putnam Fiduciary Trust Company

Legal Counsel

Ropes & Gray LLP

Independent Auditors

KPMG LLP

Trustees

John A. Hill, Chairman
Jameson Adkins Baxter
Charles B. Curtis
Ronald J. Jackson
Paul L. Joskow
Elizabeth T. Kennan
John H. Mullin III
Robert E. Patterson
George Putnam, III
A.J.C. Smith
W. Thomas Stephens
W. Nicholas Thorndike

Officers

George Putnam, III
President

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Charles E. Porter
Executive Vice President,
Treasurer and Principal
Financial Officer

Patricia C. Flaherty
Senior Vice President

Karnig H. Durgarian
Vice President and Principal
Executive Officer

Steven D. Krichmar
Vice President and Principal
Financial Officer

Michael T. Healy
Assistant Treasurer and
Principal Accounting Officer

Beth S. Mazor
Vice President

Gordon H. Silver
Vice President

Mark C. Trenchard
Vice President and BSA
Compliance Officer

William H. Woolverton
Vice President and
Chief Legal Officer

Judith Cohen
Clerk and Assistant Treasurer

Call 1-800-225-1581 weekdays from 9 a.m. to 5 p.m. Eastern Time, or
visit our Web site (www.putnaminvestments.com) any time for up-to-date
information about the fund's NAV.

[LOGO OMITTED]

PUTNAM INVESTMENTS

The Putnam Funds
One Post Office Square
Boston, Massachusetts 02109

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www.putnaminvestments.com.

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Item 2. Code of Ethics:

All officers of the Fund, including its principal executive, financial and accounting officers, are employees of Putnam Investment Management, LLC, the Fund's investment manager. As such they are subject to a comprehensive Code of Ethics adopted and administered by Putnam Investments which is designed to protect the interests of the firm and its clients. The Fund has adopted a Code of Ethics which incorporates the Code of Ethics of Putnam Investments with respect to all of its officers and Trustees who are employees of Putnam Investment Management, LLC. For this reason, the Fund has not adopted a separate code of ethics governing its principal executive, financial and accounting officers.

Item 3. Audit Committee Financial Expert:

The Funds' Audit and Pricing Committee is comprised solely of Trustees who are "independent" (as such term has been defined by the Securities and Exchange Commission ("SEC") in regulations implementing Section 407 of the Sarbanes-Oxley Act (the "Regulations")). The Trustees believe that each of the members of the Audit and Pricing Committee also possess a combination of knowledge and experience with respect to financial accounting matters, as well as other attributes, that qualify them for service on the Committee. In addition, the Trustees have determined that all members of the Funds' Audit and Pricing Committee meet the financial literacy requirements of the New York Stock Exchange's rules and that Mr. Patterson and Mr. Stephens qualify as "audit committee financial experts" (as such term has been defined by the Regulations) based on their review of their pertinent experience and education. Certain other Trustees, although not on the Audit and Pricing Committee, would also qualify as "audit committee financial experts." The SEC has stated that the designation or identification of a person as an audit committee financial expert pursuant to this Item 3 of Form N-CSR does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Audit and Pricing Committee and the Board of Trustees in the absence of such designation or identification.

Item 4. Principal Accountant Fees and Services:

Not applicable

Items 5-6. [Reserved]

Item 7. Disclosure of Proxy Voting Policies and Procedures For Closed End

Management Investment Companies:

Proxy Voting Guidelines of the Putnam Funds

The proxy voting guidelines below summarize the Funds' positions on various issues of concern to investors, and give a general indication of how Fund portfolio securities will be voted on proposals dealing with a

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particular issue. The Funds' proxy voting service is instructed to vote all proxies relating to Fund portfolio securities in accordance with these guidelines, except as otherwise instructed by the Proxy Coordinator.

The proxy voting guidelines are just that - guidelines. The guidelines are not exhaustive and do not include all potential voting issues. Because proxy issues and the circumstances of individual companies are so varied, there may be instances when the Funds may not vote in strict adherence to these guidelines. For example, the proxy voting service is expected to bring to the Proxy Coordinator's attention proxy questions that are company-specific and of a non-routine nature and, although covered by the guidelines, may be more appropriately handled on a case-by-case basis.

