

PUTNAM MASTER INTERMEDIATE INCOME TRUST

Form N-CSR

May 27, 2005

Putnam  
Master  
Intermediate  
Income Trust

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

SEMIANNUAL REPORT ON PERFORMANCE AND OUTLOOK

3-31-05

[GRAPHIC OMITTED: WATCH]

[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:

Throughout the period ended March 31, 2005, the Federal Reserve Board's series of gradual increases in the federal funds rate occupied much of investors' attention. However, these increases did not begin to have a significant impact on stock and bond prices until approximately March 2005. Also in March, we began to see a measurable increase in longer-term interest rates, which, along with continued record-high energy prices, has slowed the stock market's momentum. Concerns about inflation have also begun to influence the markets once again and may affect bond prices going forward. In such an environment, security selection takes on even greater importance and the in-depth, professional research and active management mutual funds can provide makes them an even more intelligent choice for today's investors.

Given these trends, we want you to know that Putnam Investments' management team, under the leadership of Chief Executive Officer Ed Haldeman, continues to focus on improving investment performance and remains committed to putting the interests of shareholders first. In keeping with these goals, we are including additional disclosure about your fund's management team in this report. Following the Outlook for Your Fund, we provide manager compensation information that pertains to your fund, list any changes in your fund's Portfolio Leader and Portfolio Members during the prior year, and disclose these individuals' other fund management responsibilities at Putnam. We also show how much these individuals, as well as the members of Putnam's Executive Board, have invested in the fund (in dollar ranges). Furthermore, on page 13, we provide information about the most recent approval by the Trustees of your fund's management contract with Putnam.

In the following pages, members of your fund's management team discuss the fund's performance, the strategies used to pursue the fund's investment objective during the reporting period, and the team's plan

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for responding to recent changes in the market climate.

As always, we thank you for your continuing confidence in Putnam.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill  
Chairman of the Trustees

George Putnam, III  
President of the Funds

May 18, 2005

Report from Fund Management

Fund highlights

- \* During the semiannual period ended March 31, 2005, Putnam Master Intermediate Income Trust had total returns of 3.07% at net asset value (NAV) and -2.00% at market price.
- \* The fund's primary benchmark, the Lehman Government/Credit Bond Index, returned 0.13%.
- \* The average return for the fund's Lipper category, Flexible Income Funds (closed-end), was 3.45%.
- \* The fund's dividend was reduced to \$0.035 per share during the period. See page 5 for details.
- \* See the Performance Summary beginning on page 10 for additional fund performance, comparative performance, and Lipper data.

Performance commentary

The six-month period under review was generally favorable for global bond markets until the final two months, when the Federal Reserve Board (the Fed) again raised short-term interest rates and expressed greater concern about the potential for inflation. This prompted sell-offs in all sectors of the bond market; however, those sectors with higher credit risk saw greater price declines (and yield increases). Because your fund invests in a variety of fixed-income sources, it was able to outperform its benchmark, based on results at NAV. However, the fund underperformed its Lipper category average because it had less exposure to emerging-market bonds and to non-U.S. dollar denominated bonds than many of its peers, and these sectors remained strong. The fund's currency strategy, which has begun to shift toward increasing exposure to the U.S. dollar, was helpful during the period. It is important to note that a fund's performance at market price may differ from its results at NAV. Although market price performance generally reflects investment results, it may also be influenced by several other factors, including changes in investor perceptions of the fund or its investment advisor, market conditions, fluctuations in supply and demand for the fund's shares, and changes in fund distributions.

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TOTAL RETURN FOR  
PERIODS ENDED 3/31/05  
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Market

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| (inception 4/29/88)              | NAV    | price  |
|----------------------------------|--------|--------|
| 6 months                         | 3.07%  | -2.00% |
| 1 year                           | 5.06   | -0.78  |
| 5 years                          | 44.99  | 65.21  |
| Annual average                   | 7.71   | 10.56  |
| 10 years                         | 104.65 | 107.77 |
| Annual average                   | 7.42   | 7.59   |
| Annual average<br>(life of fund) | 7.97   | 6.82   |

Data is historical. Past performance does not guarantee 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. Performance assumes reinvestment of distributions and does not account for taxes.

### 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.

### Market overview

One of the most important events of the six-month period was the change in tone from the Fed when it raised short-term interest rates in March. This rate increase was the seventh in a series of increases that began in June 2004. At the time of the initial increase, the Fed's official comments implied that future rate increases would come at a "measured pace," and were intended to bring short-term rates back to more "normal" levels (from a 46-year low). As a result, long-term bond investors were not overly concerned about an abrupt hike in interest rates, and yields on long-term bonds continued to decline through calendar 2004 and into early 2005. The economy, meanwhile, continued to grow at a solid, moderate pace with low inflation.

However, in the first calendar quarter of 2005, there were some indications of inflation picking up as the economy strengthened. Record-high energy prices began to affect the prices of goods and services. More importantly, companies began to see that productivity was slowing, and that they might try to pass along wage increases in the form of higher prices for their products. At its meetings in January, February, and March, the Fed's tone gradually came to reflect concerns about inflation. In March, the Fed stated it would continue to raise rates at a measured pace but would "respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability."\* The U.S. and international bond markets saw this as a signal that future rate increases could be more frequent and larger. Bonds sold off, with lower-quality, higher-yield bond sectors -- including emerging markets and high-yield corporates -- experiencing the greatest price declines (and yield increases).

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MARKET SECTOR PERFORMANCE 6 MONTHS ENDED 3/31/05

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### Bonds

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|  |       |
|--|-------|
| Lehman Government/Credit Bond Index<br>(U.S. Treasury and agency securities and corporate bonds) | 0.13% |
|--|-------|

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|  |       |
|--|-------|
| JP Morgan Global Diversified Emerging Markets Bond Index<br>(global emerging-market bonds) | 3.49% |
|--|-------|

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|  |       |
|--|-------|
| Citigroup Non-U.S. World Government Bond Index<br>(international government bonds) | 7.21% |
|--|-------|

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|   |       |
|---|-------|
| JP Morgan Global High Yield Index (global high-yield corporate bonds) | 3.23% |
|---|-------|

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### Equities

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|                                    |       |
|------------------------------------|-------|
| S&P 500 Index (broad stock market) | 6.88% |
|------------------------------------|-------|

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|   |       |
|---|-------|
| Russell 2000 Growth Index (small-company growth stocks) | 7.23% |
|---|-------|

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|   |       |
|---|-------|
| Russell 2000 Value Index (small-company value stocks) | 8.70% |
|---|-------|

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These indexes provide an overview of performance in different market sectors for the six months ended 3/31/05.

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\* From "Text of Federal Reserve's Interest Rate Decision," as reported by Dow Jones Newswires, March 22, 2005.

### Strategy overview

A key element of the fund's strategy has been to continue to reduce the level of credit risk in the portfolio. During the period, we further reduced the fund's emerging-market weighting and increased the average credit quality of the fund's high-yield holdings by selling lower-quality bonds and buying bonds with higher ratings. (The high-yield sector, which is generally lower in quality than other sectors such as Treasuries, has several tiers of credit quality.) Another component of our strategy during the period was to reduce sensitivity to changes in interest rates by shortening the fund's overall duration. Duration, which is measured in years, is the primary indicator of interest-rate sensitivity. The shorter a bond's duration, the less sensitive its price will be to interest-rate changes. The fund's lower interest-rate sensitivity hurt its performance during the first half of the period, but was significantly helpful in the second half -- especially during the final month, when rates rose more substantially. During the period, we continued to increase the fund's position in bank loans (included in the "high yield" sector in the chart below). These securities offer a higher level of credit quality than high-yield bonds. In addition, they offer floating interest rates that, like an adjustable-rate home mortgage, move in tandem with market rates and therefore can help provide some protection from interest-rate risk.

We also continued to favor international bonds from developing countries over emerging-market bonds. These bonds should continue to benefit from a weak dollar environment. However, we think that going forward, gains from foreign currencies in the portfolio are likely to be more modest than those seen in recent years.

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[GRAPHIC OMITTED: horizontal bar chart SECTOR WEIGHTINGS COMPARED]

### SECTOR WEIGHTINGS COMPARED

|                       | as of 9/30/04 | as of 3/31/05 |
|-----------------------|---------------|---------------|
| U.S. investment grade | 38.0%         | 43.3%         |
| High yield            | 40.0%         | 40.7%         |
| International*        | 22.0%         | 16.0%         |

#### Footnote reads:

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

\* Includes emerging markets.

### How fund holdings affected performance

The semiannual period was marked by interest-rate fluctuations within a moderate range. In such an environment, securitized bonds, or structured securities, tend to perform well because they typically offer higher income than corporate bonds of comparable credit quality. They also offer short maturities, so as interest rates rise, we can reinvest the proceeds in higher-yielding securities. The most common type of securitized bonds are mortgage-backed securities (MBSs) issued by the Federal National Mortgage Association (Fannie Mae) and the Government National Mortgage Association (Ginnie Mae). Other types of securitized bonds include asset-backed securities (ABSs), which are typically backed by car loans and credit card payments, and commercial mortgage-backed securities (CMBSs), which are backed by loans on large commercial real estate projects, such as office parks or shopping malls. During the six-month period, the fund's holdings of ABSs, CMBSs, and MBSs backed by adjustable-rate mortgages all performed well relative to most other bond sectors.

[GRAPHIC OMITTED: TOP HOLDINGS]

### TOP HOLDINGS

(Percent of fund's net assets as of 3/31/05)

#### High Yield Sector

- 1 Conseco Finance Securitizations Corp. (0.4%)  
Ser. 01-3, Class A4, 6.91s, 2033  
Asset-backed security
- 2 Conseco Finance Securitizations Corp. (0.4%)  
Ser. 00-4, Class A6, 8.31s, 2032  
Asset-backed security
- 3 Qwest Corp. (0.4%)  
144A notes 9 1/8s, 2012  
Communications services

#### International Sector

- 1 Germany (Federal Republic of) (1.5%)

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Bonds Ser. 97, 6s, 2007

2 United Mexican States (1.4%)  
Notes 6 5/8s, 2015

3 Germany (Federal Republic of) (1.1%)  
Bonds Ser. 97, 6s, 2007

### U.S. Investment Grade Sector

1 Federal National Mortgage Association (5.8%)  
30 yr. conventional, 5 1/2s TBA April 1, 2035

2 U.S. Treasury Notes (3.7%)  
3 1/4s, August 15, 2008

3 Federal National Mortgage Association (3.6%)  
15 yr. conventional, 4 1/2s TBA April 1, 2020

### Footnote reads:

The fund's holdings will change over time.

The fund's holdings of Treasury bonds underperformed most fixed-income sectors for most of the period (until the final month), but the fund was underweighted in this sector compared to many of its peers, so this positioning helped relative returns.

European government bonds made a substantial contribution to returns during the period, benefiting from slowing growth in Europe and expectations that these low growth rates would continue through the end of 2005. When U.S. bond markets declined in February and March 2005, European government bonds outperformed by a considerable margin. Because the fund was overweighted in these securities, particularly those issued by the governments of Germany, France, and Sweden, this positioning bolstered relative returns. While the fund remains significantly underweighted -- relative to its peer group -- in emerging-market securities, we added some emerging-market bonds during the period, believing them to be more attractive than high-yield corporate bonds. During the period, we emphasized bonds from Brazil, Colombia, Mexico, and Russia, while reducing exposure in Turkey, Uruguay, and Panama.

In the high-yield corporate bond portion of the portfolio, we emphasized bonds in the chemicals sector, including Huntsman International, which performed well. In the energy sector, which we favored due to strong demand and reduced supply, the fund's holdings of Star Gas Partners detracted from performance. This company, a distributor of home heating oil in New England, was plagued by operational issues and rising oil prices. Nevertheless, we are still positive about its prospects and maintained the holding in the fund. The fund was also overweighted in bonds issued by wireless telecommunications companies, including Nextel Communications, because of their strong subscriber growth, attractive valuations, and industry consolidation.

Finally, we increased the fund's holdings of senior-secured bank loans. These loans carry floating interest rates, which means they reset in accordance with changes in short-term interest rates, which is beneficial if rates rise. The loans' "senior-secured" status means that they are fully backed by each issuing company's assets, such as plants, equipment, and inventory. Moreover, senior-secured loan lenders are paid before any non-secured debt holder in the event of a liquidation of the company's assets due to bankruptcy.

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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

#### Fund's dividend reduced

More than 35% of the fund's portfolio is invested in corporate high-yield securities. Over the past several years, the high-yield market has experienced dramatic declines in yield as well as a significant narrowing of credit yield spreads compared with Treasuries. Since the beginning of the market rebound in October 2002, the spread over Treasuries has narrowed considerably, pushing yields dramatically lower. As a result of these events in the high-yield market, the fund reduced its dividend to \$0.035 per share from \$0.038 per share, effective October 2004.

#### 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 teams' plans for responding to them.

During the period, the fund's moderate returns reflected a more cautious bond market and a more mature global economic recovery. Our forecast is for continued steady growth with a slight increase in inflation. Such an environment would probably be consistent with more Fed short-term interest-rate increases and the possibility for long-term bond yields to continue moving upward. In such an environment, we believe the fund's shorter duration and higher credit quality would help it to weather the impact of higher interest rates, if they come to pass (as we believe they will). Of course, we will continue to remain vigilant about any possible disruptions to global economies and fixed-income markets, keeping the fund positioned defensively while remaining well diversified in a broad range of fixed-income sectors and securities.

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-market 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. Mutual funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. The fund's shares trade on a stock exchange at market prices, which may be lower than the fund's net asset value.

#### Your fund's management

Your fund is managed by the members of the Putnam Core Fixed-Income and Core Fixed-Income High Yield teams. D. William Kohli is the Portfolio Leader. Rob Bloemker, Jeffrey Kaufman, Paul Scanlon, and David Waldman are Portfolio Members of the fund. The Portfolio Leader and Portfolio

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Members coordinate the teams' management of the fund.

For a complete listing of the members of the Putnam Core Fixed-Income and Core Fixed-Income High-Yield teams, including those who are not Portfolio Leaders or Portfolio Members of your fund, visit Putnam's Individual Investor Web site at [www.putnaminvestments.com](http://www.putnaminvestments.com).

### Fund ownership

The table below shows how much the fund's current Portfolio Leader and Portfolio Members have invested in the fund (in dollar ranges). Information shown is for March 31, 2005, and March 31, 2004.

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#### FUND PORTFOLIO LEADER AND PORTFOLIO MEMBERS

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|                  |      |   | \$1 -<br>\$10,000 | \$10,001 -<br>\$50,000 | \$50,001 -<br>\$100,000 | \$100,001 -<br>\$500,000 | \$500,001 -<br>\$1,000,000 |
|------------------|------|---|-------------------|------------------------|-------------------------|--------------------------|----------------------------|
| D. William Kohli | 2005 | * |                   |                        |                         |                          |                            |
| Portfolio Leader | 2004 | * |                   |                        |                         |                          |                            |
| Rob Bloemker     | 2005 | * |                   |                        |                         |                          |                            |
| Portfolio Member | N/A  |   |                   |                        |                         |                          |                            |
| Jeffrey Kaufman  | 2005 | * |                   |                        |                         |                          |                            |
| Portfolio Member | N/A  |   |                   |                        |                         |                          |                            |
| Paul Scanlon     | 2005 | * |                   |                        |                         |                          |                            |
| Portfolio Member | N/A  |   |                   |                        |                         |                          |                            |
| David Waldman    | 2005 | * |                   |                        |                         |                          |                            |
| Portfolio Member | 2004 | * |                   |                        |                         |                          |                            |

N/A indicates the individual was not a Portfolio Leader or Portfolio Member as of 3/31/04.

### Fund manager compensation

The total 2004 fund manager compensation that is attributable to your fund is approximately \$440,000. This amount includes a portion of 2004 compensation paid by Putnam Management to the fund managers listed in this section for their portfolio management responsibilities, calculated based on the fund assets they manage taken as a percentage of the total assets they manage. The compensation amount also includes a portion of the 2004 compensation paid to the Chief Investment Officer of the team and the Group Chief Investment Officer of the fund's broader investment category for their oversight responsibilities, calculated based on the fund assets they oversee taken as a percentage of the total assets they



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oversee. These percentages are determined as of the fund's fiscal period-end. For personnel who joined Putnam Management during or after 2004, the calculation reflects annualized 2004 compensation or an estimate of 2005 compensation, as applicable.

Other Putnam funds managed by the Portfolio Leader and Portfolio Members

D. William Kohli is also a Portfolio Leader of Putnam Diversified Income Trust and Putnam Premier Income Trust, and a Portfolio Member of Putnam Global Income Trust.

Rob Bloemker is also a Portfolio Member of Putnam American Government Income Fund, Putnam Diversified Income Trust, Putnam Income Fund, Putnam Limited Duration Government Income Fund, Putnam Premier Income Trust, and Putnam U.S. Government Income Trust.

Jeffrey Kaufman is also a Portfolio Member of Putnam Diversified Income Trust and Putnam Premier Income Trust.

Paul Scanlon is also a Portfolio Leader of Putnam Floating Rate Income Fund, Putnam High Yield Advantage Fund, Putnam High Yield Trust, and Putnam Managed High Yield Trust. He is also a Portfolio Member of Putnam Diversified Income Trust and Putnam Premier Income Trust.

David Waldman is also a Portfolio Member of Putnam Diversified Income Trust and Putnam Premier Income Trust.

D. William Kohli, Rob Bloemker, Jeffrey Kaufman, Paul Scanlon, and David Waldman may also manage other accounts and variable trust funds advised by Putnam Management or an affiliate.

Changes in your fund's Portfolio Leader and Portfolio Members

During the year ended March 31, 2005, the Putnam Core Fixed-Income High-Yield Team joined the Putnam Core Fixed-Income Team in assuming management of the fund. Consequently, Rob Bloemker, Jeffrey Kaufman, and Paul Scanlon became Portfolio Members of your fund. In addition, Portfolio Member Stephen Peacher left your fund's management team.

Fund ownership

The table below shows how much the members of Putnam's Executive Board have invested in the fund (in dollar ranges). Information shown is for March 31, 2005, and March 31, 2004.

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PUTNAM EXECUTIVE BOARD

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|                          | Year | \$0 | \$1 -<br>\$10,000 | \$10,001 -<br>\$50,000 | \$50,001 -<br>\$100,000 | \$100,001<br>and over |
|--------------------------|------|-----|-------------------|------------------------|-------------------------|-----------------------|
| Philippe Bibi            | 2005 |     | *                 |                        |                         |                       |
| Chief Technology Officer | 2004 |     | *                 |                        |                         |                       |
| John Boneparth           | 2005 |     | *                 |                        |                         |                       |

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|                                   |      |   |
|-----------------------------------|------|---|
| Head of Global Institutional Mgmt | 2004 | * |
| Joshua Brooks                     | 2005 | * |
| Deputy Head of Investment         | N/A  |   |
| Kevin Cronin                      | 2005 | * |
| Deputy Head of Investments        | N/A  |   |
| Charles Haldeman, Jr.             | 2005 | * |
| President and CEO                 | 2004 | * |
| Amrit Kanwal                      | 2005 | * |
| Chief Financial Officer           | 2004 | * |
| Steven Krichmar                   | 2005 | * |
| Chief of Operations               | N/A  |   |
| Francis McNamara, III             | 2005 | * |
| General Counsel                   | N/A  |   |
| Richard Monaghan                  | 2005 | * |
| Head of Retail Management         | 2004 | * |
| Richard Robie, III                | 2005 | * |
| Chief Administrative Officer      | 2004 | * |
| Edward Shadek                     | 2005 | * |
| Deputy Head of Investments        | N/A  |   |

N/A indicates the individual was not a member of Putnam's Executive Board as of 3/31/04.

### Performance summary

This section shows your fund's performance during the first half of its fiscal year, which ended March 31, 2005. Performance should always be considered in light of a fund's investment strategy. Data represents past performance. Past performance does not guarantee 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.

### TOTAL RETURN FOR PERIODS ENDED 3/31/05

|          | NAV   | Market price |
|----------|-------|--------------|
| 6 months | 3.07% | -2.00%       |

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|  |        |        |
|--|--------|--------|
| 1 year   | 5.06   | -0.78  |
| 5 years  | 44.99  | 65.21  |
| Annual average                                 | 7.71   | 10.56  |
| 10 years                                       | 104.65 | 107.77 |
| Annual average                                 | 7.42   | 7.59   |
| Annual average<br>Life of fund (since 4/29/88) | 7.97   | 6.82   |

Performance assumes reinvestment of distributions and does not account for taxes.

COMPARATIVE INDEX RETURNS FOR PERIODS ENDED 3/31/05

|   | Lehman Govt./<br>Credit Bond<br>Index | Citigroup Non-<br>U.S. World<br>Govt. Bond<br>Index | JP Morgan<br>Global<br>High Yield<br>Index* | Lipper Flexible<br>Income Funds<br>(closed-end)<br>category average+ |
|---|---------------------------------------|---|---|--|
| 6 months  | 0.13%                                 | 7.21%   | 3.23%                                       | 3.45%  |
| 1 year  | 0.40                                  | 6.98  | 7.36  | 5.59   |
| 5 years   | 42.18                                 | 49.29   | 45.11                                       | 38.81  |
| Annual average                                    | 7.29                                  | 8.34  | 7.73  | 6.63   |
| 10 years  | 100.60                                | 71.75   | 113.36                                      | 115.08   |
| Annual average                                    | 7.21                                  | 5.56  | 7.87  | 7.71   |
| Annual average<br>Life of fund<br>(since 4/29/88) | 7.94                                  | 7.32  | --  | 8.14   |

Index and Lipper results should be compared to fund performance at net asset value. Lipper calculations for reinvested dividends may differ from actual performance.

\* The JP Morgan Global High Yield Index's inception date was 12/31/93.

+ Over the 6-month and 1-, 5-, and 10-year periods ended 3/31/05, there were 9 funds in this Lipper category.

