

PUTNAM MANAGED MUNICIPAL INCOME TRUST
Form N-CSR
December 28, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: (811-5740)

Exact name of registrant as specified in charter: Putnam Managed Municipal Income Trust

Address of principal executive offices: One Post Office Square, Boston, Massachusetts 02109

Name and address of agent for service: Beth S. Mazor, Vice President
One Post Office Square
Boston, Massachusetts 02109

Copy to: John W. Gerstmayr, Esq.
Ropes & Gray LLP
One International Place
Boston, Massachusetts 02110

Registrant's telephone number, including area code: (617) 292-1000

Date of fiscal year end: October 31, 2006

Date of reporting period: November 1, 2005 - October 31, 2006

Item 1. Report to Stockholders:

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

What makes Putnam different?

A time-honored tradition in

money management

Since 1937, our values have been rooted in a profound sense of responsibility for the money entrusted to us.

A prudent approach to investing

We use a research-driven team approach to seek consistent, dependable, superior investment results over time, although there is no guarantee a fund will meet its objectives.

Funds for every investment goal

We offer a broad range of mutual funds and other financial products so investors and their financial representatives can build diversified portfolios.

A commitment to doing what's right for investors

We have stringent investor protections and provide a wealth of information about the Putnam funds.

Industry-leading service

We help investors, along with their financial representatives, make informed investment decisions with confidence.

In 1830, Massachusetts Supreme Judicial Court Justice Samuel Putnam established The Prudent Man Rule, a legal foundation for responsible money management.

THE PRUDENT MAN RULE

All that can be required of a trustee to invest is that he shall conduct himself faithfully and exercise a sound discretion. He is to observe how men of prudence, discretion, and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested.

Putnam Managed Municipal Income Trust

10|31|06

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Message from the Trustees

Dear Fellow Shareholder:

Beginning in May 2006, leading economic indicators began to point toward slower growth and sparked a correction that undercut much of the market advance achieved in previous months. However, once the Federal Reserve (the Fed) halted its series of interest-rate increases in August, the combination of continued strong corporate profits and a fall in energy and commodity prices contributed to a more favorable market environment. In addition, U.S. export growth is currently strong, thanks to robust economic growth abroad. Growth in exports, combined with the effects of lower energy and commodity prices and recent stock market gains, may offset the economic impact of the housing sector's continuing slowdown. This may set the stage for stronger domestic economic growth in 2007, which would bode well for markets going forward.

We would like to take this opportunity to announce that a new independent Trustee, Kenneth R. Leibler, has joined your fund's Board of Trustees. Mr. Leibler has had a distinguished career as a leader in the investment management industry. He is the founding Chairman of the Boston Options Exchange, the nation's newest electronic marketplace for the trading of derivative securities. He currently serves as a Trustee of Beth Israel Deaconess Hospital in Boston; a lead director of Ruder Finn Group, a global communications and advertising firm; and a director of the Optimum Funds group.

We would also like to announce the retirement of one of your fund's Trustees, John Mullin, an independent Trustee of the Putnam funds since 1997. We thank him for his service.

In the following pages, members of your fund's management team discuss the fund's performance and strategies for the fiscal period ended October 31, 2006, and provide their outlook for the months ahead. As always, we thank you for your support of the Putnam funds.

Putnam Managed Municipal Income Trust: potential for income exempt from federal income tax

Municipal bonds finance important public projects such as schools, roads, and hospitals, and they can help investors keep more of the income they receive from their investment. Putnam Managed Municipal Income Trust offers an additional advantage — the flexibility to invest in municipal bonds issued by any state in the country.

Municipal bonds are typically issued by states and local municipalities to raise funds for building and maintaining public facilities. The income from a municipal bond is generally exempt from federal income tax. The bonds are backed by either the issuing city or town or by revenues collected from usage fees, and have varying degrees of credit risk — the risk that the issuer won't be able to repay the bond.

The fund's management team can select bonds from a variety of state and local governments throughout the United States. The fund also combines bonds of differing credit quality to increase income potential. In addition to investing in high-quality bonds, the team allocates a portion of the portfolio to lower-rated bonds, which may offer higher income in return for more risk.

When deciding whether to invest in a bond, the team considers factors such as credit risk, interest-rate risk, and the risk that the bond will be prepaid. The team is backed by Putnam's fixed-income organization, one of the largest in the investment management industry, in which municipal bond analysts are grouped into sector teams and conduct ongoing research. Once a bond has been purchased, the team continues to monitor developments that affect the bond market, the sector, and the issuer of the bond. Typically, lower-rated bonds are reviewed more often because of their greater potential risk.

The goal of the management team's research and active management is to stay a step ahead of the industry and pinpoint opportunities to adjust the fund's holdings — either by acquiring more of a particular bond or selling it — for the benefit of the fund and its shareholders.

Lower-rated bonds may offer higher yields in return for more risk. Capital gains, if any, are taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to the federal alternative

minimum tax. Income from federally exempt funds may be subject to state and local taxes. Please consult with your tax advisor for more information. 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 uses leverage, which involves risk and may increase the volatility of the fund's NAV. The fund's shares trade on a stock exchange at market prices, which may be higher or lower than the fund's net asset value.

How do closed-end funds differ from open-end funds?

More assets at work While open-end funds need to maintain a cash position to meet redemptions, closed-end funds are not subject to redemptions and can keep more of their assets invested in the market.

Traded like stocks Closed-end fund shares are traded on stock exchanges, and their market prices fluctuate in response to supply and demand, among other factors.

Market price vs. net asset value Like an open-end fund's net asset value (NAV) per share, the NAV of a closed-end fund share equals the current value of the fund's assets, minus its liabilities, divided by the number of shares outstanding. However, when buying or selling closed-end fund shares, the price you pay or receive is the market price. Market price reflects current market supply and demand and may be higher or lower than the NAV.

Strategies for higher income Closed-end funds have greater flexibility to use strategies such as "leverage" for example, issuing preferred shares to raise capital, then seeking to invest it at higher rates to enhance return for common shareholders.

Municipal bonds may finance a range of community projects and thus play a key role in local development.

Putnam Managed Municipal Income Trust is a leveraged fund that seeks a high level of current income free from federal income tax through investments in investment-grade and higher-yielding, lower-rated municipal bonds. The fund is designed for investors seeking tax-exempt income who are willing to accept the risks associated with below-investment-grade bonds and the use of leverage.

Highlights

For the fiscal year ended October 31, 2006, Putnam Managed Municipal Income Trust had a total return of 7.90% at net asset value (NAV) and 12.07% at market price.

The fund's benchmark, the Lehman Municipal Bond Index, returned 5.75% .

The average return for the fund's Lipper category, High Yield Municipal Debt Funds (closed-end), was 10.21% .

Additional fund performance, comparative performance and Lipper data can be found in the performance section beginning on page 10.