Similarly, Putnam Management's investment professionals, as part of their ongoing review and analysis of all Fund portfolio holdings, are responsible for monitoring significant corporate developments, including proxy proposals submitted to shareholders, and notifying the Proxy Coordinator of circumstances where the interests of Fund shareholders may warrant a vote contrary to these guidelines. In such instances, the investment professionals will submit a written recommendation to the Proxy Coordinator and the person or persons designated by Putnam Management's Legal and Compliance Department to assist in processing referral items pursuant to the Funds' "Proxy Voting Procedures." The Proxy Coordinator, in consultation with the Senior Vice President, Executive Vice President and/or the Chair of the Board Policy and Nominating Committee, as appropriate, will determine how the Funds' proxies will be voted. When indicated, the Chair of the Board Policy and Nominating Committee may consult with other members of the Committee or the full board of Trustees.

The following guidelines are grouped according to the types of proposals generally presented to shareholders. Part I deals with proposals which have been approved and recommended by a company's board of directors. Part II deals with proposals submitted by shareholders for inclusion in proxy statements. Part III addresses unique considerations pertaining to foreign issuers.

I. Board-Approved Proposals

The vast majority of matters presented to shareholders for a vote involve proposals made by a company itself (sometimes referred to as "management proposals"), which have been approved and recommended by its board of directors. In view of the enhanced corporate governance practices currently being implemented in public companies and the Funds' intent to hold corporate boards accountable for their actions in promoting shareholder interests, the Funds' proxies generally will be voted in support of decisions reached by independent boards of directors. Accordingly, the Funds' proxies will be voted for board-approved proposals, except as follows:

A. Matters Relating to the Board of Directors

The board of directors has the important role of overseeing management and its performance on behalf of shareholders. The Funds' proxies will be voted for the election of the company's nominees for directors and for board-approved proposals on other matters relating to the board of directors (provided that such nominees and other matters have been approved by an independent nominating committee), except as follows:

* The Funds will withhold votes for the entire board of directors if

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* The board does not have a majority of independent directors; or

* The board does not have nominating, audit and compensation committees composed solely of independent directors.

Commentary: While these requirements will likely become mandatory for most public companies in the near future as a result of pending NYSE and NASDAQ rule proposals, the Funds' Trustees believe that there is no excuse for public company boards that fail to implement these vital governance reforms at their next annual meeting. For these purposes, an "independent director" is a director who meets all requirements to serve as an independent director of a company under the pending NYSE rule proposals (i.e., no material business relationships with the company, no present or recent employment relationship with the company (including employment of immediate family members) and, in the case of audit committee members, no compensation for non-board services). As indicated below, the Funds will generally vote on a case-by-case basis on board-approved proposals where the board fails to meet these basic independence standards.

* The Funds will withhold votes for any nominee for director who is considered an independent director by the company and who has received compensation from the company other than for service as a director (e.g., investment banking, consulting, legal or financial advisory fees).

Commentary: The Funds' Trustees believe that receipt of compensation for services other than service as a director raises significant independence issues. The Funds will withhold votes for any nominee for director who is considered an independent director by the company and who receives such compensation.

* The Funds will withhold votes for the entire board of directors if the board has more than 19 members or fewer than five members, absent special circumstances.

Commentary: The Funds' Trustees believe that the size of the board of directors can have a direct impact on the ability of the board to govern effectively. Boards that have too many members can be unwieldy and ultimately inhibit their ability to oversee management performance. Boards that have too few members can stifle innovation and lead to excessive influence by management.

* The Funds will vote on a case-by-case basis in contested elections of directors.

* The Funds will withhold votes for any nominee for director who attends less than 75% of board and committee meetings without valid reasons for the absences (i.e., illness, personal emergency, etc.).

Commentary: Being a director of a company requires a significant time commitment to adequately prepare for and attend the company's board and committee meetings. Directors must be able to commit the time and attention necessary to perform their fiduciary duties in proper fashion, particularly in times of crisis.

The Funds' Trustees are concerned about over-committed directors. In some cases, directors may serve on too many boards to make a meaningful contribution. This may be particularly true for senior executives of public companies (or other directors with substantially full-time employment) who serve on more than a few outside boards. The Funds may

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withhold votes from such directors on a case-by-case basis where it appears that they may be unable to discharge their duties properly because of excessive commitments.