PRICE AND DISTRIBUTION INFORMATION 6 MONTHS ENDED 3/31/05

Putnam Master Intermediate Income Trust

|                        |         |
|------------------------|---------|
| Distributions (number) | 6       |
| Income                 | \$0.210 |
| Capital gains          | --      |
| Total                  | \$0.210 |

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| Share value:                   | NAV    | Market price |
|--------------------------------|--------|--------------|
| 9/30/04                        | \$7.13 | \$6.73       |
| 3/31/05                        | 7.12   | 6.39         |
| Current return (end of period) |        |              |
| Current dividend rate 1        | 5.90%  | 6.57%        |

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 exchanges such as the American Stock Exchange and the New York Stock Exchange.

### Comparative indexes

Citigroup Non-U.S. World Government Bond Index is an unmanaged index of global investment-grade fixed-income securities, excluding the United States.

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

JP Morgan Global High Yield Index is an unmanaged index of global high-yield fixed-income securities.

Lehman Government/Credit Bond Index is an unmanaged index of U.S. Treasuries, agency securities, and investment-grade corporate bonds.

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

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

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

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 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

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at net asset value.

Trustee approval of management contract

General conclusions

The Board of Trustees of the Putnam funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of each fund's management contract with Putnam Management. In this regard the Board of Trustees, with the assistance of its Contract Committee consisting solely of Independent Trustees, requests and evaluates all information it deems reasonably necessary in the circumstances. Over the course of several months beginning in March and ending in June of 2004, the Contract Committee reviewed the information provided by Putnam Management and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees. Upon completion of this review, the Contract Committee recommended and the Independent Trustees approved the continuance of your fund's contract, effective July 1, 2004.

This approval was based on the following conclusions:

- \* That the fee schedule currently in effect for your fund represents reasonable compensation in light of the nature and quality of the services being provided to the fund, the fees paid by competitive funds and the costs incurred by Putnam Management in providing such service, and
- \* That such fee schedule represents an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the fund at current asset levels.

These conclusions were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below.

Model fee schedules and categories; total expenses

The Trustees, working in cooperation with Putnam Management, have developed and implemented a series of model fee schedules for the Putnam funds designed to ensure that each fund's management fee is consistent with the fees for similar funds in the Putnam complex and compares favorably with fees paid by competitive funds sponsored by other advisors. The Trustees reviewed the model fee schedule currently in effect for the fund, including fee levels and breakpoints, and the assignment of the fund to a particular fee category under this structure. The Trustees also reviewed comparative fee and expense information for competitive funds. The Trustees concluded that no changes should be made in the fund's current fee schedule at this time. The Trustees noted that expense ratios for a number of Putnam funds had been increasing recently as a result of declining net assets and the natural operation of fee breakpoints. They noted that such expense ratio increases were currently being controlled by expense limitations implemented in January 2004. They also noted that the competitive landscape regarding mutual fund fees may be changing as a result of fee reductions accepted by various other fund groups in connection with recent regulatory settlements and greater focus on fees and expenses in the mutual fund industry generally. The Trustees indicated an intention to monitor these developments closely.

Economies of scale

As noted above, the Trustees concluded that the fee schedule currently in effect for your fund represents an appropriate sharing of economies of scale at current asset levels. The Trustees indicated their intention to continue their ongoing consideration of economies of scale and in particular to consider further the possible operation of such economies in the event that a significant recovery in the equity markets or net fund sales were to raise asset levels substantially above current levels. In this regard, the Trustees noted that they had reviewed data relating to the substantial increase in asset levels of the Putnam funds that occurred during the years leading up to the market peak in 2000, the subsequent decline in assets and the resulting impact on revenues and expenses of Putnam Management. The Trustees also noted that recent declines in net assets in many Putnam funds, together with significant changes in the cost structure of Putnam Management have altered the economics of Putnam Management's business in significant ways. The Trustees concluded that they would monitor these changes carefully and evaluate the resulting impact on Putnam Management's economics and the sharing of economies of scale between the parties.

Investment performance

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under the Management Contracts. The Trustees recognized that a high quality investment process -- as measured by the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to such personnel, and in general the ability of Putnam Management to attract and retain high-quality personnel -- does not guarantee favorable investment results for every fund in every time period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing the fund's performance with various benchmarks and with the performance of competitive funds. The Trustees noted the satisfactory investment performance of many Putnam funds.

They also noted the disappointing investment performance of certain funds in recent years and continued to discuss with senior management of Putnam Management the factors contributing to such under-performance and actions being taken to improve performance. The Trustees recognized that, in recent years, Putnam Management has made significant changes in its investment personnel and processes and in the fund product line in an effort to address areas of underperformance. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these changes and to evaluate whether additional remedial changes are warranted. As a general matter, the Trustees concluded that consultation between the Trustees and Putnam Management represents the most effective way to address investment performance problems. The Trustees believe that investors in the Putnam funds and their financial advisors have, as a general matter, effectively placed their trust in the Putnam organization, under the supervision of the funds' Trustees, to make appropriate decisions regarding the management of the funds. The Trustees believe that the termination of the Management Contract and engagement of a new investment adviser for under-performing funds, with all the attendant disruptions, would not serve the interests of fund shareholders at this time and would not necessarily provide any greater assurance of improved investment performance.

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### Brokerage and soft-dollar allocations; other benefits

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the Management Contract with your fund. These include principally benefits related to brokerage and soft-dollar allocations, which pertain mainly to funds investing in equity securities. The Trustees believe that soft-dollar credits and other potential benefits associated with the allocation of fund brokerage represent assets of the funds that should be used for the benefit of fund shareholders. The Trustees noted recent trends in the allocation of fund brokerage, including commission costs, the allocation of brokerage to firms that provide research services to Putnam Management, and the sources and application of available soft-dollar credits. Effective December 31, 2003, reflecting a decision made by the Trustees earlier that year, Putnam Management ceased allocating brokerage in connection with the sale of fund shares. In addition, in preparing its budget for commission allocations in 2004, Putnam Management voluntarily reduced substantially the allocation of brokerage commissions to acquire research services from third-party service providers. In light of evolving best practices in the mutual fund industry, the Trustees concluded that this practice should be further curtailed and possibly eliminated in the near future. The Trustees indicated that they would continue to monitor the allocation of the funds' brokerage to ensure that the principle of "best price and execution" remains paramount in the portfolio trading process.

### Comparison of retail and institutional fee schedules

The information examined by the Trustees as part of the annual contract reviews included information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans and college endowments. This information included comparison of such fees with fees charged to the Putnam funds, as well as a detailed assessment of the differences in the services provided to these two types of clients. The Trustees devoted special attention to these issues and reviewed recent articles by critics of mutual fund fees, articles by the ICI defending such fee differences, and relevant guidance provided by decisions of the courts. The Trustees observed, in this regard, that the differences in fee rates between institutional clients and mutual funds are by no means uniform when examined by individual asset sectors, suggesting that differences in the pricing of investment management services to these types of clients reflects to a substantial degree historical competitive forces operating in separate market places. In reaching their conclusions, the Trustees considered the fact that fee rates across all asset sectors are higher on average for mutual funds than for institutional clients, and also considered the differences between the services that Putnam provides to the Putnam funds and those that it provides to institutional clients of the firm.

### Settlement of regulatory charges related to market timing

Finally, in reaching their conclusions, the Trustees considered all matters pertinent to the administrative charges filed against Putnam Management by the SEC and the Commonwealth of Massachusetts in October 2003 relating to market timing, the firm's settlement of those charges, and the conclusions and recommendations of the Trustees' Audit and Pricing Committee based on its review of these matters. The Trustees considered the actions taken by the owner of Putnam Management and its new senior management to terminate or discipline the individuals involved, to implement new compliance systems, to indemnify the funds

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against all costs and liabilities related to these matters, and otherwise to ensure that the interests of the funds and their shareholders are fully protected. The Trustees noted that, in addition to the settlements of the regulatory charges which will provide comprehensive restitution for any losses suffered by shareholders, the new senior management of Putnam Management has moved aggressively to control expense ratios of funds affected by market timing, to reduce charges to new investors, to improve disclosure of fees and expenses, and to emphasize the paramount role of investment performance in achieving shareholders' investment goals.

### Other information for shareholders

#### A note about duplicate mailings

In response to investors' requests, the SEC has modified mailing regulations for proxy statements, semiannual and annual reports, and prospectuses. Putnam is now able to send a single copy of these materials to customers who share the same address. This change will automatically apply to all shareholders except those who notify us. If you would prefer to receive your own copy, please call Putnam at 1-800-225-1581.

#### Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2004, are available on the Putnam Individual Investor Web site, [www.putnaminvestments.com/individual](http://www.putnaminvestments.com/individual), and on the SEC's Web site, [www.sec.gov](http://www.sec.gov). If you have questions about finding forms on the SEC's Web site, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

#### Fund portfolio holdings

For periods ending on or after July 9, 2004, the fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Forms N-Q on the SEC's Web site at [www.sec.gov](http://www.sec.gov). In addition, the fund's Forms N-Q may be reviewed and copied at the SEC's public reference room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's Web site or the operation of the public reference room.

#### The fund's portfolio

March 31, 2005 (Unaudited)

#### Corporate bonds and notes (31.6%) (a)

| Principal amount   | Value     |
|--|-----------|
| Basic Materials (3.4%)   |           |
| -----  |           |
| \$455,000 AK Steel Corp. company guaranty<br>7 3/4s, 2012                      | \$437,938 |
| 3,780,000 ALROSA Finance SA 144A company<br>guaranty 8 7/8s, 2014 (Luxembourg) | 3,907,575 |
| 460,000 BCP Caylux Holdings Luxembourg SCA                                     |           |



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|     |  |           |
|-----|--|-----------|
|     | 144A sr. sub. notes 9 5/8s, 2014   | 524,400   |
| EUR | 550,000 Cognis Holding GmbH & Co. 144A sr. notes 9 1/2s, 2014 (Germany)  | 789,771   |
|     | \$285,000 Compass Minerals International, Inc. sr. disc. notes stepped-coupon Ser. B, zero % (12s, 6/1/08), 2013 (STP) | 236,550   |
|     | 775,000 Compass Minerals International, Inc. sr. notes stepped-coupon zero % (12 3/4s, 12/15/07), 2012 (STP)           | 666,500   |
|     | 345,000 Crystal US Holdings, LLC/US Sub 3 Corp. 144A sr. disc. notes stepped-coupon zero % (10s, 10/1/09), 2014 (STP)  | 248,400   |
|     | 375,000 Equistar Chemicals LP notes 8 3/4s, 2009   | 402,188   |
|     | 1,148,000 Equistar Chemicals LP/Equistar Funding Corp. company guaranty 10 1/8s, 2008                                  | 1,262,800 |
|     | 705,000 Georgia-Pacific Corp. company guaranty 9 3/8s, 2013  | 787,838   |
|     | 405,000 Georgia-Pacific Corp. company guaranty 8 7/8s, 2010  | 452,081   |
|     | 80,000 Georgia-Pacific Corp. debs. 7.7s, 2015  | 87,700    |
|     | 680,000 Gerdau Ameristeel Corp. sr. notes 10 3/8s, 2011 (Canada)   | 758,200   |
|     | 860,000 Hercules, Inc. company guaranty 11 1/8s, 2007  | 984,700   |
|     | 200,000 Huntsman Advanced Materials, LLC 144A sec. FRN 10.89s, 2008  | 211,000   |
|     | 240,000 Huntsman Advanced Materials, LLC 144A sec. notes 11s, 2010   | 275,400   |
|     | 260,000 Huntsman, LLC company guaranty 11 5/8s, 2010   | 304,200   |
|     | 191,000 Huntsman, LLC 144A company guaranty 12s, 2012  | 223,470   |
|     | 225,000 Innophos, Inc. 144A sr. sub. notes 8 7/8s, 2014  | 236,250   |
|     | 130,000 International Steel Group, Inc. sr. notes 6 1/2s, 2014   | 132,600   |
|     | 646,000 ISP Chemco, Inc. company guaranty Ser. B, 10 1/4s, 2011  | 702,525   |
|     | 80,000 Jefferson Smurfit Corp. company guaranty 8 1/4s, 2012   | 82,200    |
|     | 40,000 Jefferson Smurfit Corp. company guaranty 7 1/2s, 2013   | 39,800    |
| EUR | 500,000 JSG Holding PLC sr. notes 11 1/2s, 2015 (Ireland) (PIK)  | 601,019   |
|     | \$1,375,000 Lyondell Chemical Co. notes Ser. A, 9 5/8s, 2007   | 1,474,688 |
|     | 235,000 MDP Acquisitions PLC sr. notes 9 5/8s, 2012 (Ireland)  | 252,625   |
| EUR | 440,000 MDP Acquisitions PLC sr. notes Ser. EUR, 10 1/8s, 2012 (Ireland)   | 643,253   |
| EUR | 75,000 Nalco Co. sr. notes 7 3/4s, 2011  | 105,211   |
| EUR | 75,000 Nalco Co. sr. sub. notes 9s, 2013   | 108,281   |
|     | \$1,045,000 Nalco Co. sr. sub. notes 8 7/8s, 2013  | 1,118,150 |
|     | 238,000 Norske Skog Canada, Ltd. sr. notes 7 3/8s, 2014 (Canada)   | 230,860   |
|     | 805,000 Novelis, Inc. 144A sr. notes 7 1/4s, 2015 (Canada)   | 788,900   |

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|     |           |   |            |
|-----|-----------|---|------------|
|     | 509,465   | PCI Chemicals Canada sec. sr. notes<br>10s, 2008 (Canada)         | 545,128    |
|     | 134,477   | Pioneer Companies, Inc. sec.<br>sr.notes FRN 6.59s, 2006          | 141,873    |
|     | 235,000   | PQ Corp. 144A company guaranty<br>7 1/2s, 2013                    | 231,475    |
| EUR | 350,000   | Rockwood Specialties Group, Inc.<br>company guaranty 7 5/8s, 2014 | 458,236    |
|     | \$150,000 | Rockwood Specialties Group, Inc.<br>144A sub. notes 7 1/2s, 2014  | 150,000    |
| EUR | 440,000   | SGL Carbon SA 144A sr. notes 8 1/2s,<br>2012 (Luxembourg)         | 616,379    |
|     | \$695,000 | Steel Dynamics, Inc. company<br>guaranty 9 1/2s, 2009             | 748,863    |
|     | 146,606   | Sterling Chemicals, Inc. sec. notes<br>10s, 2007 (PIK)            | 146,606    |
|     | 145,000   | Stone Container Corp. sr. notes<br>9 3/4s, 2011                   | 155,150    |
|     | 240,000   | Stone Container Corp. sr. notes<br>8 3/8s, 2012                   | 247,800    |
|     | 140,000   | Stone Container Finance company<br>guaranty 7 3/8s, 2014 (Canada) | 138,600    |
|     | 80,000    | Tembec Industries, Inc. company<br>guaranty 7 3/4s, 2012 (Canada) | 72,800     |
|     | 375,000   | Ucar Finance, Inc. company guaranty<br>10 1/4s, 2012              | 401,250    |
|     | 243,000   | United Agri Products sr. notes 9s,<br>2011                        | 252,720    |
|     | 509,000   | United States Steel Corp. sr. notes<br>9 3/4s, 2010               | 563,718    |
|     | 48,060    | Wheeling-Pittsburgh Steel Corp. sr.<br>notes 6s, 2010 (PIK)       | 39,169     |
|     | 93,174    | Wheeling-Pittsburgh Steel Corp. sr.<br>notes 5s, 2011 (PIK)       | 75,937     |
|     | 190,000   | WHX Corp. sr. notes 10 1/2s, 2005<br>(In default) (NON)           | 190,000    |
|     |           |   | -----      |
|     |           |   | 24,252,777 |

Capital Goods (2.3%)

|     |           |  |           |
|-----|-----------|--|-----------|
|     | 255,000   | AEP Industries, Inc. 144A sr. notes<br>7 7/8s, 2013                          | 256,083   |
|     | 732,000   | Allied Waste North America, Inc.<br>company guaranty Ser. B, 8 1/2s,<br>2008 | 757,620   |
|     | 362,000   | Amsted Industries, Inc. 144A sr.<br>notes 10 1/4s, 2011                      | 394,580   |
|     | 33,000    | BE Aerospace, Inc. sr. sub. notes<br>Ser. B, 8 7/8s, 2011                    | 33,413    |
|     | 282,000   | BE Aerospace, Inc. sr. sub. notes<br>Ser. B, 8s, 2008                        | 279,885   |
|     | 541,000   | Blount, Inc. sr. sub. notes 8 7/8s,<br>2012                                  | 570,755   |
|     | 73,000    | Browning-Ferris Industries, Inc. sr.<br>notes 6 3/8s, 2008                   | 70,080    |
|     | 870,000   | Crown Euro Holdings SA sec. notes<br>10 7/8s, 2013 (France)                  | 1,009,200 |
| EUR | 80,000    | Crown Euro Holdings SA sec. notes<br>10 1/4s, 2011 (France)                  | 117,475   |
|     | \$316,000 | Crown Euro Holdings SA sec. notes<br>9 1/2s, 2011 (France)                   | 346,810   |

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|                               |           |   |            |
|-------------------------------|-----------|---|------------|
|                               | 107,000   | Crown Euro Holdings SA sec. notes<br>6 1/4s, 2011 (France)                                    | 147,389    |
|                               | 1,981,000 | Decrane Aircraft Holdings Co.<br>company guaranty zero %, 2008                                | 752,780    |
|                               | 721,000   | Earle M. Jorgensen Co. sec. notes<br>9 3/4s, 2012   | 789,495    |
|                               | 105,000   | FIMEP SA sr. notes 10 1/2s, 2013<br>(France)  | 118,650    |
| EUR                           | 360,000   | Flender Holdings 144A sr. notes 11s,<br>2010 (Germany)  | 566,764    |
|                               | \$555,000 | Flowserve Corp. company guaranty<br>12 1/4s, 2010   | 602,869    |
|                               | 515,000   | Invensys, PLC notes 9 7/8s, 2011<br>(United Kingdom)  | 524,013    |
|                               | 330,000   | L-3 Communications Corp. company<br>guaranty 6 1/8s, 2013                                     | 325,875    |
|                               | 1,450,000 | L-3 Communications Corp. sr. sub.<br>notes 5 7/8s, 2015                                       | 1,392,000  |
|                               | 55,000    | Manitowoc Co., Inc. (The) company<br>guaranty 10 1/2s, 2012                                   | 62,425     |
| EUR                           | 180,000   | Manitowoc Co., Inc. (The) company<br>guaranty 10 3/8s, 2011                                   | 256,950    |
|                               | \$220,000 | Manitowoc Co., Inc. (The) sr. notes<br>7 1/8s, 2013   | 226,600    |
|                               | 237,000   | Milacron Escrow Corp. sec. notes<br>11 1/2s, 2011   | 258,330    |
|                               | 265,000   | Mueller Group, Inc. sr. sub. notes<br>10s, 2012   | 286,200    |
|                               | 205,000   | Mueller Holdings, Inc. disc. notes<br>stepped-coupon zero % (14 3/4s,<br>4/15/09), 2014 (STP) | 141,450    |
|                               | 560,000   | Owens-Brockway Glass company<br>guaranty 8 1/4s, 2013   | 592,200    |
|                               | 520,000   | Owens-Brockway Glass company<br>guaranty 7 3/4s, 2011   | 544,700    |
|                               | 964,000   | Owens-Brockway Glass sr. sec. notes<br>8 3/4s, 2012   | 1,053,170  |
|                               | 515,000   | Pliant Corp. sec. notes 11 1/8s,<br>2009  | 515,000    |
| EUR                           | 142,000   | Polypore, Inc. notes 8 3/4s, 2012   | 176,225    |
|                               | \$258,000 | Polypore, Inc. sr. sub. notes<br>8 3/4s, 2012   | 241,230    |
|                               | 985,000   | Sequa Corp. sr. notes 9s, 2009  | 1,058,875  |
|                               | 155,000   | Sequa Corp. sr. notes Ser. B,<br>8 7/8s, 2008   | 164,300    |
|                               | 260,000   | Siebe PLC 144A sr. unsub. 6 1/2s,<br>2010 (United Kingdom)                                    | 246,350    |
|                               | 190,000   | Terex Corp. company guaranty 9 1/4s,<br>2011  | 207,100    |
|                               | 730,000   | Terex Corp. company guaranty Ser. B,<br>10 3/8s, 2011   | 795,700    |
|                               | 370,000   | Titan Corp. (The) company guaranty<br>8s, 2011  | 384,800    |
|                               |           |   | -----      |
|                               |           |   | 16,267,341 |
| Communication Services (2.3%) |           |   |            |
|                               | 332,000   | Alamosa Delaware, Inc. company<br>guaranty 11s, 2010  | 378,480    |
|                               | 268,000   | Alamosa Delaware, Inc. company<br>guaranty stepped-coupon zero %                              |            |