Performance

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It is important to note that a fund's performance at market price usually differs 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 manager, market conditions, fluctuations in supply and demand for the fund's shares, and changes in fund distributions.

Total return for periods ended 10/31/06

Since the fund's inception (2/24/89), average annual return is 7.04% at NAV and 6.01% at market price.

	Average annual return		Cumulative return	
	NAV	Market price	NAV	Market price
10 years	5.49%	3.42%	70.62%	39.96%
5 years	6.50	4.54	37.04	24.84
3 years	8.05	7.49	26.14	24.20
1 year	7.90	12.07	7.90	12.07

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.

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Report from the fund managers

The year in review

Due to our weighting decisions and security selection within several strong sectors of the municipal bond market, as well as our use of leverage, your fund outperformed its benchmark index for the year ended October 31, 2006. The Lehman Municipal Bond Index, your fund's benchmark, is composed of higher-quality, lower-yielding tax-exempt bonds, which continued to lag lower-rated, higher-yielding municipal bonds during the period. However, the fund's results at NAV lagged the average for its Lipper category. We believe this is due to our relatively conservative strategy, which kept the overall portfolio quality somewhat higher and its duration somewhat shorter than many of its competitors. This strategy limited the fund's exposure to longer-term bonds, which rallied toward the end of the period. However, our assessment of market conditions and interest-rate trends led us to believe it was the most prudent approach.

Market overview

Following a string of 17 increases in the federal funds rate — including six that occurred during the fund's 2006 fiscal year — the Fed suspended its credit-tightening program in August, opting to hold the benchmark rate for

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overnight loans between banks steady at 5.25% . Statements from the Federal Open Market Committee, the Fed's policy-setting panel, indicate that future rate increases are possible but will depend on whether the Fed concludes that its two-year campaign to keep inflation in check has been successful.

Reflecting the Fed's activity, yields on shorter-term bonds rose during the period, while yields on long-term bonds declined, leading to a convergence of shorter- and longer-term rates. As rates converged, the yield curve — a graphical representation of differences in yield for bonds of comparable quality plotted from the shortest to the longest maturity — flattened.

A generally robust economy, coupled with solid demand from buyers searching for higher yields, contributed to the strong relative performance of lower-rated bonds. Among uninsured bonds in general and especially bonds rated Baa and below, yield spreads tightened as lower-rated

Market sector performance

These indexes provide an overview of performance in different market sectors for the 12 months ended 10/31/06.

Bonds

Lehman Municipal Bond Index (tax-exempt bonds)	5.75%
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Lehman Government Bond Index (U.S. Treasury and agency securities)	4.58%
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Lehman Intermediate Treasury Bond Index (intermediate-maturity U.S. Treasury bonds)	4.29%
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Lehman Aggregate Bond Index (broad bond market)	5.19%
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Equities

S&P 500 Index (broad stock market)	16.34%
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S&P Utilities Index (utilities stocks)	17.90%
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Russell 2000 Growth Index (small-company growth stocks)	17.07%
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bonds performed better than higher-rated bonds. Non-rated bonds also rallied.

Market sectors that performed particularly well during the period included airline-related industrial development bonds (IDBs); securities issued by hospitals, utilities, and long-term care facilities; and land-secured bonds. Tobacco settlement bonds, meanwhile, underperformed other credit-sensitive sectors modestly, but still

outperformed higher-rated bonds. Limited issuance of tobacco settlement-related securities, coupled with strong investor demand, provided solid supply-and-demand support for the sector.

Strategy overview

Given our expectation for rising interest rates, we maintained a short (defensive) portfolio duration relative to the fund's Lipper peer group, a strategy that detracted moderately from results as bonds with longer maturities generally outperformed those with shorter maturities. In order to keep the fund's duration relatively short, we limited its exposure to longer-maturity bonds, favoring intermediate-maturity securities instead. Duration is a measure of a fund's sensitivity to changes in interest rates. Having a shorter-duration portfolio may help protect principal when interest rates rise, but it can reduce appreciation potential when rates fall. In light of the changing interest-rate environment, we maintained a defensive duration posture relative to the peer group.

The fund's higher overall credit quality compared to others in its peer group held back performance, as the lower-quality tiers of the municipal bond market delivered the strongest results during the period. Although we continue to seek opportunities among lower-rated bonds that meet our credit standards, we believe valuations at the lower-quality tiers of the market have become stretched and intend to continue favoring higher-quality bonds over the near term.

Lastly, the fund's underweight position in callable bonds also constrained results relative to the fund's Lipper peer group. Because they can be called, or redeemed prior to maturity, callable bonds typically offer higher yields than non-callable bonds. Callable bonds performed well over the course of the fiscal year as investors embraced these securities for their higher yields.

Your fund's holdings

Strong economic growth during the 12 months ended October 31, 2006, was augmented by relatively low inflation. This gave yield-hungry investors confidence to bid up prices on lower-quality, higher-yielding bonds. However, we believe that many investors were not sufficiently

Comparison of the fund's maturity and duration

This chart compares changes in the fund's average effective maturity (a weighted average of the holdings' maturities) and its average effective duration (a measure of its sensitivity to interest-rate changes).

Average effective duration and average effective maturity take into account put and call features, where applicable, and reflect prepayments for mortgage-backed securities. Duration is usually shorter than maturity because it reflects interest payments on a bond prior to its maturity. Duration may be higher for funds that use leverage, which magnifies the effects of interest-rate changes.

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discerning in evaluating the credit fundamentals of the underlying borrowers. Yield spreads between higher- and lower-quality municipal bonds have narrowed to the point that, in some cases, investors are not being adequately compensated for the additional risk they are assuming. Although we added more lower-quality bonds to the portfolio during the period to enable the fund to benefit from their higher yields, we have been highly selective. This curbed the fund's participation in the price rally, but we believe it could help overall performance if and when credit spreads begin to widen again and lower-rated bonds begin to decline in price.

Another byproduct of the improving economy has been an improvement in credit quality for some bond issuers, which resulted in improving ratings and pre-refundings. When a bond issue is upgraded by the independent rating agencies, its market value typically rises to reflect its improved rating. Many bond issuers choose to pre-refund older, higher-coupon bonds by issuing new bonds at lower interest rates. The proceeds are invested in

a secure investment — usually U.S. Treasury securities — that matures at the older bond's first call date, effectively raising the bond's perceived rating but shortening its maturity. The fund's holdings in **Iowa Health Care Initiatives** bonds were pre-refunded in July, raising them to AAA, with an effective maturity in 2011.