* The Funds will withhold votes for any nominee for director of a public company (Company A) who is employed as a senior executive of another public company (Company B) if a director of Company B serves as a senior executive of Company A (commonly referred to as an "interlocking directorate").

Commentary: The Funds' Trustees believe that interlocking directorships are inconsistent with the degree of independence required for outside directors of public companies.

Board independence depends not only on its members' individual relationships, but also the board's overall attitude toward management. Independent boards are committed to good corporate governance practices and, by providing objective independent judgment, enhancing shareholder value. The Funds may withhold votes on a case-by-case basis from some or all directors that, through their lack of independence, have failed to observe good corporate governance practices or, through specific corporate action, have demonstrated a disregard for the interest of shareholders.

* The Funds will vote against proposals to classify a board, absent special circumstances indicating that shareholder interests would be better served by this structure.

Commentary: Under a typical classified board structure, the directors are divided into three classes, with each class serving a three-year term. The classified board structure results in directors serving staggered terms, with usually only a third of the directors up for re-election at any given annual meeting. The Funds' Trustees generally believe that it is appropriate for directors to stand for election each year, but recognize that, in special circumstances, shareholder interests may be better served under a classified board structure.

B. Executive Compensation

The Funds generally favor compensation programs that relate executive compensation to a company's long-term performance. The Funds will vote on a case-by-case basis on board-approved proposals relating to executive compensation, except as follows:

* Except where the Funds are otherwise withholding votes for the entire board of directors, the Funds will vote for stock option plans which will result in an average annual dilution of 1.67% or less (including all equity-based plans).

* The Funds will vote against stock option plans that permit replacing or repricing of underwater options (and against any proposal to authorize such replacement or repricing of underwater options).

* The Funds will vote against stock option plans that permit issuance of options with an exercise price below the stock's current market price.

* Except where the Funds are otherwise withholding votes for the entire board of directors, the Funds will vote for employee stock purchase plans that have the following features: (1) the shares purchased under the plan are acquired for no less than 85% of their market value, (2) the offering period under the plan is 27 months or less, and (3) dilution is 10% or less.

Commentary: Companies should have compensation programs that are reasonable and that align shareholder and management interests over the longer term. Further, disclosure of compensation programs should provide absolute transparency to shareholders regarding the sources and amounts of, and the factors influencing, executive compensation. Appropriately designed equity-based compensation plans can be an effective way to align the interests of long-term shareholders with the interests of management. The Funds may vote against executive compensation proposals on a case-by-case basis where compensation is excessive by reasonable corporate standards, or where a company fails to provide transparent disclosure of executive compensation. In voting on proposals relating to executive compensation, the Funds will consider whether the proposal has been approved by an independent compensation committee of the board.

C. Capitalization

Many proxy proposals involve changes in a company's capitalization, including the authorization of additional stock, the repurchase of outstanding stock or the approval of a stock split. The management of a company's capital structure involves a number of important issues, including cash flow, financing needs and market conditions that are unique to the circumstances of each company. As a result, the Funds will vote on a case-by-case basis on board-approved proposals involving changes to a company's capitalization, except that where the Funds are not otherwise withholding votes from the entire board of directors:

* The Funds will vote for proposals relating to the authorization of additional common stock (except where such proposals relate to a specific transaction).

* The Funds will vote for proposals to effect stock splits (excluding reverse stock splits.)

* The Funds will vote for proposals authorizing share repurchase programs.

Commentary: A company may decide to authorize additional shares of common stock for reasons relating to executive compensation or for routine business purposes. For the most part, these decisions are best left to the board of directors and senior management. The Funds will vote on a case-by-case basis, however, on other proposals to change a company's capitalization, including the authorization of common stock with special voting rights, the authorization or issuance of common stock in connection with a specific transaction (e.g., an acquisition, merger or reorganization) or the authorization or issuance of preferred stock. Actions such as these involve a number of considerations that may impact a shareholder's investment and warrant a case-by-case determination.

D. Acquisitions, Mergers, Reincorporations, Reorganizations and Other Transactions

Shareholders may be confronted with a number of different types of transactions, including acquisitions, mergers, reorganizations involving business combinations, liquidations and sale of all or substantially all of a company's assets, which may require their consent. Voting on such proposals involves considerations unique to each transaction. As a result, the Funds will vote on a case-by-case basis on board-approved proposals to effect these types of transactions, except as follows:

* The Funds will vote for mergers and reorganizations involving business

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combinations designed solely to reincorporate a company in Delaware.