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|           |   |            |
|-----------|---|------------|
|           | (12s, 7/31/05), 2009 (STP)  | 291,450    |
| 195,000   | American Cellular Corp. company guaranty 9 1/2s, 2009   | 180,375    |
| 750,000   | American Towers, Inc. company guaranty 7 1/4s, 2011   | 774,375    |
| 529,140   | Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda) (In default) (NON)   | 26,457     |
| 805,000   | Cincinnati Bell, Inc. sr. sub. notes 8 3/8s, 2014   | 792,925    |
| 564,000   | Citizens Communications Co. notes 9 1/4s, 2011  | 617,580    |
| 2,120,000 | Citizens Communications Co. sr. notes 6 1/4s, 2013  | 1,992,800  |
| 214,443   | Globix Corp. company guaranty 11s, 2008 (PIK)   | 205,865    |
| 580,000   | Inmarsat Finance PLC company guaranty 7 5/8s, 2012 (United Kingdom)   | 582,900    |
| 754,000   | Inmarsat Finance PLC company guaranty stepped-coupon zero % (10 3/8s, 10/15/08), 2012 (STP)                               | 531,570    |
| 300,000   | iPCS, Inc. sr. notes 11 1/2s, 2012  | 337,500    |
| 82,000    | IWO Escrow Co. 144A sec. FRN 6.32s, 2012  | 83,640     |
| 82,000    | IWO Escrow Co. 144A sr. disc. notes stepped-coupon zero % (10 3/4s, 1/15/10), 2015 (STP)                                  | 52,480     |
| 725,000   | Madison River Capital Corp. sr. notes 13 1/4s, 2010   | 775,750    |
| 981,000   | MCI, Inc. sr. notes 8.735s, 2014  | 1,079,100  |
| 2,385,000 | Nextel Communications, Inc. sr. notes 5.95s, 2014   | 2,373,075  |
| 275,000   | PanAmSat Corp. notes 6 3/8s, 2008   | 279,125    |
| 428,000   | Qwest Communications International, Inc. 144A sr. notes 7 3/4s, 2014  | 418,370    |
| 2,415,000 | Qwest Corp. 144A notes 9 1/8s, 2012   | 2,626,313  |
| 360,000   | Qwest Services Corp. 144A notes 14 1/2s, 2014   | 434,700    |
| 164,000   | Rogers Cantel, Inc. debs. 9 3/4s, 2016 (Canada)   | 193,520    |
| 261,000   | Rogers Wireless Communications, Inc. sec. notes 7 1/2s, 2015 (Canada)   | 268,178    |
| 270,000   | Rural Cellular Corp. sr. sub. notes 9 3/4s, 2010  | 247,050    |
| 228,000   | SBA Communications Corp. 144A sr. notes 8 1/2s, 2012  | 235,980    |
| 320,000   | SBA Telecommunications Inc./SBA Communications Corp. sr. disc. notes stepped-coupon zero % (9 3/4s, 12/15/07), 2011 (STP) | 276,000    |
| 152,000   | TSI Telecommunication Services, Inc. company guaranty Ser. B, 12 3/4s, 2009   | 169,480    |
| 235,000   | Valor Telecommunications Enterprises LLC/Finance Corp. 144A sr. notes 7 3/4s, 2015  | 233,825    |
|           |   | -----      |
|           |   | 16,458,863 |

Consumer Cyclicals (7.5%)

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|           |  |           |
|-----------|--|-----------|
| 518,000   | Advertising Direct 144A sr. notes<br>9 1/4s, 2012 (Canada)                     | 543,900   |
| 290,000   | Ameristar Casinos, Inc. company<br>guaranty 10 3/4s, 2009                      | 316,825   |
| 615,000   | ArvinMeritor, Inc. notes 8 3/4s,<br>2012                                       | 639,600   |
| 455,000   | Asbury Automotive Group, Inc. sr.<br>sub. notes 8s, 2014                       | 441,350   |
| 885,000   | Autonation, Inc. company guaranty<br>9s, 2008                                  | 973,500   |
| 236,000   | Bear Creek Corp. 144A sr. notes 9s,<br>2013                                    | 233,640   |
| 155,000   | Beazer Homes USA, Inc. company<br>guaranty 8 3/8s, 2012                        | 164,300   |
| 585,000   | Boyd Gaming Corp. sr. sub. notes<br>8 3/4s, 2012                               | 631,800   |
| 165,000   | Boyd Gaming Corp. sr. sub. notes<br>7 3/4s, 2012                               | 172,838   |
| 134,000   | Boyd Gaming Corp. sr. sub. notes<br>6 3/4s, 2014                               | 132,325   |
| 1,041,021 | CanWest Media, Inc. 144A sr. sub.<br>notes 8s, 2012 (Canada)                   | 1,080,059 |
| 858,000   | Coinmach Corp. sr. notes 9s, 2010  | 877,305   |
| 65,000    | Cooper-Standard Automotive, Inc.<br>144A notes 7s, 2012                        | 60,450    |
| 196,000   | Cooper-Standard Automotive, Inc.<br>144A notes 8 3/8s, 2014                    | 159,250   |
| 105,000   | D.R. Horton, Inc. company guaranty<br>8s, 2009                                 | 112,886   |
| 630,000   | D.R. Horton, Inc. sr. notes 7 7/8s,<br>2011                                    | 685,125   |
| 155,000   | D.R. Horton, Inc. sr. notes 6 7/8s,<br>2013                                    | 160,425   |
| 440,000   | D.R. Horton, Inc. sr. notes 5 7/8s,<br>2013                                    | 432,332   |
| 160,000   | Dana Corp. notes 10 1/8s, 2010   | 167,196   |
| 550,000   | Dana Corp. notes 9s, 2011  | 605,684   |
| 295,000   | Dana Corp. notes 6 1/2s, 2009  | 289,244   |
| 565,000   | Dayton Superior Corp. sec. notes<br>10 3/4s, 2008                              | 553,700   |
| 160,000   | Delco Remy International, Inc.<br>company guaranty 11s, 2009                   | 156,800   |
| 525,000   | Delco Remy International, Inc. sr.<br>sub. notes 9 3/8s, 2012                  | 441,000   |
| 605,000   | Dex Media West, LLC/Dex Media<br>Finance Co. sr. notes Ser. B,<br>8 1/2s, 2010 | 645,838   |
| 505,000   | Dex Media, Inc. disc. notes zero %,<br>2013                                    | 383,800   |
| 580,000   | Dex Media, Inc. notes 8s, 2013   | 600,300   |
| 190,000   | Dura Operating Corp. company<br>guaranty Ser. B, 8 5/8s, 2012                  | 175,275   |
| 515,000   | FelCor Lodging LP company guaranty<br>9s, 2008 (R)                             | 553,625   |
| 438,000   | Finlay Fine Jewelry Corp. sr. notes<br>8 3/8s, 2012                            | 413,910   |
| 700,000   | Gaylord Entertainment Co. sr. notes<br>8s, 2013                                | 724,500   |
| 1,430,000 | Goodyear Tire & Rubber Co. (The)<br>notes 7.857s, 2011                         | 1,379,950 |
| 200,000   | Goodyear Tire & Rubber Co. (The)<br>notes 6 3/8s, 2008                         | 198,000   |

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|           |  |           |
|-----------|--|-----------|
| 185,000   | HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008 (R)   | 188,700   |
| 725,000   | Host Marriott LP sr. notes Ser. M, 7s, 2012 (R)  | 717,750   |
| 340,000   | Houghton Mifflin Co. sr. sub. notes 9 7/8s, 2013   | 350,200   |
| 590,000   | Icon Health & Fitness company guaranty 11 1/4s, 2012   | 415,950   |
| 575,000   | JC Penney Co., Inc. notes 9s, 2012   | 598,000   |
| 30,000    | JC Penney Co., Inc. notes 8s, 2010   | 30,000    |
| 1,061,000 | John Q. Hammons Hotels LP/John Q. Hammons Hotels Finance Corp. III 1st mtge. Ser. B, 8 7/8s, 2012            | 1,148,533 |
| 245,000   | Jostens Holding Corp. sr. disc. notes stepped-coupon zero % (10 1/4s, 12/1/08), 2013 (STP)                   | 178,850   |
| 1,140,000 | Jostens IH Corp. company guaranty 7 5/8s, 2012   | 1,128,600 |
| 600,000   | K. Hovnanian Enterprises, Inc. company guaranty 8 7/8s, 2012   | 642,000   |
| 385,000   | K. Hovnanian Enterprises, Inc. company guaranty 6 3/8s, 2014   | 371,525   |
| 295,000   | K. Hovnanian Enterprises, Inc. sr. notes 6 1/2s, 2014  | 288,363   |
| 108,000   | K2, Inc. sr. notes 7 3/8s, 2014  | 111,780   |
| 232,000   | KB Home company guaranty 5 7/8s, 2015  | 221,665   |
| 333,000   | KB Home sr. notes 5 3/4s, 2014   | 318,956   |
| 670,000   | Laidlaw International, Inc. sr. notes 10 3/4s, 2011  | 758,775   |
| 560,000   | Lamar Media Corp. company guaranty 7 1/4s, 2013  | 582,400   |
| 695,000   | Levi Strauss & Co. sr. notes 12 1/4s, 2012   | 757,550   |
| 550,000   | Levi Strauss & Co. 144A sr. notes 9 3/4s, 2015   | 540,375   |
| 243,000   | Mandalay Resort Group sr. notes 6 3/8s, 2011   | 245,430   |
| 700,000   | MeriStar Hospitality Corp. company guaranty 9 1/8s, 2011 (R)   | 731,500   |
| 75,000    | MeriStar Hospitality Operating Partnership/MeriStar Hospitality Finance Corp. company guaranty 10 1/2s, 2009 | 80,250    |
| 160,000   | Meritage Homes Corp. sr. notes 7s, 2014  | 160,000   |
| 235,000   | Meritage Homes Corp. 144A sr. notes 6 1/4s, 2015   | 220,900   |
| 405,000   | Meritor Automotive, Inc. notes 6.8s, 2009  | 400,950   |
| 420,000   | Metaldyne Corp. 144A sr. notes 10s, 2013   | 382,200   |
| 675,000   | MGM Mirage, Inc. company guaranty 8 1/2s, 2010   | 739,125   |
| 802,000   | MGM Mirage, Inc. company guaranty 6s, 2009   | 790,973   |
| 1,510,000 | Owens Corning notes 7 1/2s, 2005 (In default) (NON)  | 996,600   |
| 460,000   | Oxford Industries, Inc. sr. notes 8 7/8s, 2011   | 487,600   |
| 905,000   | Park Place Entertainment Corp. sr. notes 7 1/2s, 2009  | 975,138   |

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|     |           |   |           |
|-----|-----------|---|-----------|
|     | 495,000   | Park Place Entertainment Corp. sr. notes 7s, 2013                           | 530,888   |
|     | 395,000   | Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008                  | 433,019   |
|     | 955,000   | Penn National Gaming, Inc. sr. sub. notes 8 7/8s, 2010                      | 1,012,300 |
|     | 200,000   | Penn National Gaming, Inc. 144A sr. sub. notes 6 3/4s, 2015                 | 197,000   |
|     | 295,000   | Pinnacle Entertainment, Inc. sr. sub. notes 8 3/4s, 2013                    | 305,325   |
|     | 757,000   | Pinnacle Entertainment, Inc. sr. sub. notes 8 1/4s, 2012                    | 757,000   |
|     | 1,355,000 | PRIMEDIA, Inc. sr. notes 8s, 2013   | 1,382,100 |
|     | 335,000   | R.H. Donnelley Corp. 144A sr. notes 6 7/8s, 2013                            | 331,650   |
|     | 925,000   | R.H. Donnelley Finance Corp. I 144A company guaranty 8 7/8s, 2010           | 1,008,250 |
|     | 475,000   | R.H. Donnelley Finance Corp. I 144A sr. sub. notes 10 7/8s, 2012            | 547,438   |
|     | 125,000   | R.H. Donnelley, Inc. company guaranty 8 7/8s, 2010                          | 136,250   |
| EUR | 345,000   | Ray Acquisition sr. notes 9 3/8s, 2015 (France)                             | 418,065   |
|     | \$365,000 | Reader's Digest Association, Inc. (The) sr. notes 6 1/2s, 2011              | 364,088   |
|     | 509,000   | Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009 | 579,624   |
|     | 576,000   | Russell Corp. company guaranty 9 1/4s, 2010                                 | 612,000   |
|     | 1,107,000 | Saks, Inc. company guaranty 7s, 2013  | 1,001,835 |
|     | 1,190,000 | Samsonite Corp. sr. sub. notes 8 7/8s, 2011                                 | 1,246,525 |
|     | 385,000   | Schuler Homes, Inc. company guaranty 10 1/2s, 2011                          | 425,799   |
|     | 626,000   | Scientific Games Corp. 144A sr. sub. notes 6 1/4s, 2012                     | 622,870   |
|     | 735,000   | Sealy Mattress Co. sr. sub. notes 8 1/4s, 2014                              | 766,238   |
|     | 420,000   | Standard Pacific Corp. sr. notes 7 3/4s, 2013                               | 437,850   |
|     | 560,000   | Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 7/8s, 2012     | 611,800   |
|     | 390,000   | Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 3/8s, 2007     | 402,675   |
|     | 520,000   | Starwood Hotels & Resorts Worldwide, Inc. debs. 7 3/8s, 2015                | 559,000   |
|     | 585,000   | Starwood Hotels & Resorts Worldwide, Inc. notes 6 3/4s, 2005                | 589,388   |
|     | 470,000   | Station Casinos, Inc. sr. notes 6s, 2012                                    | 466,475   |
|     | 335,000   | Technical Olympic USA, Inc. company guaranty 10 3/8s, 2012                  | 366,825   |
|     | 220,000   | Technical Olympic USA, Inc. company guaranty 9s, 2010                       | 227,700   |
|     | 326,000   | Technical Olympic USA, Inc. sr. sub. notes 7 1/2s, 2015                     | 301,550   |
| EUR | 125,000   | Teksid Aluminum 144A company guaranty 11 3/8s, 2011 (Luxembourg)            | 141,321   |
|     | \$750,000 | Tenneco Automotive, Inc. sec. notes Ser. B, 10 1/4s, 2013                   | 836,250   |
|     | 420,000   | Tenneco Automotive, Inc. 144A sr.   |           |

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|  |            |
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| sub. notes 8 5/8s, 2014  | 408,450    |
| 604,000 THL Buildco, Inc. (Nortek Holdings, Inc.) sr. sub. notes 8 1/2s, 2014        | 582,860    |
| 350,000 Toys R Us, Inc. notes 7 5/8s, 2011   | 329,000    |
| 515,000 United Auto Group, Inc. company guaranty 9 5/8s, 2012                        | 543,325    |
| 605,000 Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009                          | 577,775    |
| 730,000 Vertis, Inc. 144A sub. notes 13 1/2s, 2009                                   | 594,950    |
| 810,000 WCI Communities, Inc. company guaranty 9 1/8s, 2012                          | 864,675    |
| 399,000 William Carter Holdings Co. (The) company guaranty Ser. B, 10 7/8s, 2011     | 443,888    |
| 540,000 WRC Media Corp. sr. sub. notes 12 3/4s, 2009                                 | 497,475    |
| 555,000 Wynn Las Vegas, LLC/Wynn Las Vegas Capital Corp. 144A 1st mtge. 6 5/8s, 2014 | 527,250    |
|  | -----      |
|  | 53,656,116 |

Consumer Staples (4.4%)

|   |         |
|---|---------|
| 215,000 Adelphia Communications Corp. sr. notes 10 7/8s, 2010 (In default) (NON)  | 190,275 |
| 50,000 Adelphia Communications Corp. sr. notes 9 3/8s, 2009 (In default) (NON)  | 44,500  |
| 341,000 Adelphia Communications Corp. sr. notes Ser. B, 9 7/8s, 2007 (In default) (NON)   | 289,850 |
| 545,000 Affinity Group, Inc. sr. sub. notes 9s, 2012  | 572,250 |
| 500,000 Affinity Group, Inc. 144A sr. notes 10 7/8s, 2012   | 485,000 |
| 299,000 AMC Entertainment, Inc. sr. sub. notes 9 7/8s, 2012   | 315,445 |
| 906,000 AMC Entertainment, Inc. sr. sub. notes 8s, 2014   | 865,230 |
| 119,699 Archibald Candy Corp. company guaranty 10s, 2007 (In default) (NON) (PIK) (F)   | 25,496  |
| 565,000 Brand Services, Inc. company guaranty 12s, 2012   | 627,150 |
| 409,000 Cablevision Systems Corp. 144A sr. notes 8s, 2012   | 420,248 |
| 100,000 Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP) | 62,500  |
| 525,000 Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 5/15/06), 2011 (STP) | 362,250 |
| 835,000 Charter Communications Holdings, LLC/Capital Corp. sr. notes 11 1/8s, 2011  | 674,263 |
| 860,000 Charter Communications Holdings, LLC/Capital Corp. sr. notes  |         |



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|           |  |           |
|-----------|--|-----------|
|           | 10 3/4s, 2009  | 705,200   |
| 1,560,000 | Charter Communications Holdings, LLC/Capital Corp. sr. notes 10s, 2011             | 1,193,400 |
| 444,000   | Church & Dwight Co., Inc. 144A sr. sub. notes 6s, 2012                             | 432,900   |
| 30,000    | Cinemark USA, Inc. sr. sub. notes 9s, 2013   | 32,550    |
| 990,000   | Cinemark, Inc. sr. disc. notes stepped-coupon zero % (9 3/4s, 3/15/07), 2014 (STP) | 702,900   |
| 825,000   | Constellation Brands, Inc. company guaranty Ser. B, 8s, 2008                       | 876,563   |
| 425,000   | Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012                     | 452,625   |
| 353,000   | CSC Holdings, Inc. sr. notes Ser. B, 7 5/8s, 2011                                  | 367,120   |
| 1,068,000 | CSC Holdings, Inc. 144A sr. notes 6 3/4s, 2012                                     | 1,059,990 |
| 918,000   | Dean Foods Co. sr. notes 6 5/8s, 2009  | 934,065   |
| 560,000   | Del Monte Corp. sr. sub. notes 8 5/8s, 2012  | 606,200   |
| 320,000   | Del Monte Corp. 144A sr. sub. notes 6 3/4s, 2015                                   | 312,000   |
| 2,742,000 | Diva Systems Corp. sr. disc. notes Ser. B, 12 5/8s, 2008 (In default) (NON)        | 13,710    |
| 1,370,000 | Doane Pet Care Co. sr. sub. debs. 9 3/4s, 2007                                     | 1,342,600 |
| 730,000   | Echostar DBS Corp. sr. notes 6 3/8s, 2011  | 715,400   |
| 2,119,000 | Echostar DBS Corp. 144A company guaranty 6 5/8s, 2014                              | 2,047,484 |
| 322,000   | Elizabeth Arden, Inc. company guaranty 7 3/4s, 2014                                | 331,660   |
| 956,000   | Granite Broadcasting Corp. sec. notes 9 3/4s, 2010                                 | 889,080   |
| 650,000   | Intelsat Bermuda, Ltd. 144A sr. notes 8 5/8s, 2015 (Bermuda)                       | 663,000   |
| 310,000   | Intelsat Bermuda, Ltd. 144A sr. notes 8 1/4s, 2013 (Bermuda)                       | 313,100   |
| 285,000   | Interpublic Group Companies, Inc. notes 6 1/4s, 2014                               | 269,325   |
| 345,000   | Jean Coutu Group, Inc. sr. notes 7 5/8s, 2012 (Canada)                             | 351,900   |
| 415,000   | Jean Coutu Group, Inc. sr. sub. notes 8 1/2s, 2014 (Canada)                        | 403,069   |
| 820,000   | Kabel Deutsheland GmbH 144A sr. notes 10 5/8s, 2014 (Germany)                      | 906,100   |
| 42,635    | Knology, Inc. 144A sr. notes 12s, 2009 (PIK)                                       | 40,930    |
| 970,000   | Pinnacle Foods Holding Corp. sr. sub. notes 8 1/4s, 2013                           | 829,350   |
| 840,000   | Playtex Products, Inc. company guaranty 9 3/8s, 2011                               | 873,600   |
| 770,000   | Playtex Products, Inc. sec. notes 8s, 2011   | 829,675   |
| 450,000   | Prestige Brands, Inc. sr. sub. notes 9 1/4s, 2012                                  | 474,750   |
| 165,000   | Quebecor Media, Inc. sr. disc. notes stepped-coupon zero % (13 3/4s,               |           |

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|               |   |            |
|---------------|---|------------|
|               | 7/15/06), 2011 (Canada) (STP)   | 160,875    |
| 694,000       | Rainbow National Services, LLC 144A sr. notes 8 3/4s, 2012                      | 746,050    |
| 735,000       | Remington Arms Co., Inc. company guaranty 10 1/2s, 2011                         | 723,975    |
| 560,000       | Rite Aid Corp. company guaranty 9 1/2s, 2011                                    | 593,600    |
| 35,000        | Rite Aid Corp. debs. 6 7/8s, 2013   | 32,550     |
| 36,000        | Rite Aid Corp. notes 7 1/8s, 2007   | 36,000     |
| 505,000       | Rite Aid Corp. sr. notes 9 1/4s, 2013   | 502,475    |
| 325,000       | Rite Aid Corp. 144A sec. notes 7 1/2s, 2015                                     | 312,000    |
| 875,000       | Sbarro, Inc. company guaranty 11s, 2009   | 844,375    |
| 255,000       | Scotts Co. (The) sr. sub. notes 6 5/8s, 2013                                    | 257,550    |
| 673,000       | Six Flags, Inc. sr. notes 9 5/8s, 2014  | 620,843    |
| EUR           | 204,000 United Biscuits Finance company guaranty 10 5/8s, 2011 (United Kingdom) | 276,365    |
| \$881,000     | United Rentals (North America), Inc. company guaranty 6 1/2s, 2012              | 856,773    |
| 373,000       | Universal City Florida Holding Co. 144A sr. notes 8 3/8s, 2010                  | 380,460    |
| 471,000       | Universal City Florida Holding Co. 144A sr. notes FRN 7.493s, 2010              | 487,485    |
| 431,000       | Young Broadcasting, Inc. company guaranty 10s, 2011                             | 440,698    |
| 365,000       | Young Broadcasting, Inc. sr. sub. notes 8 3/4s, 2014                            | 345,838    |
|               |   | -----      |
|               |   | 31,522,615 |
| Energy (3.2%) |   |            |
|               | -----   |            |
| 770,000       | Amerada Hess Corp. unsub notes 6.65s, 2011                                      | 824,595    |
| 1,347,000     | Arch Western Finance, LLC sr. notes 6 3/4s, 2013                                | 1,353,735  |
| 487,000       | Bluewater Finance, Ltd. company guaranty 10 1/4s, 2012 (Cayman Islands)         | 528,395    |
| 565,000       | CHC Helicopter Corp. sr. sub. notes 7 3/8s, 2014 (Canada)                       | 550,169    |
| 345,000       | CHC Helicopter Corp. 144A sr. sub. notes 7 3/8s, 2014 (Canada)                  | 335,944    |
| 340,000       | Chesapeake Energy Corp. company guaranty 9s, 2012                               | 375,700    |
| 269,000       | Chesapeake Energy Corp. company guaranty 7 3/4s, 2015                           | 284,468    |
| 1,031,000     | Chesapeake Energy Corp. sr. notes 7 1/2s, 2013                                  | 1,087,705  |
| 279,000       | Chesapeake Energy Corp. sr. notes 7s, 2014                                      | 287,370    |
| 510,000       | Comstock Resources, Inc. sr. notes 6 7/8s, 2012                                 | 507,450    |
| 696,000       | Dresser, Inc. company guaranty 9 3/8s, 2011                                     | 738,630    |
| 304,000       | Dresser-Rand Group, Inc. 144A sr. sub. notes 7 3/8s, 2014                       | 304,000    |