Airline-related industrial development bonds (IDBs) were among the lower-rated issues that rebounded during the period. IDBs are issued by municipalities but backed by the credit of the company or institution benefiting from the financing. Investor perceptions about the backing company's health, or that of its industry group, can affect the prices of these bonds more than the rating of the issuing municipality. Airline-related IDBs rallied as the outlook for this struggling industry improved. Passenger traffic is at an all-time high, and higher ticket prices plus a decrease in the number of flights have helped airlines climb out of a prolonged period of financial distress. While we believe the industry is stabilizing, risks remain high and we have been cautious. The fund's position in airlines is significantly lower than that of many others in its Lipper category. This limited its participation in the price rally for airline-related IDBs late in the period when fuel prices subsided. Fuel is a large component of airlines' fixed costs. The fund has held a small portion of assets in bonds backed by **American Airlines, Continental Airlines, and British Airways** for some time, but we limited new investments to some bonds issued by **New York City Industrial Development Authority** for **American Airlines**, which we regard as one of the strongest carriers.

Credit quality overview

Credit qualities shown as a percentage of portfolio value as of 10/31/06. A bond rated Baa or higher is considered investment grade. The chart reflects Moody's ratings; percentages may include bonds not rated by Moody's but considered by Putnam Management to be of comparable quality. Ratings will vary over time.

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Despite a general slowdown in the housing sector, the fund has a slight overweight position in single-family housing bonds relative to its peer group. As rising interest rates stemmed the tide of mortgage prepayments, this sector has performed well. The fund's portfolio includes municipal bonds issued for single-family houses being built in **South Dakota, Idaho, New Mexico, and Texas**. We believe they provide attractive yields as well as diversification.

The fund's **tobacco settlement** holdings also rose in value, as this sector continued to strengthen during the period. While tobacco settlement bonds generally carry investment-grade ratings, they are secured by the income stream from tobacco companies' settlement obligations to the states and generally offer higher yields than bonds of comparable quality. We believe tobacco settlement bonds provide valuable diversification, since their performance is not closely tied to the direction of economic growth. The fund is overweighted in this sector, relative to the peer group, and holds tobacco settlement bonds issued in **California, Iowa, New York, South Carolina, South Dakota, Washington, Wisconsin, and the District of Columbia**.

Another positive strategy for the fund during the period was its diversification into bonds issued by Puerto Rico. Interest payments from bonds issued by this U.S. protectorate pass tax-free to investors in any state, which makes them popular with many single-state funds seeking current income. However, **general obligation (GO) bonds** issued by **Puerto Rico** were downgraded in May when financial turmoil within the Commonwealth led to a partial government shutdown. Prices of uninsured Puerto Rico bonds declined, providing us with an opportunity to purchase bonds at favorable prices. We bought some **Puerto Rico GOs** issued for public improvements in May, when prices were especially low, and they subsequently rallied nicely.

Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future.

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The outlook for your fund

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

It appears that the Fed has left the door open for future rate increases as it continues its efforts to engineer a "soft landing" for the economy. A soft landing occurs when economic growth slows but is still solid enough to sustain job creation and corporate profits. Therefore, while we anticipate that economic growth is likely to slow as we move into 2007, we plan to maintain a defensive duration strategy until longer-range Fed policy becomes clearer. In addition, given the municipal bond market's exceptionally strong performance relative to Treasuries throughout the period, valuations have become elevated to levels that, we believe, argue in favor of taking a defensive approach over the near term.

In our view, the extended rally among lower-rated, higher-yielding bonds may be in its final stages. We base this view, in part, on the fact that the difference in yield between Aaa-rated bonds and Baa-rated bonds — the highest and lowest investment-grade ratings, respectively — is at its narrowest point since 1999. In other words, the higher-income advantage available to those willing to assume additional credit risk has diminished substantially.

Among sectors, we remain positive on tobacco settlement bonds and currently plan to maintain an allocation to the sector, as we believe that the bonds continue to offer an attractive risk/reward profile. We are also maintaining the fund's exposure to the single-family housing sector, and will look to add to these holdings as opportunities arise.

The views expressed in this report are exclusively those of Putnam Management. They are not meant as investment advice.

Lower-rated bonds may offer higher yields in return for more risk. Capital gains, if any, are taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes. Please consult with your tax advisor for more information. 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 uses leverage, which involves risk and may increase the volatility of the fund's net asset value.

The fund's shares trade on a stock exchange at market prices, which may be higher or lower than the fund's net asset value.

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Your fund's performance

This section shows your fund's performance for periods ended October 31, 2006, the end of its fiscal year. In accordance with regulatory requirements for mutual funds, we also include performance as of the most recent calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Data

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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.

Fund performance Total return for periods ended 10/31/06

	NAV	Market price	Lehman Municipal Bond Index	Lipper High Yield Municipal Debt Funds (closed-end) category average*
Annual average				
Life of fund (since 2/24/89)	7.04%	6.01%	6.94%	6.25%
10 years	70.62	39.96	76.60	79.33
Annual average	5.49	3.42	5.85	5.98
5 years	37.04	24.84	27.94	40.32
Annual average	6.50	4.54	5.05	7.00
3 years	26.14	24.20	14.97	29.12
Annual average	8.05	7.49	4.76	8.88
1 year	7.90	12.07	5.75	10.21

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

*Index and Lipper results should be compared to fund performance at net asset value. Lipper calculations for reinvested dividends may differ from actual performance. * Over the 1-, 3-, 5-, and 10-year periods ended 10/31/06, there were 15, 14, 12, and 12 funds, respectively, in this Lipper category.*

Fund price and distribution

information For the 12-month period ended 10/31/06

Distributions ☐ common shares

Number	12
Income ¹	\$0.4104
Capital gains ²	☐
Total	\$0.4104

Series A

Series B

Series C

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Distributions of preferred shares (550 shares)	(550 shares)	(650 shares)
Income ¹	\$3,346.81	\$3,309.04
Capital gains ²	□	□
Total	\$3,346.81	\$3,309.04
Share value:	NAV	Market Price
10/31/05	\$8.20	\$7.15
10/31/06	8.37	7.58
Current yield (end of period)		
Current dividend rate ³	4.89%	5.40%
Taxable equivalent ⁴	7.52	8.31

1 For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes.

2 Capital gains, if any, are taxable for federal and, in most cases, state purposes.

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

4 Assumes maximum 35% federal tax rate for 2006. Results for investors subject to lower tax rates would not be as advantageous.

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Fund performance as of most recent calendar quarter Total return for periods ended 9/30/06

	NAV	Market price
Annual average		
Life of fund (since 2/24/89)	7.03%	5.93%
10 years	71.37	39.97
Annual average	5.53	3.42
5 years	37.50	22.45
Annual average	6.58	4.13
3 years	24.84	18.59
Annual average	7.68	5.85
1 year	6.64	5.46

Your fund's management

Your fund is managed by the members of the Putnam Tax Exempt Fixed-Income Team. Paul Drury is the Portfolio Leader, and Brad Libby, Susan McCormack, Thalia Meehan, and James St. John are Portfolio Members of your fund. The Portfolio Leader and Portfolio Members coordinate the team's management of the fund. For a complete listing of the members of the Putnam Tax Exempt Fixed-Income Team, including those who are not Portfolio Leaders or Portfolio Members of your fund, visit Putnam's Individual Investor Web site at www.putnam.com.