Commentary: A company may reincorporate into another state through a merger or reorganization by setting up a "shell" company in a different state and then merging the company into the new company. While reincorporation into states with extensive and established corporate laws - notably Delaware - provides companies and shareholders with a more well-defined legal framework, generally speaking, shareholders must carefully consider the reasons for a reincorporation into another jurisdiction, including especially offshore jurisdictions.

E. Anti-Takeover Measures

Some proxy proposals involve efforts by management to make it more difficult for an outside party to take control of the company without the approval of the company's board of directors. These include adoption of a shareholder rights plan, requiring supermajority voting on particular issues, adoption of fair price provisions, issuance of blank check preferred stock and creating a separate class of stock with disparate voting rights. Such proposals may adversely affect shareholder rights, lead to management entrenchment, or create conflicts of interest. As a result, the Funds will vote against board-approved proposals to adopt such anti-takeover measures, except as follows:

* The Funds will vote on a case-by-case basis on proposals to ratify or approve shareholder rights plans (commonly referred to as "poison pills"); and

* The Funds will vote on a case-by-case basis on proposals to adopt fair price provisions.

Commentary: The Funds' Trustees recognize that poison pills and fair price provisions may enhance shareholder value under certain circumstances. As a result, the Funds will consider proposals to approve such matters on a case-by-case basis.

F. Other Business Matters

Many proxies involve approval of routine business matters, such as changing the company's name, ratifying the appointment of auditors and procedural matters relating to the shareholder meeting. For the most part, these routine matters do not materially affect shareholder interests and are best left to the board of directors and senior management of the company. The Funds will vote for board-approved proposals approving such matters, except as follows:

* The Funds will vote on a case-by-case basis on proposals to amend a company's charter or bylaws (except for charter amendments necessary or to effect stock splits to change a company's name or to authorize additional shares of common stock).

* The Funds will vote against authorization to transact other unidentified, substantive business at the meeting.

* The Funds will vote on a case-by-case basis on other business matters where the Funds are otherwise withholding votes for the entire board of directors.

Commentary: Charter and bylaw amendments and the transaction of other unidentified, substantive business at a shareholder meeting may directly affect shareholder rights and have a significant impact on shareholder value. As a result, the Funds do not view such items as routine business

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matters. Putnam Management's investment professionals and the Funds' proxy voting service may also bring to the Proxy Coordinator's attention company-specific items which they believe to be non-routine and warranting special consideration. Under these circumstances, the Funds will vote on a case-by-case basis.

II. Shareholder Proposals

SEC regulations permit shareholders to submit proposals for inclusion in a company's proxy statement. These proposals generally seek to change some aspect of a company's corporate governance structure or to change some aspect of its business operations. The Funds will vote in accordance with the recommendation of the company's board of directors on all shareholder proposals, except as follows:

* The Funds will vote for shareholder proposals to declassify a board, absent special circumstances which would indicate that shareholder interests are better served by a classified board structure.

* The Funds will vote for shareholder proposals to require shareholder approval of shareholder rights plans.

* The Funds will vote for shareholder proposals that are consistent with the Fund's proxy voting guidelines for board-approved proposals.

* The Funds will vote on a case-by-case basis on other shareholder proposals where the Funds are otherwise withholding votes for the entire board of directors.

Commentary: In light of the substantial reforms in corporate governance that are currently underway, the Funds' Trustees believe that effective corporate reforms should be promoted by holding boards of directors - and in particular, their independent directors - accountable for their actions, rather than imposing additional legal restrictions on board governance through piecemeal proposals. Generally speaking, shareholder proposals relating to business operations are often motivated primarily by political or social concerns, rather than the interests of shareholders as investors in an economic enterprise. As stated above, the Funds' Trustees believe that boards of directors and management are responsible for ensuring that their businesses are operating in accordance with high legal and ethical standards and should be held accountable for resulting corporate behavior. Accordingly, the Funds will generally support the recommendations of boards that meet the basic independence and governance standards established in these guidelines. Where boards fail to meet these standards, the Funds will generally evaluate shareholder proposals on a case-by-case basis.