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|         |   |         |
|---------|---|---------|
| 550,000 | Encore Acquisition Co. company guaranty 8 3/8s, 2012                        | 594,000 |
| 255,000 | Encore Acquisition Co. sr. sub. notes 6 1/4s, 2014                          | 255,000 |
| 725,000 | Exco Resources, Inc. company guaranty 7 1/4s, 2011                          | 735,875 |
| 108,000 | Forest Oil Corp. company guaranty 7 3/4s, 2014                              | 115,560 |
| 540,000 | Forest Oil Corp. sr. notes 8s, 2011   | 594,000 |
| 335,000 | Forest Oil Corp. sr. notes 8s, 2008   | 358,450 |
| 395,000 | Hanover Compressor Co. sr. notes 9s, 2014                                   | 422,650 |
| 248,000 | Hanover Compressor Co. sr. notes 8 5/8s, 2010                               | 259,160 |
| 530,000 | Hanover Compressor Co. sub. notes zero %, 2007                              | 466,400 |
| 173,000 | Hanover Equipment Trust sec. notes Ser. B, 8 3/4s, 2011                     | 182,515 |
| 584,000 | Harvest Operations Corp. sr. notes 7 7/8s, 2011 (Canada)                    | 576,700 |
| 517,000 | Hornbeck Offshore Services, Inc. sr. notes Ser. B, 6 1/8s, 2014             | 509,245 |
| 620,000 | Inergy LP/Inergy Finance Corp. 144A sr. notes 6 7/8s, 2014                  | 595,200 |
| 463,000 | Key Energy Services, Inc. sr. notes 6 3/8s, 2013                            | 449,110 |
| 774,000 | Massey Energy Co. sr. notes 6 5/8s, 2010                                    | 777,870 |
| 700,000 | Newfield Exploration Co. sr. notes 7 5/8s, 2011                             | 763,000 |
| 348,000 | Newfield Exploration Co. sr. sub. notes 6 5/8s, 2014                        | 352,350 |
| 655,000 | Offshore Logistics, Inc. company guaranty 6 1/8s, 2013                      | 622,250 |
| 552,209 | Oslo Seismic Services, Inc. 1st mtge. 8.28s, 2011                           | 582,995 |
| 355,000 | Pacific Energy Partners/Pacific Energy Finance Corp. sr. notes 7 1/8s, 2014 | 367,425 |
| 190,000 | Parker Drilling Co. company guaranty Ser. B, 10 1/8s, 2009                  | 199,500 |
| 565,000 | Petroleum Geo-Services notes 10s, 2010 (Norway)                             | 634,213 |
| 115,000 | Pioneer Natural Resources Co. company guaranty 6 1/2s, 2008                 | 120,438 |
| 415,000 | Plains Exploration & Production Co. sr. notes 7 1/8s, 2014                  | 433,675 |
| 485,000 | Plains Exploration & Production Co. sr. sub. notes 8 3/4s, 2012             | 528,650 |
| 670,000 | Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011                      | 713,550 |
| 826,000 | Pride International, Inc. sr. notes 7 3/8s, 2014                            | 875,560 |
| 600,000 | Seabulk International, Inc. company guaranty 9 1/2s, 2013                   | 690,000 |
| 699,000 | Star Gas Partners LP/Star Gas Finance Co. sr. notes 10 1/4s, 2013           | 646,575 |
| 326,000 | Stone Energy Corp. sr. sub. notes 6 3/4s, 2014                              | 316,220 |
| 245,000 | Tengizchevroll Finance Co. 144A sec. notes 6.124s, 2014 (Kazakhstan)        | 242,550 |
| 670,000 | Vintage Petroleum, Inc. sr. notes   |         |

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|         |  |            |
|---------|--|------------|
|         | 8 1/4s, 2012   | 716,900    |
| 145,000 | Vintage Petroleum, Inc. sr. sub.<br>notes 7 7/8s, 2011 | 152,250    |
|         |  | 23,027,997 |

### Financial (0.9%)

|           |  |           |
|-----------|--|-----------|
|           | 1,594,000 Bosphorus Financial Services Ltd.<br>144A sec. FRN 4.83s, 2012 (Cayman<br>Islands) | 1,593,369 |
| 585,000   | China Development Bank bonds and<br>notes 4 3/4s, 2014 (China)                               | 563,491   |
| 310,000   | Crescent Real Estate Equities LP<br>notes 7 1/2s, 2007 (R)                                   | 320,075   |
| 462,000   | Crescent Real Estate Equities LP sr.<br>notes 9 1/4s, 2009 (R)                               | 502,425   |
| 797,000   | E*Trade Finance Corp. sr. notes<br>8s, 2011  | 820,910   |
| 1,128,960 | Finova Group, Inc. notes 7 1/2s,<br>2009   | 488,275   |
| 1,240,000 | VTB Bank (VTB Capital) 144A notes<br>7 1/2s, 2011 (Luxembourg)                               | 1,274,100 |
| 540,000   | Western Financial Bank sub. debs.<br>9 5/8s, 2012  | 587,250   |
|           |  | 6,149,895 |

### Health Care (2.9%)

|           |   |           |
|-----------|---|-----------|
|           | 260,000 Alderwoods Group, Inc. 144A sr.<br>notes 7 3/4s, 2012 (Canada)          | 265,850   |
| 580,000   | AmerisourceBergen Corp. company<br>guaranty 7 1/4s, 2012                        | 614,800   |
| 560,000   | AmerisourceBergen Corp. sr. notes<br>8 1/8s, 2008                               | 600,600   |
| 990,000   | Ardent Health Services, Inc. sr.<br>sub. notes 10s, 2013                        | 1,173,150 |
| 324,000   | Community Health Systems, Inc. 144A<br>sr. sub. notes 6 1/2s, 2012              | 315,900   |
| 320,000   | Coventry Health Care, Inc. 144A sr.<br>notes 5 7/8s, 2012                       | 318,400   |
| 175,000   | DaVita, Inc. 144A sr. notes 6 5/8s,<br>2013                                     | 173,250   |
| 345,000   | DaVita, Inc. 144A sr.sub. notes<br>7 1/4s, 2015                                 | 338,100   |
| 297,000   | Elan Finance PLC/Elan Finance Corp.<br>144A sr. notes 7 3/4s, 2011<br>(Ireland) | 222,008   |
| 340,000   | Extendicare Health Services, Inc.<br>company guaranty 9 1/2s, 2010              | 371,875   |
| 535,000   | Extendicare Health Services, Inc.<br>sr. sub. notes 6 7/8s, 2014                | 528,313   |
| 1,500,000 | HCA, Inc. med. term notes 8.85s,<br>2007  | 1,592,964 |
| 1,240,000 | HCA, Inc. notes 7s, 2007  | 1,285,007 |
| 263,000   | HCA, Inc. notes 6 3/8s, 2015  | 261,065   |
| 550,000   | HCA, Inc. notes 6 1/4s, 2013  | 545,713   |
| 260,000   | HCA, Inc. notes 5 3/4s, 2014  | 248,171   |
| 570,000   | Healthsouth Corp. notes 7 5/8s, 2012  | 552,900   |
| 510,000   | Healthsouth Corp. sr. notes 8 1/2s,<br>2008                                     | 507,450   |

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|-----------|--|------------|
| 245,000   | Healthsouth Corp. sr. notes 8 3/8s, 2011   | 244,388    |
| 205,000   | Healthsouth Corp. sr. notes 7s, 2008   | 199,363    |
| 595,000   | MedQuest, Inc. company guaranty Ser. B, 11 7/8s, 2012                                    | 589,050    |
| 805,000   | MQ Associates, Inc. sr. disc. notes stepped-coupon zero % (12 1/4s, 8/15/08), 2012 (STP) | 458,850    |
| 740,000   | Omnicare, Inc. sr. sub. notes 6 1/8s, 2013   | 721,500    |
| 737,000   | PacifiCare Health Systems, Inc. company guaranty 10 3/4s, 2009                           | 812,543    |
| 75,000    | Service Corp. International notes 7.2s, 2006   | 76,125     |
| 25,000    | Service Corp. International notes 6 7/8s, 2007   | 25,313     |
| 110,000   | Service Corp. International notes 6 1/2s, 2008   | 110,275    |
| 270,000   | Service Corp. International notes Ser. (a), 7.7s, 2009                                   | 278,100    |
| 775,000   | Service Corp. International 144A sr. notes 6 3/4s, 2016                                  | 744,000    |
| 547,000   | Stewart Enterprises, Inc. 144A sr. notes 6 1/4s, 2013                                    | 530,590    |
| 390,000   | Tenet Healthcare Corp. notes 7 3/8s, 2013  | 367,575    |
| 1,226,000 | Tenet Healthcare Corp. sr. notes 9 7/8s, 2014  | 1,275,040  |
| 409,000   | Tenet Healthcare Corp. sr. notes 6 1/2s, 2012  | 376,280    |
| 825,000   | Triad Hospitals, Inc. sr. notes 7s, 2012   | 833,250    |
| 717,000   | Triad Hospitals, Inc. sr. sub. notes 7s, 2013  | 704,453    |
| 840,000   | Universal Hospital Services, Inc. sr. notes 10 1/8s, 2011 (Canada)                       | 861,000    |
| 420,000   | US Oncology, Inc. 144A sr. notes 9s, 2012  | 443,100    |
| 422,000   | Vanguard Health Holding Co. II, LLC sr. sub. notes 9s, 2014                              | 444,155    |
| 305,000   | Ventas Realty LP/Capital Corp. company guaranty 9s, 2012 (R)                             | 346,175    |
| 173,000   | Ventas Realty LP/Capital Corp. sr. notes 6 5/8s, 2014 (R)                                | 171,703    |
|           |  | -----      |
|           |  | 20,528,344 |

Technology (1.3%)

|           |  |           |
|-----------|--|-----------|
| 865,000   | Advanced Micro Devices, Inc. 144A sr. notes 7 3/4s, 2012     | 849,863   |
| 457,000   | AMI Semiconductor, Inc. company guaranty 10 3/4s, 2013       | 544,973   |
| 1,385,000 | Celestica, Inc. sr.sub. notes 7 7/8s, 2011 (Canada)          | 1,402,313 |
| 1,345,000 | Freescale Semiconductor, Inc. sr. notes Ser. B, 7 1/8s, 2014 | 1,405,525 |
| 1,150,000 | Iron Mountain, Inc. company guaranty 8 5/8s, 2013            | 1,161,500 |
| 390,000   | Iron Mountain, Inc. sr. sub. notes 8 1/4s, 2011              | 390,000   |
| 330,000   | SCG Holding Corp. 144A notes zero %, 2011                    |           |

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|             |   |           |
|-------------|---|-----------|
|             | 2011                                    | 495,000   |
| 1,237,000   | UGS Corp. 144A sr. sub. notes 10s, 2012 | 1,366,885 |
| EUR 195,000 | Xerox Corp. sr. notes 9 3/4s, 2009      | 301,929   |
| \$1,255,000 | Xerox Corp. sr. notes 7 5/8s, 2013      | 1,311,475 |
|             |   | -----     |
|             |   | 9,229,463 |

Transportation (0.5%)

|         |   |           |
|---------|---|-----------|
| 550,000 | American Airlines, Inc. pass-through certificates Ser. 01-1, 6.817s, 2011 | 508,750   |
| 760,000 | Calair, LLC/Calair Capital Corp. company guaranty 8 1/8s, 2008            | 600,400   |
| 910,000 | Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008            | 991,900   |
| 190,000 | Kansas City Southern Railway Co. company guaranty 7 1/2s, 2009            | 193,800   |
| 733,000 | Navistar International Corp. sr. notes 7 1/2s, 2011                       | 738,498   |
| 335,000 | Navistar International Corp. 144A sr. notes 6 1/4s, 2012                  | 318,250   |
| 240,154 | NWA Trust sr. notes Ser. A, 9 1/4s, 2012                                  | 246,758   |
| 190,000 | Travelcenters of America, Inc. company guaranty 12 3/4s, 2009             | 209,950   |
| 620,000 | United AirLines, Inc. debs. 9 1/8s, 2012 (In default) (NON)               | 50,375    |
|         |   | -----     |
|         |   | 3,858,681 |

Utilities & Power (2.9%)

|           |   |           |
|-----------|---|-----------|
| 54,000    | AES Corp. (The) sr. notes 8 7/8s, 2011                        | 58,320    |
| 30,000    | AES Corp. (The) sr. notes 8 3/4s, 2008                        | 31,650    |
| 460,000   | AES Corp. (The) 144A sec. notes 8 3/4s, 2013                  | 499,100   |
| 340,000   | Allegheny Energy Supply 144A sec. notes 10 1/4s, 2007         | 375,700   |
| 540,000   | Allegheny Energy Supply 144A bonds 8 1/4s, 2012               | 572,400   |
| 600,000   | CMS Energy Corp. sr. notes 8.9s, 2008                         | 644,250   |
| 180,000   | CMS Energy Corp. sr. notes 7 3/4s, 2010                       | 187,650   |
| 174,000   | Colorado Interstate Gas Co. 144A sr. notes 5.95s, 2015        | 175,305   |
| 635,000   | DPL, Inc. sr. notes 6 7/8s, 2011                              | 674,668   |
| 1,810,000 | Dynegy Holdings, Inc. 144A sec. notes 10 1/8s, 2013           | 1,972,900 |
| 385,000   | Dynegy-Roseton Danskamme company guaranty Ser. A, 7.27s, 2010 | 376,338   |
| 265,000   | Edison Mission Energy sr. notes 10s, 2008                     | 294,481   |
| 15,000    | Edison Mission Energy sr. notes 9 7/8s, 2011                  | 17,325    |
| 130,000   | Edison Mission Energy sr. notes 7.73s, 2009                   | 135,525   |
| 200,000   | El Paso CGP Co. notes 6 3/8s, 2009                            | 192,000   |

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|           |   |               |
|-----------|---|---------------|
| 275,000   | El Paso Corp. notes Ser. MTN, 6.95s, 2007                                       | 278,438       |
| 670,000   | El Paso Corp. sr. notes 7 3/8s, 2012  | 648,225       |
| 365,000   | El Paso Natural Gas Co. sr. notes Ser. A, 7 5/8s, 2010                          | 382,338       |
| 1,290,000 | El Paso Production Holding Co. company guaranty 7 3/4s, 2013                    | 1,306,125     |
| 650,000   | Ferrellgas Partners LP/Ferrellgas Partners Finance sr. notes 6 3/4s, 2014       | 633,750       |
| 805,000   | FirstEnergy Corp. notes Ser. B, 6.45s, 2011                                     | 849,311       |
| 749,000   | Mission Energy Holding Co. sec. notes 13 1/2s, 2008                             | 898,800       |
| 400,000   | Monongahela Power Co. 1st mtge. 6.7s, 2014                                      | 439,000       |
| 534,000   | Nevada Power Co. 2nd mtge. 9s, 2013   | 599,415       |
| 235,000   | Nevada Power Co. 144A general ref. mtge. 5 7/8s, 2015                           | 229,125       |
| 319,000   | Northwest Corp. 144A sec. notes 5 7/8s, 2014                                    | 317,348       |
| 480,000   | Northwest Pipeline Corp. company guaranty 8 1/8s, 2010                          | 513,600       |
| 1,799,000 | NRG Energy, Inc. 144A sr. sec. notes 8s, 2013                                   | 1,902,443     |
| 655,000   | Orion Power Holdings, Inc. sr. notes 12s, 2010                                  | 795,825       |
| 615,000   | PSEG Energy Holdings, Inc. notes 7 3/4s, 2007                                   | 631,913       |
| 517,000   | SEMCO Energy, Inc. sr. notes 7 3/4s, 2013                                       | 534,111       |
| 150,000   | Sierra Pacific Power Co. general ref. mtge. 6 1/4s, 2012                        | 152,250       |
| 725,000   | Sierra Pacific Resources sr. notes 8 5/8s, 2014                                 | 772,125       |
| 90,000    | Southern California Edison Co. notes 6 3/8s, 2006                               | 91,674        |
| 320,000   | Teco Energy, Inc. notes 10 1/2s, 2007   | 359,200       |
| 185,000   | Teco Energy, Inc. notes 7.2s, 2011  | 194,944       |
| 280,000   | Teco Energy, Inc. notes 7s, 2012  | 292,250       |
| 585,000   | Texas Genco LLC/Texas Genco Financing Corp. 144A sr. notes 6 7/8s, 2014         | 586,463       |
| 612,000   | Utilicorp Canada Finance Corp. company guaranty 7 3/4s, 2011 (Canada)           | 630,360       |
| 361,000   | Utilicorp United, Inc. sr. notes 9.95s, 2011                                    | 404,320       |
| 150,000   | Williams Cos., Inc. (The) notes 8 1/8s, 2012                                    | 164,250       |
| 226,429   | York Power Funding 144A notes 12s, 2007 (Cayman Islands) (In default) (NON) (F) | 2             |
|           |   | -----         |
|           |   | 20,815,217    |
|           |   | -----         |
|           | Total Corporate bonds and notes (cost \$223,247,001)                            | \$225,767,309 |

U.S. government and agency mortgage obligations (23.2%) (a)  
Principal amount

Value

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### U.S. Government Agency Mortgage Obligations (23.2%)

|   |   |               |
|---|---|---------------|
|   |   |               |
|   | Federal Home Loan Mortgage Corporation                        |               |
| \$10,439,948  | 6 1/2s, with due dates from June 1, 2024 to October 1, 2034   | \$10,842,778  |
| 11,400,000  | 6 1/2s, TBA, April 1, 2035                                    | 11,824,828    |
| Federal National Mortgage Association Pass-Through Certificates               |   |               |
| 53  | 8 1/2s, March 1, 2006   | 54            |
| 16,095  | 8s, with due dates from October 1, 2025 to July 1, 2028       | 17,443        |
| 14,213  | 7 1/2s, December 1, 2029                                      | 15,238        |
| 62,013,988  | 6 1/2s, with due dates from April 1, 2028 to February 1, 2035 | 64,432,669    |
| 28,179  | 6 1/2s, October 1, 2018                                       | 29,345        |
| 5,000,000   | 6 1/2s, TBA, April 1, 2035                                    | 5,188,281     |
| 41,600,000  | 5 1/2s, TBA, April 1, 2035                                    | 41,661,751    |
| 232,448   | 5s, April 1, 2019   | 232,566       |
| 2,300,000   | 5s, TBA, April 1, 2020  | 2,297,305     |
| 3,497,097   | 4 1/2s, with due dates from August 1, 2033 to June 1, 2034    | 3,327,809     |
| 26,200,000  | 4 1/2s, TBA, April 1, 2020                                    | 25,616,641    |
|   |   |               |
| Total U.S. government and agency mortgage obligations<br>(cost \$165,917,538) |   | \$165,486,708 |

### U.S. Treasury obligations (8.1%) (a)

|  |                           |              |
|--|---------------------------|--------------|
|  | Principal amount          | Value        |
|  |                           |              |
| U.S. Treasury Notes                                    |                           |              |
| \$7,500,000  | 6 1/2s, February 15, 2010 | \$8,259,375  |
| 23,608,000   | 4 1/4s, August 15, 2013   | 23,287,078   |
| 27,242,000   | 3 1/4s, August 15, 2008   | 26,586,489   |
|  |                           |              |
| Total U.S. Treasury obligations<br>(cost \$59,804,493) |                           | \$58,132,942 |

### Foreign government bonds and notes (9.9%) (a)

|               |  |             |
|---------------|--|-------------|
|               | Principal amount   | Value       |
|               |  |             |
| \$3,615,000   | Brazil (Federal Republic of) bonds<br>10 1/2s, 2014      | \$3,985,538 |
| 1,220,000     | Bulgaria (Republic of) 144A bonds<br>8 1/4s, 2015        | 1,493,280   |
| CAD 3,680,000 | Canada (Government of) bonds<br>Ser. WH31, 6s, 2008      | 3,267,521   |
| \$1,070,000   | Colombia (Republic of) notes<br>10 3/4s, 2013            | 1,195,725   |
| 1,260,000     | Colombia (Republic of) unsub.<br>9 3/4s, 2009            | 1,375,290   |
| EUR 5,530,000 | France (Government of) bonds 4s,<br>2013                 | 7,459,312   |
| EUR 5,500,000 | Germany (Federal Republic of) bonds<br>Ser. 97, 6s, 2007 | 7,676,147   |
| EUR 7,700,000 | Germany (Federal Republic of) bonds<br>Ser. 97, 6s, 2007 | 10,606,519  |
| EUR 1,345,000 | Greece (Hellenic Republic of) bonds<br>3 1/2s, 2008      | 1,783,658   |



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|                |  |              |
|----------------|--|--------------|
| \$185,000      | Indonesia (Republic of) FRN 2.795s, 2006                     | 182,919      |
| 590,000        | Indonesia (Republic of) 144A sr. notes 6 3/4s, 2014          | 584,100      |
| 1,970,000      | Peru (Republic of) bonds 8 3/8s, 2016                        | 2,063,575    |
| 1,340,000      | Philippines (Republic of) bonds 8 3/8s, 2011                 | 1,348,710    |
| JPY 81,000,000 | Philippines (Republic of) 144A sr. sub. notes 3.2s, 2005     | 760,464      |
| \$945,000      | Russia (Ministry of Finance) deb. Ser. V, 3s, 2008           | 869,400      |
| 925,000        | South Africa (Republic of) notes 7 3/8s, 2012                | 1,017,500    |
| 860,000        | South Africa (Republic of) notes 6 1/2s, 2014                | 898,700      |
| EUR 1,000,000  | Spain (Government of) bonds 5.4s, 2011                       | 1,456,740    |
| SEK 26,915,000 | Sweden (Government of) bonds Ser. 3101, 4s, 2008             | 4,730,346    |
| SEK 30,690,000 | Sweden (Government of) debts. Ser. 1041, 6 3/4s, 2014        | 5,392,935    |
| \$9,620,000    | United Mexican States notes 6 5/8s, 2015                     | 10,004,800   |
| 160,000        | Venezuela (Republic of) notes 10 3/4s, 2013                  | 178,000      |
| 820,000        | Venezuela (Republic of) notes 8 1/2s, 2014                   | 807,700      |
| 2,095,000      | Venezuela (Republic of) unsub. bonds 5 3/8s, 2010            | 1,864,550    |
|                |  | -----        |
|                | Total Foreign government bonds and notes (cost \$66,358,151) | \$71,003,429 |