Investment team fund ownership

The table below shows how much the fund's current Portfolio Leader and Portfolio Members have invested in the fund and in all Putnam mutual funds (in dollar ranges). Information shown is as of October 31, 2006, and October 31, 2005.

N/A indicates the individual was not a Portfolio Leader or Portfolio Member as of 10/31/05.

Trustee and Putnam employee fund ownership

As of October 31, 2006, all of the Trustees on the Board of the Putnam funds owned fund shares. The table below shows the approximate value of investments in the fund and all Putnam funds as of that date by the Trustees and Putnam employees. These amounts include investments by the Trustees' and employees' immediate family members and investments through retirement and deferred compensation plans.

	Assets in the fund	Total assets in all Putnam funds
Trustees	\$28,000	\$ 92,000,000
Putnam employees	\$ 9,000	\$427,000,000

Fund manager compensation

The total 2005 fund manager compensation that is attributable to your fund is approximately \$250,000. This amount includes a portion of 2005 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 2005 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 oversee. This amount does not include compensation of other personnel involved in research, trading, administration, systems, compliance, or fund operations; nor does it include non-compensation costs. These percentages are determined as of the fund's fiscal period-end. For personnel who joined Putnam Management during or after 2005, the calculation reflects annualized 2005 compensation or an estimate of 2006 compensation, as applicable.

Other Putnam funds managed by the Portfolio Leader and Portfolio Members

Paul Drury is the Portfolio Leader and Brad Libby, Susan McCormack, Thalia Meehan, and James St. John are Portfolio Members of Putnam High Yield Municipal Trust, Putnam Tax-Free Health Care Fund, and Putnam Tax-Free High Yield Fund.

James St. John is the Portfolio Leader and Paul Drury, Brad Libby, Susan McCormack, and Thalia Meehan are Portfolio Members of Putnam's open-end tax-exempt funds for the following states: Arizona, California, Florida, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, and Pennsylvania. The same group also manages Putnam AMT-Free Insured Municipal Fund, Putnam California Investment Grade Municipal Trust, Putnam Investment Grade Municipal Trust, Putnam Municipal Bond Fund, Putnam Municipal Opportunities Trust, Putnam New York Investment Grade Municipal Trust, and Putnam Tax Exempt Income Fund.

James St. John, Paul Drury, Brad Libby, Susan McCormack, and Thalia Meehan 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 October 31, 2006, Portfolio Member Paul Drury became Portfolio Leader and Brad Libby and Thalia Meehan became Portfolio Members of your fund. These changes followed the departure of Portfolio Leader David Hamlin from your fund's management team.

Putnam fund ownership by Putnam's Executive Board

The table below shows how much the members of Putnam's Executive Board have invested in all Putnam mutual funds (in dollar ranges). Information shown is as of October 31, 2006, and October 31, 2005.

	Year	\$0	\$1 - \$10,000	\$10,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 and over
Philippe Bibi	2006							
<i>Chief Technology Officer</i>	2005							
Joshua Brooks	2006							
<i>Deputy Head of Investments</i>	2005							
William Connolly	2006							
<i>Head of Retail Management</i>	2005							
Kevin Cronin	2006							
<i>Head of Investments</i>	2005							
Charles Haldeman, Jr.	2006							
<i>President and CEO</i>	2005							
Amrit Kanwal	2006							

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<i>Chief Financial Officer</i>	2005	☐
Steven Krichmar	2006	☐
<i>Chief of Operations</i>	2005	☐
Francis McNamara, III	2006	☐
<i>General Counsel</i>	2005	☐
Jeffrey Peters	2006	☐
<i>Head of International Business</i>	N/A	
Richard Robie, III	2006	☐
<i>Chief Administrative Officer</i>	2005	☐
Edward Shadek	2006	☐
<i>Deputy Head of Investments</i>	2005	☐
Sandra Whiston	2006	☐
<i>Head of Institutional Management</i>	2005	☐

N/A indicates the individual was not a member of Putnam's Executive Board as of 10/31/05.

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Terms and definitions

Important terms

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 and the net assets allocated to any outstanding preferred shares, divided by the number of outstanding common shares.

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

Comparative indexes

Lehman Aggregate Bond Index is an unmanaged index of U.S. investment-grade fixed-income securities.

Lehman Government Bond Index is an unmanaged index of U.S. Treasury and agency securities.

Lehman Intermediate Treasury Bond Index is an unmanaged index of U.S. Treasury securities with maturities between 1 and 10 years.

Lehman Municipal Bond Index is an unmanaged index of long-term fixed-rate investment-grade tax-exempt bonds.

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

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

S&P Utilities Index is an unmanaged index of common stocks issued by utility companies.

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 mutual funds. Its rankings do not reflect sales charges. Lipper rankings are based on total return at net asset value relative to other funds that have similar current investment styles or objectives as determined by Lipper. Lipper may change a fund's category assignment at its discretion. Lipper category averages reflect performance trends for funds within a category.

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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 your fund's management contract with Putnam Management. In this regard, the Board of Trustees, with the assistance of its Contract Committee consisting solely of Trustees who are not "interested persons" (as such term is defined in the Investment Company Act of 1940, as amended) of the Putnam funds (the "Independent Trustees"), requests and evaluates all information it deems reasonably necessary under the circumstances. Over the course of several months ending in June 2006, the Contract Committee met four times to consider 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 management contract, effective July 1, 2006.

This approval was based on the following conclusions:

That the fee schedule 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 services, 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 and how the Trustees considered these factors are described below, although individual Trustees may have evaluated the information presented differently, giving different weights to various factors. It is also important to recognize that the fee arrangements for your fund and the other Putnam funds are the result of many years of

review and discussion between the Independent Trustees and Putnam Management, that certain aspects of such arrangements may receive greater scrutiny in some years than others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements in prior years.

Management fee schedules and categories; total expenses

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints, and the assignment of funds to particular fee categories. In reviewing fees and expenses, the Trustees generally focused their attention on material changes in circumstances — for example, changes in a fund's size or investment style, changes in Putnam Management's operating costs, or changes in competitive practices in the mutual fund industry — that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not warrant changes to the management fee structure of your fund, which had been carefully developed over the years, re-examined on many occasions and adjusted where appropriate. The Trustees focused on two areas of particular interest, as discussed further below:

Competitiveness. The Trustees reviewed comparative fee and expense information for competitive funds, which indicated that, in a custom peer group of competitive funds selected by Lipper Inc., your fund ranked in the 50th percentile in management fees and in the 50th percentile in total expenses as of December 31, 2005 (the first percentile being the least expensive funds and the 100th percentile being the most expensive funds). The Trustees expressed their intention to monitor this information closely to ensure that fees and expenses of your fund continue to meet evolving competitive standards.