III. Voting Shares of Foreign Issuers

Many of the Funds invest on a global basis and, as a result, they may be required to vote shares held in foreign issuers - i.e., issuers that are incorporated under the laws of a foreign jurisdiction and that are not listed a U.S. securities exchange or the NASDAQ stock market. Because foreign issuers are incorporated under the laws of countries and jurisdictions outside the U.S., protection for shareholders may vary significantly from jurisdiction to jurisdiction. Laws governing foreign issuers may, in some cases, provide substantially less protection for shareholders. As a result, the foregoing guidelines, which are premised on the existence of a sound corporate governance and disclosure framework, may not be appropriate under some circumstances for foreign issuers. The Funds will vote proxies of foreign issuers in accordance with the foregoing guidelines where applicable, except as follows:

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* The Funds will vote for shareholder proposals calling for a majority of the directors to be independent of management.

* The Funds will vote for shareholder proposals seeking to increase the independence of board nominating, audit and compensation committees.

* The Funds will vote for shareholder proposals that implement corporate governance standards similar to those established under U.S. federal law and the listing requirements of U.S. stock exchanges, and that do not otherwise violate the laws of the jurisdiction under which the company is incorporated.

* The Funds will vote on case-by-case basis on proposals relating to (1) the issuance of common stock in excess of 20% of a company's outstanding common stock where shareholders do not have preemptive rights, or (2) the issuance of common stock in excess of 100% of a company's outstanding common stock where shareholders have preemptive rights.

Commentary: In many non-U.S. markets, shareholders who vote proxies for shares of a foreign issuer are not able to trade in that company's stock within a given period of time on or around the shareholder meeting date. This practice is known as "share blocking." In countries where share blocking is practiced, the Funds will vote proxies only with direction from Putnam Management's investment professionals.

As adopted March 14, 2003

Proxy Voting Procedures of the Putnam Funds

The Role of the Funds' Trustees

The Trustees of the Putnam Funds exercise control of the voting of proxies through their Board Policy and Nominating Committee, which is composed entirely of independent Trustees. The Board Policy and Nominating Committee oversees the proxy voting process and participates, as needed, in the resolution of issues which need to be handled on a case-by-case basis. The Committee annually reviews and recommends for approval by the Trustees guidelines governing the Funds' proxy votes, including how the Funds vote on specific proposals and which matters are to be considered on a case-by-case basis. The Trustees are assisted in this process by their independent administrative staff ("Fund Administration"), independent legal counsel, and an independent proxy voting service. The Trustees also receive assistance from Putnam Investment Management, LLC ("Putnam Management"), the Funds' investment adviser, on matters involving investment judgments. In all cases, the ultimate decision on voting proxies rests with the Trustees, acting as fiduciaries on behalf of the shareholders of the Funds.

The Role of the Proxy Voting Service

The Funds have engaged an independent proxy voting service to assist in the voting of proxies. The proxy voting service is responsible for coordinating with the Funds' custodians to ensure that all proxy materials received by the custodians relating to the Funds' portfolio securities are processed in a timely fashion. To the extent applicable, the proxy voting service votes all proxies in accordance with the proxy

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voting guidelines established by the Trustees. The proxy voting service will refer proxy questions to the Proxy Coordinator (described below) for instructions under circumstances where: (1) the application of the proxy voting guidelines is unclear, (2) a particular proxy question is not covered by the guidelines, or (3) the guidelines call for specific instructions on a case-by-case basis. The proxy voting service is also requested to call to the Proxy Coordinator's attention specific proxy questions which, while governed by a guideline, appear to involve unusual or controversial issues. The Funds also utilize research services relating to proxy questions provided by the proxy voting service and by other firms.

The Role of the Proxy Coordinator

Each year, a member of Fund Administration is appointed Proxy Coordinator to assist in the coordination and voting of the Funds' proxies. The Proxy Coordinator will deal directly with the proxy voting service and, in the case of proxy questions referred by the proxy voting service, will solicit voting recommendations and instructions from Fund Administration, the Chair of the Board Policy and Nominating Committee, and Putnam Management's investment professionals, as appropriate. The Proxy Coordinator is responsible for ensuring that these questions and referrals are responded to in a timely fashion and for transmitting appropriate voting instructions to the proxy voting service.