Asset-backed securities (9.7%) (a)

| Principal amount |   | Value     |
|------------------|---|-----------|
| -----            |   |           |
| \$198,326        | ABSC NIMS Trust 144A Ser. 03-HE5, Class A, 7s, 2033<br>Aegis Asset Backed Securities Trust 144A                       | \$198,822 |
| 54,515           | Ser. 04-1N, Class Note, 5s, 2034  | 54,515    |
| 145,908          | Ser. 04-2N, Class N1, 4 1/2s, 2034  | 145,566   |
| 132,782          | Ser. 04-4N, Class Note, 5s, 2034  | 132,865   |
| 302,000          | Ameriquest Finance NIM Trust 144A Ser. 04-RN9, Class N2, 10s, 2034 (Cayman Islands)                                   | 279,743   |
| 28,176           | AQ Finance NIM Trust 144A Ser. 03-N9A, Class Note, 7.385s, 2033 (Cayman Islands)<br>Arcap REIT, Inc. 144A             | 28,246    |
| 383,000          | Ser. 03-1A, Class E, 7.11s, 2038 (Cayman Islands) (R)   | 397,123   |
| 361,000          | Ser. 04-1A, Class E, 6.42s, 2039 (Cayman Islands) (R)   | 358,913   |
| 29,935           | Argent NIM Trust 144A Ser. 04-WN2, Class A, 4.55s, 2034 (Cayman Islands)<br>Asset Backed Funding Corp. NIM Trust 144A | 29,944    |
| 156,000          | Ser. 04-0PT1, Class N2, 6.9s, 2033 (Cayman Islands)   | 155,999   |

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|            |  |           |
|------------|--|-----------|
| 149,752    | Ser. 04-OPT5, Class N1, 4.45s, 2034<br>(Cayman Islands)                                      | 149,752   |
| 205,616    | Ser. 04-FF1, Class N1, 5s, 2034<br>(Cayman Islands)  | 204,940   |
| 38,000     | Ser. 04-FF1, Class N2, 5s, 2034<br>(Cayman Islands)  | 35,024    |
| 252,000    | Ser. 04-HE1, Class N2, 8s, 2034  | 244,847   |
| 302,234    | Aviation Capital Group Trust 144A<br>FRB Ser. 03-2A, Class G1, 3.55s,<br>2033                | 302,683   |
| 340,000    | Bank One Issuance Trust FRB Ser.<br>03-C4, Class C4, 3.84s, 2011                             | 347,438   |
| 15,411,274 | Bayview Financial Acquisition Trust<br>Ser. 03-X, Class A, Interest Only<br>(IO), 0.9s, 2006 | 269,697   |
|            | Bear Stearns Asset Backed Securities<br>NIM Trust 144A                                       |           |
| 160,641    | Ser. 04-HE10, Class A1, 4 1/4s, 2034<br>(Cayman Islands)                                     | 160,240   |
| 268,549    | Ser. 04-HE6, Class A1, 5 1/4s, 2034  | 268,969   |
| 213,318    | Ser. 04-HE7N, Class A1, 5 1/4s, 2034   | 213,718   |
| 286,000    | Bear Stearns Asset Backed<br>Securities, Inc. Ser. 04-FR3, Class<br>M6, 6.1s, 2034           | 288,860   |
|            | Bombardier Capital Mortgage<br>Securitization Corp.  |           |
| 172,988    | Ser. 00-A, Class A2, 7.575s, 2030  | 126,727   |
| 632,014    | Ser. 00-A, Class A4, 8.29s, 2030   | 521,411   |
| 1,183,363  | Ser. 99-B, Class A3, 7.18s, 2015   | 893,439   |
| 805,455    | Ser. 99-B, Class A4, 7.3s, 2016  | 608,937   |
| 181,796    | Bombardier Capital Mortgage<br>Securitization Corp. FRB Ser.<br>00-A, Class A1, 2.97s, 2030  | 93,815    |
|            | CARSSX Finance, Ltd. 144A  |           |
| 177,452    | FRB Ser. 04-AA, Class B3, 6.16s,<br>2011 (Cayman Islands)                                    | 180,016   |
| 564,083    | FRB Ser. 04-AA, Class B4, 8.31s,<br>2011 (Cayman Islands)                                    | 580,543   |
| 350,000    | Chase Credit Card Master Trust FRB<br>Ser. 03-3, Class C, 3.89s, 2010                        | 358,269   |
| 3,608      | Chase Funding Net Interest Margin<br>144A Ser. 03-4A, Class Note,<br>6 3/4s, 2036            | 3,608     |
|            | CHEC NIM Ltd., 144A  |           |
| 241,940    | Ser. 04-2, Class N1, 4.45s, 2034<br>(Cayman Islands)   | 241,926   |
| 94,000     | Ser. 04-2, Class N2, 8s, 2034<br>(Cayman Islands)  | 93,463    |
| 58,000     | Ser. 04-2, Class N3, 8s, 2034<br>(Cayman Islands)  | 49,880    |
|            | Conseco Finance Securitizations Corp.  |           |
| 276,655    | Ser. 00-2, Class A4, 8.48s, 2030   | 276,350   |
| 1,805,434  | Ser. 00-4, Class A4, 7.73s, 2031   | 1,755,160 |
| 240,000    | Ser. 00-4, Class A5, 7.97s, 2032   | 203,028   |
| 3,412,000  | Ser. 00-4, Class A6, 8.31s, 2032   | 2,946,667 |
| 101,000    | Ser. 00-6, Class A5, 7.27s, 2032   | 94,331    |
| 676,132    | Ser. 00-6, Class M2, 8.2s, 2032  | 67,613    |
| 268,000    | Ser. 01-04, Class A4, 7.36s, 2033  | 268,707   |
| 897,000    | Ser. 01-1, Class A5, 6.99s, 2032   | 838,300   |
| 13,000     | Ser. 01-3, Class A3, 5.79s, 2033   | 13,219    |
| 3,073,000  | Ser. 01-3, Class A4, 6.91s, 2033   | 2,981,541 |
| 300,000    | Ser. 01-3, Class M2, 7.44s, 2033   | 49,500    |

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|     |            |  |           |
|-----|------------|--|-----------|
|     | 659,250    | Ser. 01-4, Class B1, 9.4s, 2033  | 88,999    |
|     | 2,062,293  | Ser. 02-1, Class A, 6.681s, 2033   | 2,112,758 |
|     | 295,000    | FRB Ser. 01-4, Class M1, 4.44s, 2033   | 120,950   |
|     | 790,000    | Consumer Credit Reference IDX Securities 144A FRB Ser. 02-1A, Class A, 5.05s, 2007               | 801,850   |
|     |            | Countrywide Asset Backed Certificates 144A   |           |
|     | 1,057,501  | Ser. 04-6N, Class N1, 6 1/4s, 2035   | 1,062,863 |
|     | 168,994    | Ser. 04-BC1N, Class Note, 5 1/2s, 2035   | 169,364   |
|     | 11,196,779 | Countrywide Home Loans Ser. 05-2, Class 2X, IO, 1.295s, 2035                                     | 374,392   |
|     | 431,000    | Crest, Ltd. 144A Ser. 03-2A, Class E2, 8s, 2038 (Cayman Islands)                                 | 428,586   |
|     | 489,355    | CS First Boston Mortgage Securities Corp. 144A Ser. 05-6N, Class A, 5 1/4s, 2035                 | 487,711   |
|     | 1,770,000  | First Chicago Lennar Trust 144A Ser. 97-CHL1, Class E, 7.751s, 2039                              | 1,818,122 |
|     | 470,680    | First Consumers Master Trust FRN Ser. 01-A, Class A, 3.12s, 2008                                 | 466,855   |
|     | 262,737    | First Franklin Mortgage Loan NIM Trust 144A Ser. 04-FF10, Class N1, 4.45s, 2034 (Cayman Islands) | 262,720   |
|     |            | First Franklin NIM Trust 144A  |           |
|     | 77,651     | Ser. 03-FF3A, Class A, 6 3/4s, 2033  | 77,350    |
|     | 18,033     | Ser. 04-FF1, Class N1, 4 1/2s, 2034  | 17,982    |
|     | 316,014    | Fremont NIM Trust 144A Ser. 04-3, Class A, 4 1/2s, 2034  | 315,477   |
|     |            | Fremont NIM Trust 144A   |           |
|     | 58,611     | Ser. 04-3, Class B, 7 1/2s, 2034   | 56,554    |
|     | 169,333    | Ser. 04-A, Class Note, 4 3/4s, 2034  | 168,707   |
|     |            | Granite Mortgages PLC FRB  |           |
| EUR | 1,430,000  | Ser. 03-2, Class 2C1, 5.2s, 2043 (United Kingdom)  | 1,982,790 |
| GBP | 1,075,000  | Ser. 03-2, Class 3C, 6.42s, 2043 (United Kingdom)  | 2,114,380 |
|     | \$440,000  | Ser. 02-1, Class 1C, 3.97s, 2042 (United Kingdom)  | 446,908   |
|     |            | Green Tree Financial Corp.   |           |
|     | 384,299    | Ser. 94-4, Class B2, 8.6s, 2019  | 273,878   |
|     | 883,982    | Ser. 94-6, Class B2, 9s, 2020  | 717,346   |
|     | 371,800    | Ser. 95-4, Class B1, 7.3s, 2025  | 361,692   |
|     | 362,579    | Ser. 95-8, Class B1, 7.3s, 2026  | 276,763   |
|     | 387,000    | Ser. 96-8, Class M1, 7.85s, 2027   | 331,156   |
|     | 90,214     | Ser. 99-3, Class A5, 6.16s, 2031   | 91,877    |
|     | 1,247,000  | Ser. 99-5, Class A5, 7.86s, 2030   | 1,096,590 |
|     |            | Greenpoint Manufactured Housing  |           |
|     | 2,185,222  | Ser. 00-3, Class IA, 8.45s, 2031   | 2,083,776 |
|     | 117,000    | Ser. 99-5, Class A4, 7.59s, 2028   | 121,721   |
|     | 1,180,000  | GS Auto Loan Trust 144A Ser. 04-1, Class D, 5s, 2011   | 1,160,629 |
|     |            | GSAMP Trust 144A   |           |
|     | 23,223     | Ser. 03-HE1N, Class Note, 7 1/4s, 2033   | 23,223    |
|     | 88,620     | Ser. 04-FM1N, Class Note, 5 1/4s, 2033   | 88,514    |
|     | 110,685    | Ser. 04-HE1N, Class N1, 5s, 2034   | 110,452   |
|     | 1,115,087  | Ser. 04-NIM1, Class N1, 5 1/2s, 2034   | 1,113,638 |
|     | 519,000    | Ser. 04-NIM1, Class N2, zero %, 2034   | 380,427   |
|     | 1,140,023  | Ser. 04-NIM2, Class N, 4 7/8s, 2034  | 1,138,313 |

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|             |   |           |
|-------------|---|-----------|
|             | 169,234 Ser. 04-SE2N, Class Note, 5 1/2s, 2034  | 169,031   |
|             | 235,000 Holmes Financing PLC FRB Ser. 8, Class 2C, 3.38s, 2040 (United Kingdom)       | 236,469   |
|             | 210,000 Holmes Financing PLC FRB Ser. 4, Class 3C, 3.96s, 2040 (United Kingdom)       | 212,688   |
|             | Home Equity Asset Trust 144A  |           |
|             | 68,685 Ser. 02-5N, Class A, 8s, 2033  | 68,685    |
|             | 62,824 Ser. 03-7N, Class A, 5 1/4s, 2034  | 62,863    |
|             | 56,352 Ser. 04-1N, Class A, 5s, 2034  | 56,352    |
|             | 310,337 Ser. 04-5N, Class A, 5 1/4s, 2034   | 310,337   |
|             | 1,260,000 LNR CDO, Ltd. 144A FRB Ser. 02-1A, Class FFL, 5.6s, 2037 (Cayman Islands)   | 1,267,434 |
|             | Long Beach Asset Holdings Corp. NIM Trust 144A  |           |
|             | 135,454 Ser. 04-2, Class N1, 4.94s, 2034  | 135,454   |
|             | 209,085 Ser. 04-5, Class Note, 5s, 2034   | 209,545   |
|             | Long Beach Mortgage Loan Trust  |           |
|             | 1,454,234 Ser. 04-3, Class S1, IO, 4 1/2s, 2006                                       | 73,584    |
|             | 727,116 Ser. 04-3, Class S2, IO, 4 1/2s, 2006   | 36,792    |
| GBP         | 900,000 Lothian Mortgages PLC 144A FRN Ser. 3A, Class D, 5.67s, 2039 (United Kingdom) | 1,700,460 |
| \$1,046,356 | Madison Avenue Manufactured Housing Contract FRB Ser. 02-A, Class B1, 6.1s, 2032      | 502,251   |
|             | Master Asset Backed Securities NIM Trust 144A   |           |
|             | 143,000 Ser. 04-CI5, Class N2, 9s, 2034   | 142,571   |
|             | 182,551 Ser. 04-HE1A, Class Note, 5.191s, 2034  | 181,456   |
|             | 350,000 MBNA Credit Card Master Note Trust FRN Ser. 03-C5, Class C5, 3.99s, 2010      | 357,304   |
|             | 41,763 Merrill Lynch Mortgage Investors, Inc. Ser. 03-WM3N, Class N1, 8s, 2005        | 41,802    |
|             | Merrill Lynch Mortgage Investors, Inc. 144A   |           |
|             | 118,789 Ser. 04-FM1N, Class N1, 5s, 2035 (Cayman Islands)                             | 118,047   |
|             | 100,399 Ser. 04-HE1N, Class N1, 5s, 2006  | 99,677    |
|             | 164,490 Mid-State Trust Ser. 11, Class B, 8.221s, 2038                                | 166,738   |
|             | 214,000 Morgan Stanley ABS Capital I FRB Ser. 04-HE8, Clas                            | 221,934   |
|             | 178,000 Morgan Stanley Auto Loan Trust 144A Ser. 04-HB2, Class E, 5s, 2012            | 170,713   |
|             | Morgan Stanley Dean Witter Capital I  |           |
|             | 100,346 FRN Ser. 01-NC3, Class B1, 5.3s, 2031   | 99,928    |
|             | 210,522 FRN Ser. 01-NC4, Class B1, 5.35s, 2032  | 208,854   |
|             | 51,576 New Century Mortgage Corp. NIM Trust 144A Ser. 03-B, Class Note, 6 1/2s, 2033  | 51,689    |
|             | 49,727 Novastar NIM Trust 144A Ser. 04-N1, Class Note, 4.458s, 2034                   | 49,727    |
|             | Oakwood Mortgage Investors, Inc.  |           |

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|     |  |           |
|-----|--|-----------|
|     | 238,669 Ser. 00-A, Class A2, 7.765s, 2017  | 204,224   |
|     | 1,022,000 Ser. 00-D, Class A4, 7.4s, 2030  | 642,085   |
|     | 1,192,950 Ser. 01-C, Class A2, 5.92s, 2017   | 723,292   |
|     | 687,897 Ser. 01-C, Class A4, 7.405s, 2030  | 463,338   |
|     | 211,243 Ser. 01-D, Class A2, 5.26s, 2019   | 158,265   |
|     | 845,000 Ser. 01-D, Class A4, 6.93s, 2031   | 652,315   |
|     | 1,608,299 Ser. 01-E, Class A2, 5.05s, 2019   | 1,310,010 |
|     | 581,778 Ser. 02-A, Class A2, 5.01s, 2020   | 478,263   |
|     | 443,000 Ser. 02-B, Class A4, 7.09s, 2032   | 390,002   |
|     | 1,922,712 Ser. 02-C, Class A1, 5.41s, 2032   | 1,673,144 |
|     | 1,413,082 Ser. 99-B, Class A4, 6.99s, 2026   | 1,274,643 |
|     | 1,335,486 Ser. 99-D, Class A1, 7.84s, 2029   | 1,243,042 |
|     | 299,426 Oakwood Mortgage Investors, Inc.<br>144A Ser. 01-B, Class A4, 7.21s,<br>2030                                   | 278,955   |
|     | 485,000 Ocean Star PLC 144A FRB Ser. 04-A,<br>Class E, 9.29s, 2018 (Ireland)   | 485,000   |
|     | 20,970 Option One Mortgage Securities Corp.<br>NIM Trust 144A Ser. 03-5, Class<br>Note, 6.9s, 2033                     | 21,074    |
|     | 71,000 Park Place Securities NIM Trust 144A<br>Ser. 04-WCW2, Class D, 7.387s, 2034<br>(Cayman Islands)                 | 71,000    |
|     | 129,637 Pass-Through Amortizing Credit Card<br>Trust Ser. 02-1A, Class A4FL, 8.33s,<br>2012                            | 129,911   |
|     | 90,000 People's Choice Net Interest Margin<br>Note 144A Ser. 04-2, Class B, 5s,<br>2034<br>Permanent Financing PLC FRB | 81,540    |
|     | 350,000 Ser. 1, Class 3C, 4.17s, 2042<br>(United Kingdom)  | 353,360   |
| GBP | 350,000 Ser. 3, Class 3C, 4.12s, 2042<br>(United Kingdom)  | 354,760   |
|     | \$887,000 Ser. 6, Class 3C, 5.686s, 2042<br>(United Kingdom)   | 1,675,898 |
|     | 1,313,000 Providian Gateway Master Trust Ser.<br>02, Class B, Principal Only (PO),<br>zero %, 2006                     | 1,246,696 |
|     | 2,132,446 Residential Asset Mortgage Products,<br>Inc. Ser. 03-RZ1, Class A,<br>IO, 5 3/4s, 2005                       | 30,372    |
|     | 407,546 Residential Asset Securities Corp.<br>144A Ser. 04-N10B, Class A1, 5s,<br>2034                                 | 407,546   |
|     | 150,000 Residential Mortgage Securities 144A<br>FRB Ser. 20A, Class B1A, 5.766s,<br>2038 (United Kingdom)              | 283,410   |
|     | 83,456 Rural Housing Trust Ser. 87-1, Class<br>D, 6.33s, 2026<br>SAIL Net Interest Margin Notes 144A                   | 84,890    |
|     | 196,882 Ser. 03-10A, Class A, 7 1/2s, 2033<br>(Cayman Islands)   | 197,866   |
|     | 59,812 Ser. 03-12A, Class A, 7.35s, 2033<br>(Cayman Islands)   | 60,410    |
|     | 45,016 Ser. 03-3, Class A, 7 3/4s, 2033<br>(Cayman Islands)  | 45,353    |
|     | 20,200 Ser. 03-4, Class A, 7 1/2s, 2033<br>(Cayman Islands)  | 20,178    |
|     | 106,469 Ser. 03-5, Class A, 7.35s, 2033<br>(Cayman Islands)  | 106,438   |
|     | 39,422 Ser. 03-6A, Class A, 7s, 2033   |           |

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|           |  |         |
|-----------|--|---------|
|           | (Cayman Islands)   | 39,422  |
| 103,663   | Ser. 03-7A, Class A, 7s, 2033<br>(Cayman Islands)  | 102,894 |
| 24,509    | Ser. 03-8A, Class A, 7s, 2033<br>(Cayman Islands)  | 24,386  |
| 68,684    | Ser. 03-9A, Class A, 7s, 2033<br>(Cayman Islands)  | 68,326  |
| 116,823   | Ser. 03-BC2A, Class A, 7 3/4s, 2033<br>(Cayman Islands)                                  | 116,484 |
| 618,134   | Ser. 04-10A, Class A, 5s, 2034<br>(Cayman Islands)                                       | 618,381 |
| 317,028   | Ser. 04-2A, Class A, 5 1/2s, 2034<br>(Cayman Islands)                                    | 317,028 |
| 392,419   | Ser. 04-4A, Class A, 5s, 2034<br>(Cayman Islands)  | 391,830 |
| 208,585   | Ser. 04-7A, Class A, 4 3/4s, 2034<br>(Cayman Islands)                                    | 208,295 |
| 43,458    | Ser. 04-7A, Class B, 6 3/4s, 2034<br>(Cayman Islands)                                    | 42,267  |
| 422,638   | Ser. 04-8A, Class A, 5s, 2034<br>(Cayman Islands)  | 422,638 |
| 185,866   | Ser. 04-8A, Class B, 6 3/4s, 2034<br>(Cayman Islands)                                    | 183,356 |
| 237,681   | Ser. 04-AA, Class A, 4 1/2s, 2034<br>(Cayman Islands)                                    | 236,849 |
|           | Sasco Net Interest Margin Trust 144A   |         |
| 7,801     | Ser. 03-AM1, Class A, 7 3/4s, 2033<br>(Cayman Islands)                                   | 7,763   |
| 273,262   | Ser. 03-BC1, Class B, zero %, 2033<br>(Cayman Islands)                                   | 122,968 |
| 579,785   | Ser. 05-WF1A, Class A, 4 3/4s, 2035  | 581,119 |
| 37,008    | Saxon Net Interest Margin Trust 144A<br>Ser. 03-A, Class A, 6.656s, 2033                 | 37,008  |
|           | Sharps SP I, LLC Net Interest Margin<br>Trust 144A                                       |         |
| 65,066    | Ser. 03-0P1N, Class NA, 4.45s, 2033  | 65,066  |
| 30,651    | Ser. 03-HS1N, Class N, 7.48s, 2033   | 30,728  |
| 28,787    | Ser. 03-NC1N, Class N, 7 1/4s, 2033  | 28,787  |
| 19,278    | Ser. 03-TC1N, Class N, 7.45s, 2033   | 19,278  |
| 15,970    | Ser. 04-FM1N, Class N, 6.16s, 2033   | 16,070  |
| 91,434    | Ser. 04-HE2N, Class NA, 5.43s, 2034  | 91,205  |
| 25,807    | Ser. 04-HS1N, Class Note, 5.92s,<br>2034   | 25,807  |
| 140,000   | South Coast Funding 144A FRB Ser.<br>3A, Class A2, 3.971s, 2038 (Cayman<br>Islands)      | 141,274 |
|           | Structured Asset Investment Loan<br>Trust  |         |
| 80,590    | Ser. 03-BC1A, Class A, 7 3/4s, 2033<br>(Cayman Islands)                                  | 80,842  |
| 963,995   | Ser. 03-BC8, Class A, IO, 6s, 2005   | 22,967  |
| 9,153,119 | Ser. 04-1, Class A, IO, 6s, 2005   | 172,853 |
| 467,000   | TIAA Real Estate CD0, Ltd. Ser.<br>03-1A, Class E, 8s, 2038 (Cayman<br>Islands)          | 442,531 |
| 390,000   | TIAA Real Estate CD0, Ltd. 144A Ser.<br>02-1A, Class IV, 6.84s, 2037 (Cayman<br>Islands) | 362,053 |
|           | Wells Fargo Home Equity Trust 144A   |         |
| 765,450   | Ser. 04-2, Class N1, 4.45s, 2034<br>(Cayman Islands)                                     | 765,405 |
| 214,000   | Ser. 04-2, Class N2, 8s, 2034  |         |