Economies of scale. Your fund currently has the benefit of breakpoints in its management fee that provide shareholders with significant economies of scale, which means that the effective management fee rate of a fund (as a percentage of fund assets) declines as a fund grows in size and crosses specified asset thresholds. Conversely, as a fund shrinks in size — as has been the case for many Putnam funds in recent years — these breakpoints result in increasing fee levels. In recent years, the Trustees have examined the operation of the existing breakpoint structure during periods of both growth and decline in asset levels. In recent years, the Trustees have examined the operation of the existing breakpoint structure during periods of both growth and decline in asset levels. The Trustees concluded that the fee schedules in effect for the funds represented an appropriate sharing of economies of scale at current asset levels. In reaching this conclusion, the Trustees considered the Contract Committee's stated intent to continue to work with Putnam Management to plan for an eventual resumption in the growth

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of assets, including a study of potential economies that might be produced under various growth assumptions.

In connection with their review of the management fees and total expenses of the Putnam funds, the Trustees also reviewed the costs of the services to be provided and profits to be realized by Putnam Management and its affiliates from the relationship with the funds. This information included trends in revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability with respect to the funds' management contracts, allocated on a fund-by-fund basis. Because many of the costs incurred by Putnam Management in managing the funds are not readily identifiable to particular funds, the Trustees observed that the methodology for allocating costs is an important factor in evaluating Putnam Management's costs and profitability, both as to the Putnam funds in the aggregate and as to individual funds. The Trustees reviewed Putnam Management's cost allocation methodology with the assistance of independent consultants and concluded that this methodology was reasonable and well-considered.

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 your fund's management contract. The Trustees were assisted in their review of the Putnam funds' investment process and performance by the work of the Investment Process Committee of the Trustees and the Investment Oversight Committee of the Trustees, which meet on a regular monthly basis with the funds' portfolio teams throughout the year. The Trustees concluded that

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Putnam Management generally provides 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 — but also recognize that this 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 each 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 discussed with senior management of Putnam Management the factors contributing to such underperformance 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 to address areas of underperformance. In particular, they noted the important contributions of Putnam Management's leadership in attracting, retaining and supporting high-quality investment professionals and in systematically implementing an investment process that seeks to merge the best features of fundamental and quantitative analysis. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these changes and to evaluate whether additional changes to address areas of underperformance are warranted.

In the case of your fund, the Trustees considered that your fund's common share cumulative total return performance at net asset value was in the following percentiles of its Lipper Inc. peer group (Lipper High Yield Municipal Debt Funds (closed-end)) (compared using tax-adjusted performance to recognize the different federal income tax treatment for capital gains distributions and exempt-interest distributions) for the one-, three- and five-year periods ended March 31, 2006 (the first percentile being the best performing funds and the 100th percentile being the worst performing funds):

One-year period	Three-year period	Five-year period
87th	69th	76th

(Because of the passage of time, these performance results may differ from the performance results for more recent periods shown elsewhere in this report. Over the one-, three- and five-year periods ended March 31, 2006, there were 15, 12, and 12 funds, respectively, in your fund's Lipper peer group.* Past performance is no guarantee of future performance.)

** The percentile rankings for your fund's common share annualized total return performance in the Lipper High Yield Municipal Debt Funds (closed-end) category for the one-, five- and ten-year periods ended September 30, 2006, were 88%, 77%, and 62%, respectively. Over the one-, five- and ten-year periods ended September 30, 2006, the fund ranked 14th out of 15, 10th out of 12, and 8th out of 12 funds, respectively. Unlike the information above, these rankings reflect performance before taxes. Note that this more recent information was not available when the Trustees approved the continuance of your fund's management contract.*

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The Trustees noted the disappointing performance for your fund for the one- and five-year periods ended March 31, 2006. In this regard, the Trustees considered Putnam Management's view that one factor in the fund's relative underperformance during this period appears to have been its selection of higher quality bonds, given market conditions. The Trustees also considered Putnam Management's view that the fund's investment strategy and process are designed to produce attractive relative performance over longer periods.

As a general matter, the Trustees concluded that cooperative efforts between the Trustees and Putnam Management represent the most effective way to address investment performance problems. The Trustees noted that investors in the Putnam funds have, in effect, placed their trust in the Putnam organization, under the oversight of the funds' Trustees, to make appropriate decisions regarding the management of the funds. Based on the responsiveness of Putnam Management in the recent past to Trustee concerns about investment performance, the Trustees concluded that it is preferable to seek change within Putnam Management to address performance shortcomings. In the Trustees' view, the alternative of terminating a management contract and engaging a new

investment adviser for an underperforming fund would entail significant disruptions and would not provide any greater assurance of improved investment performance.

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 benefits related to brokerage and soft-dollar allocations, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that may be useful to Putnam Management in managing the assets of the fund and of other clients. The Trustees indicated their continued intent to monitor the potential benefits associated with the allocation of fund brokerage to ensure that the principle of seeking "best price and execution" remains paramount in the portfolio trading process.

The Trustees' annual review of your fund's management contract also included the review of your fund's custodian and investor servicing agreements with Putnam Fiduciary Trust Company, which provide benefits to affiliates of Putnam Management.

Comparison of retail and institutional fee schedules

The information examined by the Trustees as part of their annual contract review has included for many years information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans, college endowments, etc. This information included comparison of such fees with fees charged to the funds, as well as a detailed assessment of the differences in the services provided to these two types of clients. The Trustees observed, in this regard, that the differences in fee rates between institutional clients and the 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 reflect to a substantial degree historical competitive forces operating in separate market places. The Trustees considered the fact that fee rates across all asset sectors are higher on average for mutual funds than for institutional clients, as well as the differences between the services that Putnam Management provides to the Putnam funds and those that it provides to institutional clients of the firm, but did not rely on such comparisons to any significant extent in concluding that the management fees paid by your fund are reasonable.

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Other information for shareholders

Important notice regarding share repurchase program

In September 2006, the Trustees of your fund approved an extension of the current share repurchase program being implemented by Putnam Investments on behalf of your fund. The plan, as extended, allows your fund to repurchase, in the 24 months ending October 6, 2007, up to 10% of the common shares outstanding as of October 7, 2005.

Putnam's policy on confidentiality

In order to conduct business with our shareholders, we must obtain certain personal information such as account holders' addresses, telephone numbers, Social Security numbers, and the names of their financial advisors. We use this information to assign an account number and to help us maintain accurate records of transactions and account balances. It is our policy to protect the confidentiality of your information, whether or not you currently own shares of our funds, and in particular, not to sell information about you or your accounts to outside marketing firms. We have safeguards in place designed to prevent unauthorized access to our computer systems and procedures to protect personal information from unauthorized use. Under certain circumstances, we share this information with outside vendors who provide services to us, such as mailing and proxy solicitation. In those cases, the service providers enter into confidentiality agreements with us, and we provide only the information necessary to process transactions and perform other services related to your account. We may also share this information with our Putnam affiliates to service your account or provide you with information about other Putnam products or services.