Voting Procedures for Referral Items

As discussed above, the proxy voting service will refer proxy questions to the Proxy Coordinator under certain circumstances. When the application of the proxy voting guidelines is unclear or a particular proxy question is not covered by the guidelines (and does not involve investment considerations), the Proxy Coordinator will assist in interpreting the guidelines and, as appropriate, consult with the Senior Vice President of Fund Administration, the Executive Vice President of Fund Administration and the Chair of the Board Policy and Nominating Committee on how the Funds' shares will be voted.

For proxy questions that require a case-by-case analysis pursuant to the guidelines or that are not covered by the guidelines but involve investment considerations, the Proxy Coordinator will refer such questions, through a written request, to Putnam Management's investment professionals for a voting recommendation. Such referrals will be made in cooperation with the person or persons designated by Putnam Management's Legal and Compliance Department to assist in processing such referral items. In connection with each such referral item, the Legal and Compliance Department will conduct a conflicts of interest review, as described below under "Conflicts of Interest," and provide a conflicts of interest report (the "Conflicts Report") to the Proxy Coordinator describing the results of such review. After receiving a referral item from the Proxy Coordinator, Putnam Management's investment professionals will provide a written recommendation to the Proxy Coordinator and the person or persons designated by the Legal and Compliance Department to assist in processing referral items. Such recommendation will set forth (1) how the proxies should be voted, (2) the basis and rationale for such recommendation, and (3) any contacts the investment professionals have had with respect to the referral item with non-investment personnel of Putnam Management or with outside parties (except for routine communications from proxy solicitors). The Proxy Coordinator will then review the investment professionals' recommendation and the Conflicts Report with the Senior Vice President and/or Executive Vice President in determining how to vote the Funds' proxies. The Proxy Coordinator will maintain a record of all proxy

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questions that have been referred to Putnam Management's investment professionals, the voting recommendation and the Conflicts Report.

In some situations, the Proxy Coordinator, the Senior Vice President and/or the Executive Vice President may determine that a particular proxy question raises policy issues requiring consultation with the Chair of the Board Policy and Nominating Committee who, in turn, may decide to bring the particular proxy question to the Committee or the full board of Trustees for consideration.

Conflicts of Interest

Occasions may arise where a person or organization involved in the proxy voting process may have a conflict of interest. A conflict of interest may exist, for example, if Putnam Management has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy or a third party that has a material interest in the outcome of a proxy vote or that is actively lobbying for a particular outcome of a proxy vote. Any individual with knowledge of a personal conflict of interest (e.g., familial relationship with company management) relating to a particular referral item shall disclose that conflict to the Proxy Coordinator and the Legal and Compliance Department and otherwise remove himself or herself from the proxy voting process. The Legal and Compliance Department will review each item referred to Putnam Management's investment professionals to determine if a conflict of interest exists and will provide the Proxy Coordinator with a Conflicts Report for each referral item that (1) describes any conflict of interest; (2) discusses the procedures used to address such conflict of interest; and (3) discloses any contacts from parties outside Putnam Management (other than routine communications from proxy solicitors) with respect to the referral item not otherwise reported in an investment professional's recommendation. The Conflicts Report will also include written confirmation that any recommendation from an investment professional provided under circumstances where a conflict of interest exists was made solely on the investment merits and without regard to any other consideration.

As adopted March 14, 2003

Item 8. [Reserved]

Item 9. Controls and Procedures:

(a) The registrant's principal executive officer and principal financial officers have concluded, based on their evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report on Form N-CSR, that the design and operation of such procedures are effective to provide reasonable assurance that information required to be disclosed by the investment company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms.

(b) Changes in internal control over financial reporting:
Not applicable

Item 10. Exhibits:

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(a) The Code of Ethics of The Putnam Funds, which incorporates the Code of Ethics of Putnam Investments, is filed herewith.

(b) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Investment Company Act of 1940, as amended, and the officer certifications as required by Section 906 of the Sarbanes-Oxley Act of 2002 are filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 an the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NAME OF REGISTRANT

By (Signature and Title): /s/Michael T. Healy

Michael T. Healy
Principal Accounting Officer

Date: November 25, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934 an the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title): /s/Karnig H. Durgarian

Karnig H. Durgarian
Principal Executive Officer

Date: November 25, 2003

By (Signature and Title): /s/Charles E. Porter

Charles E. Porter
Principal Financial Officer

Date: November 25, 2003

By (Signature and Title): /s/Steven D. Krichmar

Steven D. Krichmar
Principal Financial Officer

Date: November 25, 2003