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|   |              |
|---|--------------|
| (Cayman Islands)  | 203,300      |
| Whole Auto Loan Trust 144A  |              |
| 539,708 Ser. 03-1, Class D, 6s, 2010  | 540,938      |
| 504,000 Ser. 04-1, Class D, 5.6s, 2011  | 502,268      |
|   | -----        |
| Total Asset-backed securities<br>(cost \$70,538,074)                                    | \$69,391,718 |
| Senior loans (5.4%) (a) (c)   |              |
| Principal amount  | Value        |
| Basic Materials (0.3%)  |              |
|   | -----        |
| \$136,882 Graphic Packaging Corp. bank term<br>loan FRN Ser. C, 5.143s, 2010            | \$139,175    |
| 173,250 Hercules, Inc. bank term loan FRN<br>Ser. B, 3.985s, 2010                       | 175,416      |
| 199,755 Koch Cellulose, LLC bank term loan<br>FRN Ser. B, 4.8s, 2011                    | 202,626      |
| 50,245 Koch Cellulose, LLC bank term loan<br>FRN Ser. C, 4.44s, 2011                    | 50,968       |
| 114,449 Nalco Co. bank term loan FRN Ser. B,<br>4.951s, 2010                            | 116,627      |
| 1,000,000 Rockwood Specialties Group, Inc.<br>bank term loan FRN Ser. D, 4.95s,<br>2012 | 1,020,000    |
| 172,889 SGL Carbon, LLC bank term loan FRN<br>5.989s, 2009 (Germany)                    | 175,914      |
|   | -----        |
|   | 1,880,726    |
| Capital Goods (0.8%)  |              |
|   | -----        |
| 270,270 Allied Waste Industries, Inc. bank<br>term loan FRN 4.564s, 2012                | 272,534      |
| 729,730 Allied Waste Industries, Inc. bank<br>term loan FRN Class B, 4.564s, 2012       | 735,866      |
| 182,369 Amsted Industries, Inc. bank term<br>loan FRN 5.439s, 2010                      | 184,801      |
| 69,448 Flowserve Corp. bank term loan FRN<br>Ser. C, 5.473s, 2009                       | 70,664       |
| 1,496,250 Goodman Global Holdings bank term<br>loan FRN Ser. B, 4.813s, 2011            | 1,521,499    |
| 1,000,000 Hexcel Corp. bank term loan FRN<br>Ser. B, 4 5/8s, 2012                       | 1,013,438    |
| 118,629 Invensys, PLC bank term loan FRN<br>Ser. B-1, 6.091s, 2009 (United<br>Kingdom)  | 120,631      |
| 341,743 Mueller Group, Inc. bank term loan<br>FRN 5.569s, 2011                          | 344,733      |
| 148,500 Solo Cup Co. bank term loan FRN<br>5.076s, 2011                                 | 150,579      |
| 65,678 SPX Corp. bank term loan FRN<br>Ser. B-1, 4.938s, 2009                           | 65,875       |
| 750,000 Terex Corp. bank term loan FRN Class<br>C, 5.064s, 2009                         | 758,125      |
| 150,000 Terex Corp. bank term loan FRN<br>Ser. B, 4.89s, 2009                           | 151,563      |
| 498,243 Transdigm, Inc. bank term loan FRN<br>Ser. C, 4.935s, 2010                      | 505,407      |
|   | -----        |
|   | 5,895,715    |

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### Communication Services (0.6%)

|           |  |           |
|-----------|--|-----------|
| 49,500    | Consolidated Communications Holdings<br>bank term loan FRN Ser. C, 5.185s,<br>2012                   | 49,871    |
| 45,000    | Consolidated Communications Holdings<br>bank term loan FRN Ser. D, 5.064s,<br>2011                   | 45,450    |
| 1,000,000 | Fairpoint Communications, Inc. bank<br>term loan FRN Ser. B, 4 3/4s, 2012                            | 1,013,250 |
| 79,398    | PanAmSat Corp. bank term loan FRN<br>Class B, 5.37s, 2010  | 80,604    |
| 195,000   | Qwest Communications International,<br>Inc. bank term loan FRN<br>Ser. A, 7.39s, 2007                | 201,429   |
| 1,047,112 | SBA Senior Finance, Inc. bank term<br>loan FRN 5.905s, 2008  | 1,064,782 |
| 1,993,333 | Valor Telecommunications Enterprises<br>LLC/Finance Corp. bank term loan<br>FRN Ser. B, 6.243s, 2012 | 2,021,988 |
|           |  | 4,477,374 |

### Consumer Cyclicals (1.3%)

|           |  |           |
|-----------|--|-----------|
| 445,838   | Advertising Directory Solutions,<br>Inc. bank term loan FRN 4.72s, 2011<br>(Canada)          | 446,395   |
| 141,780   | Coinmach Corp. bank term loan FRN<br>Ser. B, 5.774s, 2009                                    | 143,464   |
| 383,333   | Cooper Tire & Rubber Co. bank term<br>loan FRN Ser. B, 4 3/4s, 2012                          | 384,611   |
| 616,667   | Cooper Tire & Rubber Co. bank term<br>loan FRN Ser. C, 4 3/4s, 2012                          | 618,722   |
| 157,424   | Dex Media West, LLC/Dex Media West<br>Finance Co. bank term loan FRN<br>Ser. B, 4.654s, 2010 | 159,867   |
| 120,000   | Goodyear Tire & Rubber Co. (The)<br>bank term loan FRN 9 1/4s, 2006                          | 120,900   |
| 75,000    | Goodyear Tire & Rubber Co. (The)<br>bank term loan FRN 4.6s, 2007                            | 75,422    |
| 170,900   | Hayes Lemmerz International, Inc.<br>bank term loan FRN 6.574s, 2009                         | 173,250   |
| 970,000   | Jostens IH Corp. bank term loan FRN<br>Ser. C, 5.19s, 2010                                   | 984,954   |
| 350,000   | Journal Register Co. bank term loan<br>FRN Ser. B, 4.176s, 2012                              | 352,735   |
| 162,556   | Lamar Media Corp. bank term loan FRN<br>Ser. D, 4.531s, 2010                                 | 164,384   |
| 50,000    | Landsource, Inc. bank term loan FRN<br>Ser. B, 5 3/8s, 2010                                  | 50,625    |
| 53,197    | Penn National Gaming, Inc. bank term<br>loan FRN Ser. D, 5.553s, 2010                        | 53,330    |
| 127,175   | PRIMEDIA, Inc. bank term loan FRN<br>Ser. B, 5.62s, 2009                                     | 127,890   |
| 214,740   | R.H. Donnelley Finance Corp. bank<br>term loan FRN Ser. D, 4.601s, 2011                      | 218,156   |
| 1,300,000 | Raycom Media, Inc. bank term loan<br>FRN Ser. B, 4.563s, 2012                                | 1,316,250 |
| 550,000   | Resorts International Hotel and<br>Casino, Inc. bank term loan                               |           |



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|           |  |           |
|-----------|--|-----------|
|           | FRN 5.064s, 2012   | 560,771   |
| 594,324   | Sealy Mattress Co. bank term loan<br>FRN Ser. C, 4.768s, 2012                  | 605,219   |
| 984,933   | TransWestern Publishing/TWP Cap bank<br>term loan FRN Ser. B, 4.201s, 2011     | 987,806   |
| 525,469   | TRW Automotive bank term loan FRN<br>Ser. B, 4 3/8s, 2010                      | 530,286   |
| 1,020,798 | Venetian Casino Resort, LLC bank<br>term loan FRN Ser. B, 4.81s, 2011          | 1,033,302 |
| 210,474   | Venetian Casino Resort, LLC bank<br>term loan FRN Ser. DD, 4.314s, 2011<br>(U) | 213,105   |
| 165,000   | WRC Media Corp. bank term loan FRN<br>6.761s, 2009                             | 164,588   |
|           |  | -----     |
|           |  | 9,486,032 |

Consumer Staples (1.2%)

|           |   |           |
|-----------|---|-----------|
|           | -----   |           |
| 34,347    | Affinity Group Holdings bank term<br>loan FRN Ser. B1, 5.915s, 2009   | 34,719    |
| 85,867    | Affinity Group Holdings bank term<br>loan FRN Ser. B2, 5.78s, 2009  | 86,798    |
| 105,017   | AMF Bowling Worldwide bank term loan<br>FRN Ser. B, 5.893s, 2009  | 105,607   |
| 900,000   | Century Cable Holdings bank term<br>loan FRN 7 3/4s, 2009   | 893,571   |
| 685,944   | Charter Communications Holdings,<br>LLC/Capital Corp. bank term loan<br>FRN Ser. B, 5.98s, 2011 (United<br>Kingdom) | 689,006   |
| 1,661,667 | Constellation Brands, Inc. bank term<br>loan FRN Ser. B, 4.395s, 2011   | 1,687,516 |
| 147,164   | DirectTV Holdings/Finance bank term<br>loan FRN Ser. B-2, 4.56s, 2010   | 147,274   |
| 13,729    | Dole Food Co., Inc. bank term loan<br>FRN Ser. D, 5.115s, 2009  | 13,741    |
| 69,125    | Insight Midwest LP/Insight Capital,<br>Inc. bank term loan FRN 5.438s,<br>2009                                      | 70,349    |
| 350,000   | Loews Cineplex bank term loan FRN<br>Ser. B, 4.901s, 2011   | 355,852   |
| 997,500   | Mediacom Communications Corp. bank<br>term loan FRN Ser. B, 4.963s, 2012  | 1,014,022 |
| 179,100   | MGM Studios, Inc. bank term loan FRN<br>Ser. B, 5.06s, 2011   | 178,988   |
| 500,000   | Olympus Cable bank term loan FRN<br>Ser. B, 7 1/2s, 2010  | 495,391   |
| 1,496,222 | Regal Cinemas, Inc. bank term loan<br>FRN Ser. B, 4.56s, 2010   | 1,521,069 |
| 242,516   | Roundy's bank term loan FRN Ser. B,<br>4.926s, 2009   | 244,410   |
| 84,249    | Six Flags, Inc. bank term loan FRN<br>Ser. B, 5 1/4s, 2009  | 85,512    |
| 152,478   | Sun Media Corp. bank term loan FRN<br>Ser. B, 4.73s, 2009 (Canada)  | 154,638   |
| 848,375   | Universal City Development bank term<br>loan FRN Ser. B, 4.725s, 2011   | 862,161   |
| 198,000   | Warner Music Group bank term loan<br>FRN Ser. B, 5.088s, 2011   | 199,402   |
|           |   | -----     |
|           |   | 8,840,026 |

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### Energy (0.1%)

|         |   |         |
|---------|---|---------|
|         | -----   |         |
| 180,000 | Dresser, Inc. bank term loan FRN<br>5.84s, 2010                       | 182,700 |
| 801,583 | Magellan Midstream Holdings bank<br>term loan FRN Ser. B, 5.09s, 2011 | 813,607 |
|         |   | 996,307 |

### Financial (0.4%)

|           |   |           |
|-----------|---|-----------|
|           | -----   |           |
| 2,000,000 | Fidelity National Information<br>Solutions bank term loan FRN Class<br>B, 4.51s, 2013 | 2,006,250 |
| 897,982   | General Growth Properties bank term<br>loan FRN Ser. B, 4.94s, 2008 (R)               | 912,676   |
| 216,845   | Hilb, Rogal & Hamilton Co. bank term<br>loan FRN Ser. B, 4.813s, 2011                 | 220,233   |
|           |   | 3,139,159 |

### Health Care (0.3%)

|         |  |           |
|---------|--|-----------|
|         | -----  |           |
| 123,125 | Beverly Enterprises, Inc. bank term<br>loan FRN 5.186s, 2008                       | 124,151   |
| 119,400 | Community Health Systems, Inc. bank<br>term loan FRN Ser. B, 4.639s, 2011          | 120,893   |
| 196,515 | Concentra bank term loan FRN 5.167s,<br>2009                                       | 199,135   |
| 486,771 | Express Scripts, Inc. bank term loan<br>FRN Ser. B, 4.131s, 2010                   | 491,030   |
| 119,100 | Fisher Scientific International,<br>Inc. bank term loan FRN<br>Ser. B, 4.17s, 2011 | 120,092   |
| 98,500  | Hanger Orthopedic Group, Inc. bank<br>term loan FRN 6.06s, 2009                    | 99,362    |
| 85,188  | Kinetic Concepts, Inc. bank term<br>loan FRN Ser. B, 4.31s, 2011                   | 86,252    |
| 474,897 | Triad Hospitals, Inc. bank term loan<br>FRN Ser. B, 4.92s, 2008                    | 482,284   |
|         |  | 1,723,199 |

### Technology (0.2%)

|         |  |           |
|---------|--|-----------|
|         | -----  |           |
| 605,566 | Seagate Technology Hdd Holdings bank<br>term loan FRN 5 1/8s, 2007 (Cayman<br>Islands)         | 615,911   |
| 242,210 | Seagate Technology Hdd Holdings bank<br>term loan FRN Ser. B, 5 1/8s, 2007<br>(Cayman Islands) | 246,347   |
| 200,000 | Xerox Corp. bank term loan FRN<br>4.314s, 2008   | 202,429   |
|         |  | 1,064,687 |

### Transportation (--%)

|         |  |         |
|---------|--|---------|
|         | -----  |         |
| 114,471 | Pacer International, Inc. bank term<br>loan FRN 4.674s, 2010 | 116,760 |

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### Utilities & Power (0.2%)

|  |   |              |
|--|---|--------------|
|  | 208,000 El Paso Corp. bank Corp. term loan<br>FRN Ser. C, 2.3s, 2009      | 210,438      |
|  | 790,624 El Paso Corp. bank term loan FRN<br>Ser. B, Class B, 5.438s, 2009 | 801,001      |
|  | 117,908 Williams Cos., Inc. bank term loan<br>FRN Ser. C, 5.315s, 2007    | 119,529      |
|  |   | 1,130,968    |
|  | Total Senior loans<br>(cost \$38,533,009)                                 | \$38,750,953 |

### Collateralized mortgage obligations (4.7%) (a)

| Principal amount |   | Value     |
|------------------|---|-----------|
|                  | Banc of America Commercial Mortgage,<br>Inc. 144A   |           |
| \$163,000        | Ser. 01-1, Class J, 6 1/8s, 2036  | \$159,250 |
| 367,000          | Ser. 01-1, Class K, 6 1/8s, 2036  | 271,107   |
|                  | Banc of America Large Loan 144A   |           |
| 141,000          | FRN Ser. 02-FL2A, Class L1, 5.746s,<br>2014   | 141,238   |
| 150,000          | FRB Ser. 05-BOCA, Class M, 4.93s,<br>2016   | 150,240   |
| 183,000          | FRB Ser. 05-BOCA, Class L, 4.53s,<br>2016   | 183,293   |
| 100,000          | FRB Ser. 05-BOCA, Class K, 4.18s,<br>2016   | 100,109   |
| 410,000          | Bear Stearns Commercial Mortgage<br>Securitization Corp. Ser. 00-WF2,<br>Class F, 8.204s, 2032    | 476,607   |
| 350,000          | Bear Stearns Commercial Mortgage<br>Securitization Corp. 144A Ser.<br>04-ESA, Class K, 5.3s, 2016 | 349,999   |
| 533,000          | Commercial Mortgage Pass-Through<br>Certificates 144A Ser.<br>01-FL4A, Class D, 3.66s, 2013       | 527,721   |
|                  | CS First Boston Mortgage Securities<br>Corp. 144A   |           |
| 356,000          | FRN Ser. 03-TF2A, Class L, 6.81s,<br>2014   | 354,761   |
| 966,000          | Ser. 98-C1, Class F, 6s, 2040   | 708,617   |
| 354,000          | Ser. 02-CP5, Class M, 5 1/4s, 2035  | 250,136   |
| 699,000          | FRB Ser. 05-TFLA, Class L, 4.66s,<br>2020   | 699,000   |
| 186,000          | FRB Ser. 05-TFLA, Class K, 4.11s,<br>2020   | 186,000   |
| 22,858,158       | Deutsche Mortgage & Asset Receiving<br>Corp. Ser. 98-C1, Class X, IO,<br>0.715s, 2031             | 671,182   |
|                  | DLJ Commercial Mortgage Corp.   |           |
| 286,492          | Ser. 98-CF2, Class B4, 6.04s, 2031  | 277,402   |
| 915,958          | Ser. 98-CF2, Class B5, 5.95s, 2031  | 635,804   |
|                  | DLJ Mortgage Acceptance Corp. 144A  |           |
| 275,000          | Ser. 97-CF1, Class B2, 8.16s, 2030  | 165,000   |
| 266,000          | Ser. 97-CF1, Class B1, 7.91s, 2030  | 284,153   |
| 134,464          | EURO 144A FRN Ser. 6A, Class F,<br>7.116s, 2010 (United Kingdom)                                  | 257,334   |
| GBP              | 376,499 Euro Loan Conduit FRN Ser. 6X, Class<br>E, 6.616s, 2010 (United Kingdom)                  | 721,174   |

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|  |   |           |
|--|---|-----------|
| Fannie Mae   |   |           |
| \$107,464  | Ser. 98-51, Class SG, IO, 22.6s, 2022                           | 51,209    |
| 343,104  | IFB Ser. 02-36, Class SJ, 13s, 2029                             | 356,347   |
| 388,281  | Ser. 03-W3, Class 1A3, 7 1/2s, 2042                             | 411,638   |
| 8,531  | Ser. 03-W2, Class 1A3, 7 1/2s, 2042                             | 9,047     |
| 971  | Ser. 02-W1, Class 2A, 7 1/2s, 2042                              | 1,025     |
| 3,603  | Ser. 02-14, Class A2, 7 1/2s, 2042                              | 3,816     |
| 471,442  | Ser. 01-T10, Class A2, 7 1/2s, 2041                             | 498,626   |
| 2,264  | Ser. 02-T4, Class A3, 7 1/2s, 2041                              | 2,395     |
| 6,115  | Ser. 01-T8, Class A1, 7 1/2s, 2041                              | 6,461     |
| 1,841,390  | Ser. 01-T7, Class A1, 7 1/2s, 2041                              | 1,944,007 |
| 275,834  | Ser. 01-T3, Class A1, 7 1/2s, 2040                              | 291,331   |
| 845,671  | Ser. 01-T1, Class A1, 7 1/2s, 2040                              | 894,807   |
| 352,305  | Ser. 99-T2, Class A1, 7 1/2s, 2039                              | 373,114   |
| 174,148  | Ser. 00-T6, Class A1, 7 1/2s, 2030                              | 183,853   |
| 825,585  | Ser. 01-T4, Class A1, 7 1/2s, 2028                              | 877,026   |
| 1,961  | Ser. 02-W3, Class A5, 7 1/2s, 2028                              | 2,076     |
| 866,517  | Ser. 03-58, Class ID, IO, 6s, 2033                              | 181,969   |
| 814,473  | Ser. 03-26, Class IG, IO, 6s, 2033                              | 151,838   |
| 679,028  | Ser. 322, Class 2, IO, 6s, 2032                                 | 149,055   |
| 850,194  | Ser. 318, Class 2, IO, 6s, 2032                                 | 186,363   |
| 2,335,272  | Ser. 350, Class 2, IO, 5 1/2s, 2034                             | 540,214   |
| 5,445,443  | Ser. 338, Class 2, IO, 5 1/2s, 2033                             | 1,281,060 |
| 2,354,754  | Ser. 333, Class 2, IO, 5 1/2s, 2033                             | 554,460   |
| 4,796,358  | Ser. 329, Class 2, IO, 5 1/2s, 2033                             | 1,118,220 |
| 2,415,241  | Ser. 03-37, Class IC, IO, 5 1/2s, 2027                          | 243,034   |
| 265,065  | Ser. 03-6, Class IB, IO, 5 1/2s, 2022                           | 4,836     |
| 1,163,732  | Ser. 03-118, Class S, IO, 5 1/4s, 2033                          | 136,738   |
| 1,284,272  | IFB Ser. 03-118, Class SF, IO, 5 1/4s, 2033                     | 155,371   |
| 743,386  | IFB Ser. 02-36, Class QH, IO, 5.2s, 2029                        | 23,026    |
| 7,063,924  | Ser. 03-W10, Class 1A, IO, 1.551s, 2043                         | 150,108   |
| 8,313,084  | Ser. 03-W10, Class 3A, IO, 1.527s, 2043                         | 179,251   |
| 4,584,813  | Ser. 03-W17, Class 12, IO, 1.16s, 2033                          | 131,918   |
| 13,082,488   | Ser. 02-T18, IO, 0.519s, 2042                                   | 156,029   |
| 133,917  | Ser. 99-51, Class N, PO, zero %, 2029                           | 111,905   |
| 52,785   | Ser. 99-52, Class MO, PO, zero %, 2026                          | 50,511    |
| Federal Home Loan Mortgage Corp.<br>Structured Pass-Through Securities |   |           |
| 11,467   | Ser. T-58, Class 4A, 7 1/2s, 2043                               | 12,136    |
| 4,523,693  | Ser. T-57, Class 1AX, IO, 0.446s, 2043                          | 43,880    |
| 11,770,271   | FFCA Secured Lending Corp. Ser. 00-1, Class X, IO, 1.558s, 2020 | 765,068   |
| Freddie Mac  |   |           |
| 491,351  | IFB Ser. 2763, Class SC, 17.36s, 2032                           | 538,373   |
| 2,639,089  | Ser. 216, IO, 6s, 2032  | 565,293   |
| 1,858,478  | Ser. 226, IO, 5 1/2s, 2034                                      | 442,641   |
| 1,418,300  | Ser. 2515, Class IG, IO, 5 1/2s, 2032                           | 385,459   |
| 677,653  | Ser. 2626, Class IK, IO, 5 1/2s,                                |           |