It is also our policy to share account information with your financial advisor, if you've listed one on your Putnam account. If you would like clarification about our confidentiality policies or have any questions or concerns, please don't hesitate to contact us at 1-800-225-1581, Monday through Friday, 8:30 a.m. to 7:00 p.m., or Saturdays from 9:00 a.m. to 5:00 p.m. Eastern Time.

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, 2006, are available on the Putnam Individual Investor Web site, www.putnam.com/individual, and on the SEC's Web site, 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

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. 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.

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Financial statements

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

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

Statement of assets and liabilities shows how the fund's net assets and share price are determined. All investment and noninvestment assets are added together. Any unpaid expenses and other liabilities are subtracted from this total. The result is divided by the number of shares to determine the net asset value per share. (For funds with preferred shares, the amount subtracted from total assets includes the liquidation preference of preferred shares.)

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

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

Financial highlights provide an overview of the fund's investment results, per-share distributions, expense ratios, net investment income ratios, and portfolio turnover in one summary table, reflecting the five most recent

reporting periods. In a semiannual report, the highlight table also includes the current reporting period.

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Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders
Putnam Managed Municipal Income Trust:

We have audited the accompanying statement of assets and liabilities of Putnam Managed Municipal Income Trust, including the fund's portfolio, as of October 31, 2006, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2006 by correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Putnam Managed Municipal Income Trust as of October 31, 2006, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts December 8, 2006

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The fund's portfolio^{10/31/06}

Key to abbreviations

AMBAC AMBAC Indemnity Corporation

COP Certificate of Participation

FGIC Financial Guaranty Insurance Company

FHA Insd. Federal Housing Administration Insured

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FHLMC Coll. Federal Home Loan Mortgage Corporation Collateralized

FNMA Coll. Federal National Mortgage Association Collateralized

FRB Floating Rate Bonds

FSA Financial Security Assurance

GNMA Coll. Government National Mortgage Association Collateralized

G.O. Bonds General Obligation Bonds

MBIA MBIA Insurance Company

PSFG Permanent School Fund Guaranteed

Radian Insd. Radian Group Insured

U.S. Govt. Coll. U.S. Government Collateralized

VRDN Variable Rate Demand Notes

MUNICIPAL BONDS AND NOTES (144.7%)*

	Rating **		Principal amount		Value
Alabama (0.4%)					
Butler, Indl. Dev.					
Board Solid Waste					
Disp. Rev. Bonds (GA.					
Pacific Corp.),					
5 3/4s, 9/1/28	B	\$	950,000	\$	975,185
Sylacauga, Hlth. Care					
Auth. Rev. Bonds					
(Coosa Valley Med.					
Ctr.), Ser. A,					
6s, 8/1/25	B/P		650,000		681,915
					1,657,100

Arizona (3.3%)

Apache Cnty., Indl.

Dev. Auth. Poll.

Control Rev. Bonds

(Tucson Elec.

Pwr. Co.), Ser. B,

5 7/8s, 3/1/33
 Baa3 | | 1,000,000 | | 1,004,820 |

AZ Hlth. Fac. Auth.

Hosp. Syst. Rev.

Bonds (John C.

Lincoln Hlth.

Network), 6 3/8s,

12/1/37 (Prerefunded)
 BBB | | 1,000,000 | | 1,154,740 |

Casa Grande, Indl.

Dev. Auth. Rev. Bonds

(Casa Grande Regl.

Med. Ctr.), Ser. A,

7 5/8s, 12/1/29
 BBB/P | | 1,800,000 | | 2,008,008 |

MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

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	Rating **		Principal amount		Value
<i>Arizona continued</i>					
Cochise Cnty., Indl. Dev. Auth. Rev. Bonds (Sierra Vista Regl. Hlth. Ctr.), Ser. A, 6.2s, 12/1/21	BB+/P	\$	495,000	\$	532,561
Coconino Cnty., Poll. Control Rev. Bonds (Tuscon/Navajo Elec. Pwr.), Ser. A, 7 1/8s, 10/1/32	Baa3		3,000,000		3,127,260
Glendale, Wtr. & Swr. Rev. Bonds, AMBAC, 5s, 7/1/28	Aaa		2,000,000		2,109,860
Pima Cnty., Indl Dev. Auth. Rev. Bonds (Horizon Cmnty. Learning Ctr.), 5.05s, 6/1/25	BBB□		815,000		805,293
Queen Creek, Special Assmt. Bonds (Impt. Dist. No. 001), 5s, 1/1/26	Baa2		600,000		615,468
Scottsdale, Indl. Dev. Auth. Hosp. Rev. Bonds (Scottsdale Hlth. Care), 5.8s, 12/1/31 (Prerefunded)	A3		1,000,000		1,110,560
					12,468,570

<i>Arkansas (3.3%)</i>					
AR State Hosp. Dev. Fin. Auth. Rev. Bonds (Washington Regl. Med. Ctr.), 7 3/8s, 2/1/29 (Prerefunded)	Baa2		4,600,000		5,122,422
Independence Cnty., Poll. Control Rev. Bonds (Entergy AR, Inc.), 5s, 1/1/21	A□		1,000,000		1,025,470
Little Rock G.O. Bonds (Cap. Impt.), FSA, 3.95s, 4/1/19	Aaa		765,000		759,018
Northwest Regl. Arpt. Auth. Rev. Bonds,					

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7 5/8s, 2/1/27 (Prerefunded) Springdale, Sales & Use Tax Rev. Bonds, FSA	BB/P	2,750,000	2,938,018
4.05s, 7/1/26	Aaa	1,000,000	998,610
4s, 7/1/27 Washington Cnty., Hosp. Rev. Bonds (Regl. Med. Ctr.), Ser. B, 5s, 2/1/25	Aaa Baa2	1,000,000 500,000	999,960 517,725
			12,361,223

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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
California (15.8%) CA Hlth. Fac. Fin. Auth. Rev. Bonds AMBAC, 5.293s, 7/1/17 (CA-NV Methodist), 5s, 7/1/26 (Stanford Hosp. & Clinics), Ser. A, 5s, 11/15/23 CA Poll. Control Fin. Auth. Solid Waste Disp. Rev. Bonds (Waste Management, Inc.), Ser. A-2, 5.4s, 4/1/25 CA State Dept. of Wtr. Resources Rev. Bonds, Ser. A AMBAC, 5 1/2s, 5/1/13 5 1/2s, 5/1/11 CA Statewide Cmnty., Dev. Auth. COP (The Internext Group), 5 3/8s, 4/1/30 CA Statewide Cmnty., Dev. Auth. Rev. Bonds (Thomas Jefferson	Aaa A+ A2 BBB Aaa A1 BBB	\$ 3,400,000 500,000 1,000,000 1,200,000 16,500,000 3,000,000 3,000,000	\$ 3,403,638 527,405 1,054,490 1,283,016 18,246,690 3,241,050 3,056,970