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|               |   |           |
|---------------|---|-----------|
|               | 2030  | 135,060   |
| 729,500       | Ser. 2590, Class IH, IO, 5 1/2s, 2028   | 158,666   |
| 503,008       | Ser. 2833, Class IK, IO, 5 1/2s, 2023   | 75,859    |
| 285,403       | Ser. 215, PO, zero %, 2031  | 250,116   |
| 287,338       | Ser. 2235, PO, zero %, 2030   | 234,090   |
|               | GE Capital Commercial Mortgage Corp. 144A   |           |
| 596,000       | Ser. 00-1, Class G, 6.131s, 2033  | 535,029   |
| 370,000       | Ser. 00-1, Class H, 6.131s, 2033  | 230,214   |
| 529,968       | GMAC Commercial Mortgage Securities, Inc. 144A Ser. 99-C3, Class G, 6.974s, 2036                    | 418,801   |
|               | Government National Mortgage Association  |           |
| 189,114       | Ser. 01-43, Class SJ, IO, 4 3/4s, 2029  | 1,773     |
| 137,036       | Ser. 98-2, Class EA, PO, zero %, 2028   | 113,098   |
| 214,000       | GS Mortgage Securities Corp. II 144A FRB Ser. 03-FL6A, Class L, 6.06s, 2015                         | 214,268   |
| GBP 1,064,046 | Hermione (European Loan Conduit No. 14) 144A FRB Class A, 5.319s, 2011 (Ireland)                    | 2,021,465 |
| \$253,101     | LB Commercial Conduit Mortgage Trust 144A Ser. 99-C1, Class G, 6.41s, 2031                          | 238,902   |
| 876,000       | Lehman Brothers Floating Rate Commercial Mortgage Trust 144A FRB Ser. 03-LLFA, Class L, 6.55s, 2014 | 844,672   |
|               | Mach One Commercial Mortgage Trust 144A   |           |
| 594,000       | Ser. 04-1A, Class J, 5.45s, 2040  | 486,152   |
| 212,000       | Ser. 04-1A, Class K, 5.45s, 2040  | 169,269   |
| 96,000        | Ser. 04-1A, Class L, 5.45s, 2040  | 68,640    |
| 8,393,162     | Merrill Lynch Mortgage Investors, Inc. Ser. 96-C2, Class JS, IO, 2.13s, 2028                        | 364,578   |
| 1,021,985     | Mezz Cap Commercial Mortgage Trust 144A Ser. 04-C1, Class X, IO, 6.18s, 2037                        | 447,597   |
| 1,730,000     | Morgan Stanley Capital I 144A Ser. 04-RR, Class F7, 6s, 2039  | 1,204,989 |
| 4,097,800     | Mortgage Capital Funding, Inc. Ser. 97-MC2, Class X, IO, 0.847s, 2012                               | 94,471    |
| 327,112       | Mortgage Capital Funding, Inc. FRB Ser. 98-MC2, Class E, 7.106s, 2030                               | 347,930   |
| 123,000       | PNC Mortgage Acceptance Corp. 144A Ser. 00-C1, Class J, 6 5/8s, 2010                                | 106,818   |
| GBP 448,594   | Quick Star PLC FRN Class 1-D, 5.758s, 2011 (Ireland)  | 852,150   |
| \$726,000     | QUIZNOS 144A Ser. 05-1, 7.3s, 2025 STRIPS 144A  | 719,770   |
| 162,000       | Ser. 03-1A, Class M, 5s, 2018 (Cayman Islands)  | 131,317   |
| 193,000       | Ser. 03-1A, Class N, 5s, 2018 (Cayman Islands)  | 140,890   |
| 174,000       | Ser. 04-1A, Class M, 5s, 2018 (Cayman Islands)  | 143,480   |

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|     |         |  |              |
|-----|---------|--|--------------|
|     | 167,000 | Ser. 04-1A, Class N, 5s, 2018<br>(Cayman Islands)<br>Titan Europe PLC 144A | 125,317      |
| EUR | 398,000 | FRN Ser. 04-2A, Class D, 3.044s,<br>2014 (Ireland)                         | 517,201      |
| EUR | 497,000 | FRN Ser. 04-2A, Class C, 2.644s,<br>2014                                   | 645,852      |
|     |         |  | -----        |
|     |         | Total Collateralized mortgage<br>obligations (cost \$37,077,637)           | \$33,774,095 |

Common stocks (0.5%) (a)

|       | Number of shares |   | Value       |
|-------|------------------|---|-------------|
| ----- |                  |   |             |
|       | 1,987            | AboveNet, Inc. (NON) (S)  | \$65,571    |
|       | 2,305            | Alderwoods Group, Inc. (NON)<br>(Canada)  | 28,674      |
|       | 820,000          | AMRESKO Creditor Trust (acquired<br>6/17/99 and 2/10/00, cost \$138,193)<br>(NON) (RES) (F) (R) | 820         |
|       | 898              | Birch Telecom, Inc. (NON) (F)   | 1           |
|       | 504              | Comdisco Holding Co., Inc.  | 9,198       |
|       | 3,445,121        | Contifinancial Corp. Liquidating<br>Trust Units   | 4,306       |
|       | 15,321           | Covad Communications Group, Inc.<br>(NON) (S)   | 18,385      |
|       | 497              | Crown Castle International Corp.<br>(NON)   | 7,982       |
|       | 903              | Genesis HealthCare Corp. (NON) (S)  | 38,730      |
|       | 45,911           | Globix Corp. (NON)  | 169,871     |
|       | 470,000          | iPCS Escrow, Inc. (NON) (F)   | 470         |
|       | 6,975            | iPCS, Inc. (NON)  | 230,873     |
|       | 199              | Knology, Inc. (NON)   | 472         |
|       | 157              | Leucadia National Corp. (S)   | 5,393       |
|       | 3,774            | Northwestern Corp.  | 99,520      |
|       | 1,158            | Polymer Group, Inc. Class A (NON)<br>(S)  | 27,734      |
|       | 715              | PSF Group Holdings, Inc. 144A Class<br>A (NON) (F)  | 1,251,828   |
|       | 53,520           | Regal Entertainment Group (F)   | 1,125,526   |
|       | 110              | Sterling Chemicals, Inc. (NON)  | 4,510       |
|       | 740              | Sun Healthcare Group, Inc. (NON)  | 4,906       |
|       | 12               | USA Mobility, Inc. (NON)  | 389         |
|       | 948,004          | VFB LLC (acquired 10/27/00, cost<br>\$948,004) (NON) (RES)                                      | 194,341     |
|       | 4,438            | Washington Group International, Inc.<br>(NON) (S)   | 199,666     |
|       |                  |   | -----       |
|       |                  | Total Common stocks<br>(cost \$8,392,379)   | \$3,489,166 |

Brady bonds (0.5%) (a) (cost \$2,829,499)

|       | Principal amount | Value  |
|-------|------------------|--|
| ----- |                  |  |
|       | \$3,476,498      | Brazil (Federal Republic of) FRB<br>Ser. 18 YR, 3 1/8s, 2012 |
|       |                  | \$3,263,737  |

Preferred stocks (0.2%) (a)

|       | Number of shares | Value  |
|-------|------------------|--|
| ----- |                  |  |
|       | 15               | Dobson Communications Corp. 13.00%<br>pfd. (PIK) |
|       |                  | \$11,100   |

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|  |             |
|--|-------------|
| 320 First Republic Capital Corp. 144A<br>10.50% pfd.         | 336,000     |
| 32 Paxson Communications Corp. 14.25%<br>cum. pfd. (PIK) (S) | 217,600     |
| 874 Rural Cellular Corp. Ser. B, 11.375%<br>cum. pfd. (PIK)  | 777,860     |
| -----  |             |
| Total Preferred stocks<br>(cost \$1,404,404)                 | \$1,342,560 |

|                                |           |
|--------------------------------|-----------|
| Units (0.1%) (a)               |           |
| Number of units                | Value     |
| -----                          |           |
| 870,000 Morrison Knudsen Corp. | \$77,213  |
| 991 XCL Equity Units (F)       | 439,663   |
| -----                          |           |
| Total Units (cost \$1,722,804) | \$516,876 |

|   |           |
|---|-----------|
| Convertible preferred stocks (--%) (a)                            |           |
| Number of shares  | Value     |
| -----   |           |
| 2,441 Emmis Communications Corp. Ser. A,<br>\$3.125 cum. cv. pfd. | \$111,676 |
| 55 Paxson Communications Corp. 144A<br>9.75% cv. pfd. (PIK)       | 231,000   |
| -----   |           |
| Total Convertible preferred stocks<br>(cost \$554,784)            | \$342,676 |

|  |                 |           |
|--|-----------------|-----------|
| Warrants (--%) (a) (NON)                             | Expiration date | Value     |
| Number of warrants                                   |                 |           |
| -----  |                 |           |
| 719 AboveNet, Inc.                                   | 9/8/08          | \$7,190   |
| 846 AboveNet, Inc.                                   | 9/8/10          | 5,076     |
| 1,020 Dayton Superior Corp. 144A                     | 6/15/09         | 1         |
| 508 MDP Acquisitions PLC 144A                        | 10/1/13         | 14,224    |
| 390 Mikohn Gaming Corp. 144A                         | 8/15/08         | 7,706     |
| 400 ONO Finance PLC 144A (United<br>Kingdom)         | 2/15/11         | 4         |
| 410 Pliant Corp. 144A                                | 6/1/10          | 4         |
| 1,830 TravelCenters of America, Inc. 144A            | 5/1/09          | 9,150     |
| 1,670 Ubiquitel, Inc. 144A                           | 4/15/10         | 1         |
| 2,740 Washington Group International, Inc.<br>Ser. A | 1/25/06         | 46,031    |
| 3,131 Washington Group International, Inc.<br>Ser. B | 1/25/06         | 42,424    |
| 1,692 Washington Group International, Inc.<br>Ser. C | 1/25/06         | 19,966    |
| 590 XM Satellite Radio Holdings, Inc.<br>144A        | 3/15/10         | 41,300    |
| -----  |                 |           |
| Total Warrants (cost \$539,709)                      |                 | \$193,077 |

|  |       |
|--|-------|
| Convertible bonds and notes (--%) (a) (NON) (cost \$2,018,410)   |       |
| Principal amount   | Value |
| -----  |       |
| \$2,430,000 Cybernet Internet Services<br>International, Inc. 144A cv. sr.<br>disc. notes 13s, 2009 (Canada) (In<br>default) (NON) | \$24  |

Short-term investments (16.9%) (a)

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| Principal amount  | Value         |
|---|---------------|
| <hr/>   |               |
| \$700,000 U.S. Treasury Bills for an effective yield of 2.18%, June 30, 2005 (SEG)  | \$695,138     |
| 300,778 Short-term investments held as collateral for loaned securities with yields ranging from 2.70% to 3.03% and due dates ranging from April 1, 2005, 2005 to May 3, 2005 (d) | 300,347       |
| 119,818,144 Putnam Prime Money Market Fund (e)  | 119,818,144   |
| <hr/>   |               |
| Total Short-term investments<br>(cost \$120,813,629)  | \$120,813,629 |
| <hr/>   |               |
| Total Investments<br>(cost \$799,751,521)   | \$792,268,899 |
| <hr/>   |               |

(a) Percentages indicated are based on net assets of \$714,238,552.

(NON) Non-income-producing security.

(STP) The interest rate and date shown parenthetically represent the new interest rate to be paid and the date the fund will begin accruing interest at this rate.

(RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at March 31, 2005 was \$195,161 or less than 0.1% 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 March 31, 2005.

(F) Security is valued at fair value following procedures approved by the Trustees.

(R) Real Estate Investment Trust

(S) Securities on loan, in part or in entirety, at March 31, 2005.

(U) A portion of the position represents unfunded loan commitments, which could be extended at the option of the borrower, pursuant to the loan agreements. The total market value of the unfunded loan commitments at March 31, 2005, was less than 0.01% of net assets.

(c) Senior loans are exempt from registration under the Security Act of 1933, as amended, but contain certain restrictions on resale and cannot be sold publicly. These loans pay interest at rates which adjust periodically. The interest rate shown for senior loans are the current interest rates at March 31, 2005. Senior loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining maturity may be substantially less than the stated maturity shown (Notes 1 and 5).

(d) See Note 1 to the financial statements.

(e) See Note 4 to the financial statements regarding investments in Putnam Prime Money Market Fund.



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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 at March 31, 2005.

The rates shown on IFB, which are securities paying interest rates that vary inversely to changes in the market interest rates, are the current interest rates at March 31, 2005.

### DIVERSIFICATION BY COUNTRY

Distribution of investments by country of issue at March 31, 2005: (as a percentage of Market Value excluding collateral for loaned securities)

|                |        |
|----------------|--------|
| Brazil         | 0.9%   |
| Canada         | 1.8    |
| Cayman Islands | 1.8    |
| France         | 1.2    |
| Germany        | 2.6    |
| Ireland        | 0.7    |
| Luxembourg     | 0.7    |
| Mexico         | 1.3    |
| Sweden         | 1.3    |
| United Kingdom | 1.7    |
| United States  | 83.5   |
| Other          | 2.5    |
|                | -----  |
| Total          | 100.0% |

Forward currency contracts to buy at March 31, 2005 (Unaudited)  
(aggregate face value \$76,131,951)

|                   | Value        | Aggregate<br>face value | Delivery<br>date | Unreal<br>appreciat<br>(depreciat |
|-------------------|--------------|-------------------------|------------------|-----------------------------------|
| Australian Dollar | \$19,280,365 | \$19,310,802            | 4/20/05          | \$ (30                            |
| British Pound     | 10,959,052   | 11,005,460              | 6/15/05          | (46                               |
| Canadian Dollar   | 2,321,382    | 2,311,137               | 4/20/05          | 10                                |
| Danish Krone      | 1,226,728    | 1,240,224               | 6/15/05          | (13                               |
| Euro              | 4,374,566    | 4,497,188               | 6/15/05          | (122                              |
| Japanese Yen      | 22,672,485   | 23,791,389              | 5/18/05          | (1,118                            |
| Norwegian Krone   | 5,302,984    | 5,451,316               | 6/15/05          | (148                              |
| Polish Zloty      | 568,812      | 596,948                 | 6/15/05          | (28                               |
| Singapore Dollar  | 1,777,696    | 1,781,652               | 5/18/05          | (3                                |
| South Korean Won  | 1,788,425    | 1,796,635               | 5/18/05          | (8                                |
| Swiss Franc       | 2,498,747    | 2,508,650               | 6/15/05          | (9                                |
| Taiwan Dollar     | 1,881,910    | 1,840,550               | 5/18/05          | 41                                |
|                   |              |                         |                  | -----                             |
|                   |              |                         |                  | \$ (1,478                         |
|                   |              |                         |                  | -----                             |

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Forward currency contracts to sell at March 31, 2005 (Unaudited)  
(aggregate face value \$91,490,731)

|                   | Value       | Aggregate<br>face value | Delivery<br>date | Unreal<br>appreciat<br>(depreciat |
|-------------------|-------------|-------------------------|------------------|-----------------------------------|
| Australian Dollar | \$3,032,466 | \$3,034,154             | 4/20/05          | \$1                               |
| British Pound     | 6,203,125   | 6,210,244               | 6/15/05          | 7                                 |
| Canadian Dollar   | 25,028,749  | 24,913,965              | 4/20/05          | (114                              |
| Euro              | 22,872,969  | 23,100,373              | 6/15/05          | 227                               |
| Japanese Yen      | 2,785,157   | 2,792,563               | 5/18/05          | 7                                 |
| Norwegian Krone   | 2,922,859   | 2,948,357               | 6/15/05          | 25                                |
| Swedish Krona     | 21,886,356  | 22,344,210              | 6/15/05          | 457                               |
| Swiss Franc       | 5,987,313   | 6,146,865               | 6/15/05          | 159                               |
|                   |             |                         |                  | \$771                             |

Futures contracts outstanding at March 31, 2005 (Unaudited)

|                        | Number of<br>contracts | Value       | Expiration<br>date | Unreal<br>appreciat<br>(depreciat |
|------------------------|------------------------|-------------|--------------------|-----------------------------------|
| CBT Interest Rate Swap |                        |             |                    |                                   |
| 10 yr (Long)           | 15                     | \$1,616,719 | Jun-05             | \$(17                             |
| Euro-Bobl 5 yr (Long)  | 119                    | 17,410,968  | Jun-05             | 55                                |
| Euro-Bund 10 yr (Long) | 32                     | 4,932,278   | Jun-05             | 37                                |
| Japanese Government    |                        |             |                    |                                   |
| Bond 10yr (Long)       | 9                      | 11,732,654  | Jun-05             | 152                               |
| Japanese Government    |                        |             |                    |                                   |
| Bond 10 yr Mini (Long) | 32                     | 4,171,311   | Jun-05             | 54                                |
| U.K. Gilt (Long)       | 9                      | 1,871,356   | Jun-05             | 4                                 |
| U.S. Treasury Bond     |                        |             |                    |                                   |
| 10 yr (Short)          | 104                    | 11,583,000  | Jun-05             | 192                               |
| U.S. Treasury Note     |                        |             |                    |                                   |
| 10 yr (Long)           | 97                     | 10,598,766  | Jun-05             | (127                              |
| U.S. Treasury Note     |                        |             |                    |                                   |
| 5 yr (Long)            | 5                      | 535,469     | Jun-05             | (5                                |
|                        |                        |             |                    | \$345                             |

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TBA sale commitments outstanding at March 31, 2005  
(proceeds receivable \$43,054,773) (Unaudited)

| Agency                      | Principal amount | Settlement date |          |
|-----------------------------|------------------|-----------------|----------|
| FNMA, 6 1/2s, April 1, 2035 | \$40,300,000     | 4/13/05         | \$41,817 |
| FNMA, 5 1/2s, April 1, 2035 | 1,200,000        | 4/13/05         | 1,201    |
|                             |                  |                 | \$43,019 |

Interest rate swap contracts outstanding at March 31, 2005 (Unaudited)

|  | Notional amount | Termination date | Unreal<br>appreciat<br>(depreciat |
|--|-----------------|------------------|-----------------------------------|
| Agreement with Bank of America,<br>N.A. dated March 25, 2004 to pay<br>semi-annually the notional amount<br>multiplied by 3.075% and receive<br>quarterly the notional amount<br>multiplied by the three month<br>USD-LIBOR.     | \$16,800,000    | 3/30/09          | \$885                             |
| Agreement with Bank of America,<br>N.A. dated January 22, 2004 to pay<br>semi-annually the notional amount<br>multiplied by 1.97375% and receive<br>quarterly the notional amount<br>multiplied by the three month<br>USD-LIBOR. | 13,900,000      | 1/26/06          | 208                               |
| Agreement with Bank of America,<br>N.A. dated December 2, 2003 to pay<br>semi-annually the notional amount<br>multiplied by 2.444% and receive<br>quarterly the notional amount<br>multiplied by the three month<br>USD-LIBOR.   | 6,270,000       | 12/5/05          | 11                                |
| Agreement with Bank of America,<br>N.A. dated January 22, 2004 to pay<br>semi-annually the notional amount<br>multiplied by 4.35% and receive<br>quarterly the notional amount<br>multiplied by the three month<br>USD-LIBOR.    | 4,400,000       | 1/27/14          | 154                               |
| Agreement with Credit Suisse<br>First Boston International dated   |                 |                  |                                   |

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|   |                   |          |       |
|---|-------------------|----------|-------|
| July 7, 2004 to pay semi-annually the notional amount multiplied by 4.945% and receive quarterly the notional amount multiplied by the three month USD-LIBOR.   | 5,699,500         | 7/9/14   | (45)  |
| Agreement with Credit Suisse First Boston International dated July 7, 2004 to receive semi-annually the notional amount multiplied by 2.931% and pay quarterly the notional amount multiplied by the three month USD-LIBOR.         | 5,048,700         | 7/9/06   | (58)  |
| Agreement with Lehman Brothers Special Financing, Inc. dated January 22, 2004 to pay semi-annually the notional amount multiplied by 1.955% and receive quarterly the notional amount multiplied by the three month USD-LIBOR-BBA.  | 13,900,000        | 1/26/06  | 209   |
| Agreement with Lehman Brothers Special Financing, Inc. dated December 9, 2003 to receive semi-annually the notional amount multiplied by 4.641% and pay quarterly the notional amount multiplied by the three month USD-LIBOR-BBA.  | 9,188,000         | 12/15/13 | (40)  |
| Agreement with Lehman Brothers Special Financing, Inc. dated January 22, 2004 to pay semi-annually the notional amount multiplied by 4.3375% and receive quarterly the notional amount multiplied by the three month USD-LIBOR-BBA. | 4,400,000         | 1/26/14  | 157   |
| Agreement with Merrill Lynch Capital Services, Inc. dated February 16, 2005 to receive semi-annually the notional amount multiplied by the six month Euribor and pay at maturity the notional amount multiplied by 2.5645%.         | EUR 46,900,000    | 2/19/07  | 16    |
| 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 semi-annually the notional amount multiplied by 0.399%. | JPY 2,443,000,000 | 10/1/07  | (117) |
| Agreement with Merrill Lynch Capital Services, Inc. dated November 17, 2000 to pay semi-annually the notional amount multiplied by the three  |                   |          |       |

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month USD-LIBOR-BBA and  
receive the notional amount  
multiplied by 6.68%.

\$6,500,000

11/21/05

263

-----  
\$1,644

Credit default contracts outstanding at March 31, 2005 (Unaudited)

|   | Notional<br>amount | Unreal<br>appreciat<br>(depreciat |
|---|--------------------|-----------------------------------|
| <p>Agreement with Citigroup effective January 6, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points times the notional amount. Upon a credit default event of a reference entity within the CDX BB HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX BB HY Series 3 Index.</p>  | \$5,000,000        | \$103                             |
| <p>Agreement with Deutsche Bank AG effective January 6, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points times the notional amount. Upon a credit default event of a reference entity within the CDX HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX HY Series 3 Index.</p> | 3,000,000          | 65                                |
| <p>Agreement with Goldman Sachs effective January 13, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points time the notional amount. Upon a credit default event of a reference entity within CDX HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX HY Series 3 Index.</p>        | 2,000,000          | 27                                |
| <p>Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.35% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.</p>   | 1,116,444          | 54                                |
| <p>Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is</p>  |                    |                                   |

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|  |           |    |
|--|-----------|----|
| <p>reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.55625% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.</p>   | 1,116,444 | 28 |
| <p>Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.4625% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.</p>  | 558,222   | 25 |
| <p>Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.433% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.</p>   | 418,667   | 18 |
| <p>Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.475% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.</p>   | 279,111   | 8  |
| <p>Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.5% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.</p>   | 139,556   | 8  |
| <p>Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.6% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.</p>   | 139,556   | 1  |
| <p>Agreement with JP Morgan effective January 18, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points time the notional amount. Upon a credit default event of a reference entity within CDX HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX HY Series 3 Index.</p> | 3,000,000 | 28 |
| <p>Agreement with JP Morgan effective January 10, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points time the notional amount. Upon a credit default event of a reference entity within CDX HY Series 3 Index, the fund</p>   |           |    |

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|  |           |       |
|--|-----------|-------|
| <p>receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX HY Series 3 Index.</p>   | 3,000,000 | 47    |
| <p>Agreement with JP Morgan effective January 14, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points time the notional amount. Upon a credit default event of a reference entity within CDX HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX HY Series 3 Index.</p>               | 2,000,000 | 23    |
| <p>Agreement with Bank of America, N.A. effective March 2, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points times the notional amount. Upon a credit default event of a reference entity within the CDX HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX HY Series 3 Index.</p> | 2,000,000 | 48    |
| <p>Agreement with Lehman Brothers Finance, S.A. effective March 24, 2005, maturing on December 20, 2009, to pay quarterly 116 basis points times the notional amount. Upon a credit default event of any reference entity within the DJ IG CDX Series 3 Index that the counterparties agree advances within the 25-35 Loss Basket of the Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the DJ IG CDX Series 3 Index.</p>                            | 933,000   | (8)   |
| <p>Agreement with Lehman Brothers effective January 14, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points times the notional amount. Upon a credit default event of a reference entity within the CDX HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX HY Series 3 Index.</p>    | 1,000,000 | 10    |
|  |           | \$493 |

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

Statement of assets and liabilities  
March 31, 2005 (Unaudited)

Assets

-----  
Investment in securities, at value, including \$283,482 of securities on loan (Note 1):

-----  
Unaffiliated issuers (identified cost \$679,933,377) \$672,450,755  
-----

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|   |               |
|---|---------------|
| Affiliated issuers (identified cost \$119,818,144) (Note 4)                 | 119,818,144   |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Cash  | 7,136,710     |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Foreign currency (cost \$1,465,234) (Note 1)                                | 1,646,582     |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Dividends, interest and other receivables                                   | 8,988,477     |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Receivable for securities sold  | 5,292,784     |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Receivable for sales of delayed delivery securities (Note 1)                | 43,144,290    |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Receivable for open swap contracts (Note 1)                                 | 1,906,118     |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Receivable for variation margin (Note 1)                                    | 195,216       |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Receivable for open forward currency contracts (Note 1)                     | 1,166,914     |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Receivable for closed forward currency contracts (Note 1)                   | 1,623,633     |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Receivable for open credit default contracts (Note 1)                       | 502,732       |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Total assets  | 863,872,355   |
| <br>  |               |
| Liabilities   |               |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Distributions payable to shareholders                                       | 3,487,539     |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Payable for securities purchased  | 10,526,384    |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Payable for purchases of delayed delivery securities (Note 1)               | 86,869,925    |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Payable for compensation of Manager (Notes 2 and 4)                         | 1,221,510     |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Payable for investor servicing and custodian fees (Note 2)                  | 35,840        |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Payable for Trustee compensation and expenses (Note 2)                      | 93,121        |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Payable for administrative services (Note 2)                                | 1,679         |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Payable for open forward currency contracts (Note 1)                        | 1,873,976     |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Payable for closed forward currency contracts (Note 1)                      | 1,507,261     |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Payable for open swap contracts (Note 1)                                    | 261,889       |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Payable for open credit default contracts (Note 1)                          | 8,841         |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Premium received on credit default contracts (Note 1)                       | 423,088       |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| TBA sales commitments, at value (proceeds receivable \$43,054,773) (Note 1) | 43,019,326    |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Collateral on securities loaned, at value (Note 1)                          | 300,347       |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Other accrued expenses  | 3,077         |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Total liabilities   | 149,633,803   |
| <hr style="border-top: 1px dashed black;"/>                                 |               |
| Net assets  | \$714,238,552 |

Represented by



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|   |                      |
|---|----------------------|
| Paid-in capital (Unlimited shares authorized) (Note 1)                                      | \$838,150,324        |
| Distributions in excess of net investment income (Note 1)                                   | (838,208)            |
| Accumulated net realized loss on investments and foreign currency transactions (Note 1)     | (117,828,197)        |
| Net unrealized depreciation of investments and assets and liabilities in foreign currencies | (5,245,367)          |
| <b>Total -- Representing net assets applicable to capital shares outstanding</b>            | <b>\$714,238,552</b> |
| Computation of net asset value  |                      |
| Net asset value per share (\$714,238,552 divided by 100,313,084 shares)                     | \$7.12               |

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

Statement of operations  
Six months ended March 31, 2005 (Unaudited)

Investment income:

|   |                   |
|---|-------------------|
| Interest (including interest income of \$1,220,950 from investments in affiliated issuers) (Note 4) | \$18,015,515      |
| Dividends   | 132,930           |
| Securities lending  | 691               |
| <b>Total investment income</b>  | <b>18,149,136</b> |

Expenses:

|   |                   |
|---|-------------------|
| Compensation of Manager (Note 2)                        | 2,600,689         |
| Investor servicing fees (Note 2)                        | 191,275           |
| Custodian fees (Note 2)                                 | 171,445           |
| Trustee compensation and expenses (Note 2)              | 13,988            |
| Administrative services (Note 2)                        | 21,192            |
| Other   | 133,960           |
| Fees waived and reimbursed by Manager (Note 4)          | (91,203)          |
| <b>Total expenses</b>                                   | <b>3,041,346</b>  |
| Expense reduction (Note 2)                              | (118,715)         |
| <b>Net expenses</b>                                     | <b>2,922,631</b>  |
| <b>Net investment income</b>                            | <b>15,226,505</b> |
| <b>Net realized gain on investments (Notes 1 and 3)</b> | <b>15,322,897</b> |

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|  |              |
|--|--------------|
| Net realized gain on swap contracts (Note 1)   | 883,728      |
| Net realized gain on futures contracts (Note 1)  | 1,813,723    |
| Net realized loss on credit default contracts (Note 1)   | (150,515)    |
| Net realized gain foreign currency transactions (Note 1)   | 1,065,595    |
| Net unrealized appreciation of assets and liabilities in foreign currencies during the period  | 792,309      |
| Net unrealized depreciation of investments, futures contracts, swap contracts, credit default contracts and TBA sale commitments during the period | (15,247,046) |
| Net gain on investments  | 4,480,691    |
| Net increase in net assets resulting from operations   | \$19,707,196 |

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

Statement of changes in net assets

|   | Six months ended<br>March 31<br>2005* | Year ended<br>September 30<br>2004 |
|---|---------------------------------------|------------------------------------|
| Increase (decrease) in net assets   |                                       |                                    |
| Operations:   |                                       |                                    |
| Net investment income   | \$15,226,505                          | \$39,968,442                       |
| Net realized gain on investments and foreign currency transactions  | 18,935,428                            | 15,728,201                         |
| Net unrealized appreciation (depreciation) of investments and assets and liabilities in foreign currencies                              | (14,457,737)                          | 7,855,132                          |
| Net increase in net assets resulting from operations  | 19,707,196                            | 63,551,775                         |
| Distributions to shareholders: (Note 1)   |                                       |                                    |
| From net investment income  | (21,064,752)                          | (48,649,600)                       |
| Total increase (decrease) in net assets   | (1,357,556)                           | 14,902,175                         |
| Net assets  |                                       |                                    |
| Beginning of period   | 715,596,108                           | 700,693,933                        |
| End of period (including distributions in excess of and undistributed net investment income of \$838,208 and \$5,000,039, respectively) | \$714,238,552                         | \$715,596,108                      |
| Number of fund shares   |                                       |                                    |

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Shares outstanding at beginning and end of period 100,313,084      100,313,084

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\* Unaudited

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

### Financial highlights

(For a common share outstanding throughout the period)

| Per-share<br>operating performance                        | Six months<br>ended<br>March 31<br>(Unaudited)<br>2005 | 2004      | 2003      | Year ended Sep<br>2002 |
|---|--|-----------|-----------|------------------------|
| Net asset value,<br>beginning of period                   | \$7.13   | \$6.99    | \$6.26    | \$6.54                 |
| Investment operations:                                    |  |           |           |                        |
| Net investment income (a)                                 | .15 (d)  | .40 (d)   | .48       | .52                    |
| Net realized and unrealized<br>gain (loss) on investments | .05  | .23       | .73       | (.26)                  |
| Total from<br>investment operations                       | .20  | .63       | 1.21      | .26                    |
| Less distributions:                                       |  |           |           |                        |
| From net<br>investment income                             | (.21)  | (.49)     | (.48)     | (.53)                  |
| From return of capital                                    | --   | --        | --        | (.01)                  |
| Total distributions                                       | (.21)  | (.49)     | (.48)     | (.54)                  |
| Net asset value,<br>end of period                         | \$7.12   | \$7.13    | \$6.99    | \$6.26                 |
| Market value,<br>end of period                            | \$6.390  | \$6.730   | \$6.410   | \$6.380                |
| Total return at<br>market value (%) (b)                   | (2.00) *   | 12.95     | 8.35      | 14.81                  |
| Ratios and supplemental data                              |  |           |           |                        |
| Net assets, end of period<br>(in thousands)               | \$714,239  | \$715,596 | \$700,694 | \$627,620              |
| Ratio of expenses to<br>average net assets (%) (c)        | .42* (d)   | .86 (d)   | .89       | .87                    |

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|  |             |          |            |        |
|--|-------------|----------|------------|--------|
| Ratio of net investment income to average net assets (%) | 2.10* (d)   | 5.61 (d) | 7.22       | 7.97   |
| Portfolio turnover (%)                                   | 109.62* (f) | 113.46   | 141.60 (e) | 193.33 |

\* Not annualized.

- (a) Per share net investment income has been determined on the basis of weighted average number of shares outstanding over the period.
- (b) Total return does not reflect the effect of sales charges.
- (c) Includes amounts paid through expense offset arrangements (Note 2).
- (d) Reflects waivers of certain fund expenses in connection with investments in Putnam Prime Money Fund for the period. As a result of such waivers, the expenses of the fund for the periods ended March 31, 2004 and September 30, 2004 reflect a reduction of 0.01% and less than 0.01% respectively, of average net investment income.
- (e) Portfolio turnover excludes certain treasury note transactions executed in connection with a secondary offering.
- (f) Portfolio turnover excludes dollar roll transactions.

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

Notes to financial statements  
March 31, 2005 (Unaudited)

Note 1  
Significant accounting policies

Putnam Master Intermediate Income Trust (the "fund"), a Massachusetts business trust, is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company and is authorized to issue an unlimited number of shares. 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 fund invests in higher yielding, lower rated bonds that have a higher rate of default due to the nature of the investments.

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. 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. Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the New York Stock Exchange. Accordingly, on certain

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days, the fund will fair value foreign securities taking into account multiple factors, including movements in the U.S. securities markets. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. 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 certain 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 Pursuant to an exemptive order from the Securities and Exchange Commission (the "SEC"), 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 issues 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) 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, net of applicable withholding taxes, is recognized on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received. The fund earned certain fees in connection with its senior loan purchasing activities. These fees are treated as market discount and are recorded as income in the statement of operations.

D) 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 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

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economic instability, unfavorable political developments, and currency fluctuations, not present with domestic investments.

E) 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. Risks may exceed amounts recognized on the statement of assets and liabilities. Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio.

F) 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. Risks may exceed amounts recognized on the statement of assets and liabilities. 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. If a written call option is exercised, the premium originally received is recorded as an addition to sales proceeds. If a written put option is exercised, the premium originally received is recorded as a reduction to the cost of investments.

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, if any, are listed after the fund's portfolio.

G) 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

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market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss. Payments received or made are recorded as realized gains 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. Risk of loss may exceed amounts recognized on the statement of assets and liabilities. Interest rate swap contracts outstanding at period end, if any, are listed after the fund's portfolio.

H) Credit default contracts The fund may enter into credit default contracts where one party, the protection buyer, makes an upfront or periodic payment to a counter party, the protection seller, in exchange for the right to receive a contingent payment. The maximum amount of the payment may equal the notional amount, at par, of the underlying index or security as a result of a related credit event. An upfront payment received by the fund, as the protection seller, is recorded as a liability on the fund's books. An upfront payment made by the fund, as the protection buyer, is recorded as an asset on the fund's books. Periodic payments received or paid by the fund are recorded as realized gains or losses. 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. Risks of loss may exceed amounts recognized on the statement of assets and liabilities. Credit default contracts outstanding at period end, if any, are listed after the fund's portfolio.

I) 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 fair value of the underlying securities, 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.

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.

J) TBA sale commitments The fund may enter into TBA sale commitments to

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hedge its portfolio positions or to sell mortgage-backed securities it owns under delayed delivery arrangements. Proceeds of TBA sale commitments 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 fair 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, if any, are listed after the fund's portfolio.

K) Dollar rolls To enhance returns, the fund may enter into dollar rolls (principally using TBAs) in which the fund sells securities for delivery in the current month and simultaneously contracts to purchase similar securities on a specified future date. During the period between the sale and subsequent purchase, the fund will not be entitled to receive income and principal payments on the securities sold. The fund will, however, retain the difference between the initial sales price and the forward price for the future purchase. The fund will also be able to earn interest on the cash proceeds that are received from the initial sale. The fund may be exposed to market or credit risk if the price of the security changes unfavorably or the counterparty fails to perform under the terms of the agreement.

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 March 31, 2005, the value of securities loaned amounted to \$283,482. The fund received cash collateral of \$300,347 which is pooled with collateral of other Putnam funds into 28 issuers of high grade short-term investments.

M) Federal taxes It is the policy of the fund to distribute all of its taxable (for tax exempt and municipal bond funds exclude "taxable") income within the prescribed time and otherwise comply with the provisions of the Internal Revenue Code of 1986 (the "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 Code, 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, 2004, the fund had a capital loss carryover of \$134,326,968 available to the extent allowed by the Code to offset future net capital gain, if any. The amount of the carryover and the expiration dates are:



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| Loss Carryover | Expiration         |
|----------------|--------------------|
| \$9,097,567    | September 30, 2007 |
| 25,640,537     | September 30, 2008 |
| 24,593,458     | September 30, 2009 |
| 27,431,170     | September 30, 2010 |
| 47,564,236     | 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, 2005, \$1,976,087 of losses recognized during the period November 1, 2003 to September 30, 2004.

The aggregate identified cost on a tax basis is \$801,826,605, resulting in gross unrealized appreciation and depreciation of \$17,839,431 and \$27,397,137, respectively, or net unrealized depreciation of \$9,557,706.

N) Distributions to shareholders Distributions to shareholders from net 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. 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.

### 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.

Effective September 13, 2004, Putnam Investments Limited ("PIL"), an affiliate of Putnam Management is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. Putnam Management pays a quarterly sub-management fee to PIL for its services at an annual rate of 0.40% of the average net assets of the portion of the fund managed by PIL.

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. Putnam Investor Services, a division of PFTC, provides investor servicing agent functions to the fund. During the six months ended March 31, 2005, the fund paid PFTC \$362,720 for these services.

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 six months ended March 31, 2005, the fund's expenses were reduced by \$118,715 under these arrangements.

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Each independent Trustee of the fund receives an annual Trustee fee, of which \$1,193, as a quarterly retainer, 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.

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 Trustee compensation and expenses in the statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

### Note 3

#### Purchases and sales of securities

During the six months ended March 31, 2005, cost of purchases and proceeds from sales of investment securities other than U.S. government securities and short-term investments aggregated \$615,930,190 and \$605,054,628, respectively. Purchases or sales of U.S. government securities aggregated \$0 and \$10,518,000, respectively.

### Note 4

#### Investment in Putnam Prime Money Market Fund

Pursuant to an exemptive order from the Securities and Exchange Commission, the fund invests in Putnam Prime Money Market Fund, an open-end management investment company managed by Putnam Management. Management fees paid by the fund are reduced by an amount equal to the management and administrative services fees paid by Putnam Prime Money Market Fund with respect to assets invested by the fund in Putnam Prime Money Market Fund. For the period ended March 31, 2005, management fees paid were reduced by \$91,203 relating to the fund's investment in Putnam Prime Money Market Fund. Income distributions earned by the fund are recorded as income in the statement of operations and totaled \$1,220,950 for the period ended March 31, 2005. During the period ended March 31, 2005, cost of purchases and cost of sales of investments in Putnam Prime Money Market Fund aggregated \$224,081,948 and \$202,436,912, respectively.

### Note 5

#### Senior loan commitments

Senior loans are purchased or sold on a when-issued or delayed delivery basis and may be settled a month or more after the trade date; interest income is accrued based on the terms of the securities. Senior loans can be acquired through an agent, by assignment from another holder of the loan, or as a participation interest in another holder's portion of the

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loan. When the fund invests in a loan or participation, the fund is subject to the risk that an intermediate participant between the fund and the borrower will fail to meet its obligations to the fund, in addition to the risk that the borrower under the loan may default on its obligations.

### Note 6

#### Regulatory matters and litigation

Putnam Management has entered into agreements with the Securities and Exchange Commission and the Massachusetts Securities Division settling charges connected with excessive short-term trading by Putnam employees and, in the case of the charges brought by the Massachusetts Securities Division, by participants in some Putnam-administered 401(k) plans. Pursuant to these settlement agreements, Putnam Management will pay a total of \$193.5 million in penalties and restitution, with \$153.5 million being paid to shareholders and the funds. The restitution amount will be allocated to shareholders pursuant to a plan developed by an independent consultant, with payments to shareholders currently expected by the end of the summer.

The SEC's and Massachusetts Securities Division's allegations and related matters also serve as the general basis for numerous lawsuits, including purported class action lawsuits filed against Putnam Management and certain related parties, including certain Putnam funds. Putnam Management will bear any costs incurred by Putnam funds in connection with these lawsuits. Putnam Management believes that the likelihood that the pending private lawsuits and purported class action lawsuits will have a material adverse financial impact on the fund is remote, and the pending actions are not likely to materially affect its ability to provide investment management services to its clients, including the Putnam funds.

#### Compliance certifications (Unaudited)

On July 8, 2004, your fund submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the fund's principal executive officer certified that he was not aware, as of that date, of any violation by the fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the fund's disclosure controls and procedures and internal control over financial reporting.

#### 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.

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### Investment Manager

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

### Investment Sub-Manager

Putnam Investments Limited  
57-59 St. James Street  
London, England SW1A 1LD

### Marketing Services

Putnam Retail Management  
One Post Office Square  
Boston, MA 02109

### Custodian

Putnam Fiduciary Trust Company

### Legal Counsel

Ropes & Gray LLP

### Trustees

John A. Hill, Chairman  
Jameson Adkins Baxter  
Charles B. Curtis  
Myra R. Drucker  
Charles E. Haldeman, Jr.  
Ronald J. Jackson  
Paul L. Joskow  
Elizabeth T. Kennan  
John H. Mullin, III  
Robert E. Patterson  
George Putnam, III  
W. Thomas Stephens  
Richard B. Worley

### Officers

George Putnam, III  
President

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

Jonathan S. Horwitz  
Senior Vice President  
and Treasurer

Steven D. Krichmar  
Vice President and  
Principal Financial Officer

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Michael T. Healy  
Assistant Treasurer and  
Principal Accounting Officer

Daniel T. Gallagher  
Senior Vice President,  
Compliance Liaison  
and Staff Counsel

Beth S. Mazor  
Vice President

James P. Pappas  
Vice President

Richard S. Robie, III  
Vice President

Mark C. Trenchard  
Vice President and  
BSA Compliance Officer

Francis J. McNamara, III  
Vice President and  
Chief Legal Officer

Charles A. Ruys de Perez  
Vice President and  
Chief Compliance Officer

Judith Cohen  
Vice President, 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](http://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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Item 2. Code of Ethics:  
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Not applicable

Item 3. Audit Committee Financial Expert:

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Not applicable

Item 4. Principal Accountant Fees and Services:

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Not applicable

Item 5. Audit Committee: Not applicable

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Item 6. Schedule of Investments: Not applicable

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

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Management Investment Companies: Not applicable  
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Item 8. Purchases of Equity Securities by Closed-End Management Investment

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Companies and Affiliated Purchasers: Not applicable  
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Item 9. Submission of Matters to a Vote of Security Holders:

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Not applicable

Item 10. Controls and Procedures:

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(a) The registrant's principal executive officer and principal financial officer 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, that the design and operation of such procedures are generally effective to provide reasonable assurance that information required to be disclosed by the registrant in this report 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 11. Exhibits:

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(a) Not applicable

(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 and the Investment Company Act of 1940, the registrant has duly

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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: May 27, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934  
and 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/Charles E. Porter  
-----  
Charles E. Porter  
Principal Executive Officer

Date: May 27, 2005

By (Signature and Title):                    /s/Steven D. Krichmar  
-----  
Steven D. Krichmar  
Principal Financial Officer

Date: May 27, 2005