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School of Law), Ser. B, 4 7/8s, 10/1/31	BBB□	1,030,000	1,040,413
CA Statewide Cmnty., Dev. Auth. Apt. Mandatory Put Bonds (Irvine Apt. Cmnty.), Ser. A-3, 5.1s, 5/17/10	BBB+	2,250,000	2,317,568
Capistrano, Unified School Dist. Cmnty. Fac. Special Tax Bonds (No. 98-2 Ladera), 5.7s, 9/1/20 (Prerefunded)	BBB/P	1,000,000	1,076,260
Cathedral City, Impt. Board Act of 1915 Special Assmt. Bonds (Cove Impt. Dist.), Ser. 04-02 5.05s, 9/2/35	BB+/P	395,000	402,778
5s, 9/2/30	BB+/P	250,000	254,588
Chula Vista, Cmnty. Fac. Dist. Special Tax Rev. Bonds (No. 08-1 Otay Ranch Village Six), 6s, 9/1/33	BB/P	1,250,000	1,306,925
(No 07-1 Otay Ranch Village Eleven), 5 7/8s, 9/1/34	BB/P	300,000	318,405

MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
<hr/>			
California <i>continued</i> Chula Vista, Cmnty. Fac. Dist. Special Tax Rev. Bonds (No. 07-1 Otay Ranch Village Eleven), 5.8s, 9/1/28	BB/P	\$ 300,000	\$ 319,161
Chula Vista, Indl. Dev. Rev. Bonds (San Diego Gas), Ser. B, 5s, 12/1/27	A1	950,000	997,823
Corona, COP (Vista Hosp. Syst.), zero %, 7/1/29 (In default) (F) □	D/P	10,775,000	118,525
Folsom, Special Tax			

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Rev. Bonds (Cmnty. Facs. Dist. No. 10), 5 7/8s, 9/1/28	BB/P	750,000	781,043
Gilroy, Rev. Bonds (Bonfante Gardens Park), 8s, 11/1/25	BB/P	770,000	701,801
Golden State Tobacco Securitization Corp. Rev. Bonds Ser. 03-A1, 6 3/4s, 6/1/39	BBB	850,000	975,520
Ser. B, FHLMC Coll., 5 5/8s, 6/1/38 (Prerefunded)	AAA	2,500,000	2,794,075
Ser. 03 A-1, 5s, 6/1/21	BBB	625,000	627,738
Jurupa, Cmnty. Svcs. Dist. Special Tax (Dist. No. 19 Eastvale), 5s, 9/1/27	BB/P	500,000	505,035
Murrieta, Cmnty. Fac. Dist. Special Tax (No. 2 The Oaks Impt. Area A), 6s, 9/1/34	BB+/P	1,100,000	1,166,792
Orange Cnty., Cmnty. Fac. Dist. Special Tax Rev. Bonds (Ladera Ranch □ No. 02-1), Ser. A, 5.55s, 8/15/33	BBB/P	650,000	669,351
Poway, Unified School Dist. Cmnty. Facs. Special Tax Bonds (Dist. No. 14- Area A), 5 1/8s, 9/1/26	BB/P	850,000	872,729
Roseville, Special Tax (Fiddymment Ranch Cmnty. Fac), 5s, 9/1/18	BB/P	675,000	689,148
Roseville, Cmnty. Fac. Special Tax Bonds (Dist. No. 1 □ Westpark) (Dist. No. 1 - Westpark)			
5 1/4s, 9/1/25	BB/P	315,000	324,623

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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

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	Rating **		Principal amount		Value
California <i>continued</i>					
Roseville, Cmnty. Fac. Special Tax Bonds (Dist. No. 1 □ Westpark) (Dist. No. 1 - Westpark)					
5 1/4s, 9/1/17	BB/P	\$	985,000	\$	1,016,047
(Dist. No. 1), 5s, 9/1/14	BB/P		400,000		411,984
Sacramento, Special Tax (North Natomas Cmnty. Fac.), Ser. 4-C, 6s, 9/1/33					
	BBB/P		1,250,000		1,348,313
San Diego, Assn. of Bay Area Governments Fin. Auth. For Nonprofit Corps. Rev. Bonds (San Diego Hosp.), Ser. A, 6 1/8s, 8/15/20					
	Baa1		250,000		272,218
Santaluz Cmnty., Facs. Dist. No. 2 Special Tax Rev. Bonds (Impt. Area No. 1), Ser. B, 6 3/8s, 9/1/30					
	BBB/P		2,455,000		2,487,406
Thousand Oaks, Cmnty. Fac. Dist. Special Tax Rev. Bonds (Marketplace 94-1), zero %, 9/1/14					
	B/P		2,960,000		1,729,854
Vallejo, COP (Marine World Foundation), 7.2s, 2/1/26					
	BBB□/P		2,500,000		2,566,225
<hr/>					
Colorado (2.8%)					
CO Hlth. Fac. Auth. Rev. Bonds (Christian Living Cmntys.), Ser. A, 5 3/4s, 1/1/26					
	BB□/P		200,000		208,550
(Evangelical Lutheran), 5 1/4s, 6/1/23					
	A□		1,000,000		1,068,230
(Evangelical Lutheran), 5 1/4s, 6/1/21					
	A3		660,000		708,239
(Evangelical Lutheran),					

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5 1/4s, 6/1/19 CO Pub. Hwy. Auth. Rev. Bonds (E-470 Pub. Hwy.), Ser. B zero %, 9/1/35 (Prerefunded)	A3	420,000	453,092
zero %, 9/1/34 (Prerefunded)	Aaa	15,500,000	2,039,335
Denver, City & Cnty. Arpt. Rev. Bonds Ser. D, AMBAC, 7 3/4s, 11/15/13	Aaa	16,500,000	2,342,340
MBIA, 5 1/2s, 11/15/25	AAA	1,050,000	1,199,142
	Aaa	2,500,000	2,526,600
			10,545,528

MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
Delaware (0.9%)			
GMAC Muni. Mtge. Trust 144A sub. notes, Ser. A1-3, 5.3s, 10/31/39	A3	\$ 2,500,000	\$ 2,654,650
New Castle Cnty., Rev. Bonds (Newark Charter School), 5s, 9/1/36	BBB□	300,000	303,465
Sussex Cnty., Rev. Bonds (First Mtge. - Cadbury Lewes), Ser. A, 5.9s, 1/1/26	B/P	350,000	367,056
			3,325,171
District of Columbia (0.5%)			
DC Tobacco Settlement Fin. Corp. Rev. Bonds, 6 1/4s, 5/15/24	BBB	1,900,000	2,037,560
Florida (8.7%)			
CFM Cmnty. Dev. Dist. Rev. Bonds, (Cap. Impt.), Ser. A, 6 1/4s, 5/1/35	BB□/P	1,500,000	1,618,650
Fishhawk, Cmnty. Dev. Dist. II Rev. Bonds Ser. A, 6 1/8s, 5/1/34	BB/P	485,000	516,792
Ser. B, 5s, 11/1/07	BB/P	40,000	40,080

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FL State Mid-Bay Bridge Auth. Rev. Bonds, Ser. A, 6.05s, 10/1/22	BBB/P	770,000	801,354
Fleming Island, Plantation Cmnty. Dev. Dist. Special Assmt. Bonds, Ser. B, 7 3/8s, 5/1/31	BB/P	750,000	804,555
Gateway Svcs. Cmnty., Dev. Dist. Special Assmt. Bonds (Stoneybrook), 5 1/2s, 7/1/08	BB/P	120,000	120,658
Halifax, Hosp. Med. Ctr. Rev. Bonds, Ser. A, 5 1/4s, 6/1/21	BBB+	3,200,000	3,408,032
Heritage Harbor, South Cmnty. Dev. Distr. Rev. Bonds, Ser. A, 6 1/2s, 5/1/34	BB+/P	480,000	521,045
Heritage Isle at Viera, Cmnty. Dev. Dist. Special Assmt., Ser. B, 5s, 11/1/09	BB/P	195,000	195,564
Highlands Cnty., Hlth. Fac. Auth. Rev. Bonds (Adventist Hlth.) Ser. A, 5s, 11/15/21	A+	1,000,000	1,055,760
Ser. A, 5s, 11/15/20	A+	1,000,000	1,055,760

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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
Florida <i>continued</i> Islands at Doral III, Cmnty. Dev. Dist. Special Assmt. Bonds, Ser. 04-A, 5.9s, 5/1/35	BB/P	\$ 1,230,000 \$	1,291,439
Lee Cnty., Indl. Dev. Auth. Rev. Bonds (Alliance Cmnty.), Ser. C, 5 1/2s, 11/15/29	BBB□	1,000,000	1,026,190
Miami Beach, Hlth. Fac. Auth. Hosp. Rev. Bonds (Mount Sinai			

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Med. Ctr.), Ser. A, 6.7s, 11/15/19 North Springs, Impt. Dist. Special Assmt. Rev. Bonds (Parkland Golf Country Club), Ser. A-1, 5.45s, 5/1/26 Old Palm, Cmnty. Dev. Dist. Special Assmt. Bonds (Palm Beach Gardens), Ser. A, 5.9s, 5/1/35 Palm Coast Pk. Cmnty. Dev. Dist. Special Assmt. Bonds, 5.7s, 5/1/37 Reunion West, Cmnty. Dev. Dist. Special Assmt. Bonds, 6 1/4s, 5/1/36 South Bay, Cmnty. Dev. Dist. Rev. Bonds, Ser. B-2, 5 3/8s, 5/1/13 South Miami, Hlth. Fac. Auth. Rev. Bonds (Baptist Hlth.), 5 1/4s, 11/15/33 South Village, Cmnty. Dev. Dist. Rev. Bonds, Ser. A, 5.7s, 5/1/35 Tampa Bay, Cmnty. Dev. Dist. Special Assmt. Bonds (New Port), Ser. A, 5 7/8s, 5/1/38 Tern Bay, Cmnty. Dev. Dist. Special Assmt. Bonds, Ser. A, 5 3/8s, 5/1/37 Ser. B, 5s, 5/1/15 Tolomato, Cmnty. Dev. Dist. Special Assmt. Bonds, 5.4s, 5/1/37 Verano Ctr. Cmnty. Dev. Dist. Special Assmt. (Cmnty. Infrastructure), Ser. B, 5s, 11/1/13	Ba1 BB□/P BB/P BB□/P BB□/P BB□/P Aa3 BB□/P BB□/P BB□/P BB□/P BB□/P	1,335,000 250,000 985,000 1,000,000 1,500,000 2,500,000 1,500,000 495,000 1,975,000 1,150,000 500,000 325,000 475,000	1,471,544 255,108 1,037,658 1,026,930 1,592,385 2,563,975 1,578,045 511,795 2,048,431 1,171,643 511,740 330,778 480,306
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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

Rating **

Principal amount

Value

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Florida *continued*

Verano Ctr. Cmnty. Dev. Dist. Special Assmt. (Cmnty. Infrastructure), Ser. A, 5 3/8s, 5/1/37	BB□/P	\$ 750,000	\$ 757,995
Wentworth Estates, Cmnty. Dev. Dist. Special Assmt. Bonds, Ser. B, 5 1/8s, 11/1/12	BB□/P	850,000	865,394
Wentworth Estates, Cmnty. Dev. Dist. Special Assmt. Bonds, Ser. A, 5 5/8s, 5/1/37	BB□/P	725,000	748,954
Westchester Cmnty. Dev. Dist. No. 1 Special Assmt. (Cmnty. Infrastructure), 6 1/8s, 5/1/35	BB□/P	1,250,000	1,335,513
World Commerce Cmnty. Dev. Dist. Special Assmt., Ser. A-1 6 1/2s, 5/1/36	BB□/P	950,000	1,022,514
6 1/4s, 5/1/22	BB□/P	550,000	589,562
			32,356,149

Georgia (2.1%)

Burke Cnty., Poll. Control Dev. Auth. Mandatory Put Bonds (GA Power Co.), 4.45s, 12/1/08	A2	4,000,000	4,048,160
Fulton Cnty., Res. Care Fac. Rev. Bonds (Canterbury Court), Class A, 6 1/8s, 2/15/34	B+/P	425,000	449,680
GA Med. Ctr. Hosp. Auth. Rev. Bonds, MBIA, 6.367s, 8/1/10	Aaa	1,400,000	1,401,526
Rockdale Cnty., Dev. Auth. Solid Waste Disp. Rev. Bonds (Visay Paper, Inc.), 7.4s, 1/1/16	B+/P	1,890,000	1,893,156
			7,792,522

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Hawaii (0.5%)			
HI Dept. of Trans.			
Special Fac. Rev.			
Bonds (Continental			
Airlines, Inc.),			
7s, 6/1/20	B	1,635,000	1,723,862

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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
Idaho (0.6%)			
ID Hsg. & Fin. Assn.			
Rev. Bonds (Single			
Fam. Mtge.), Ser. C-2,			
FHA Insd., 5.15s, 7/1/29	Aaa	\$ 830,000	\$ 840,574
Madison Cnty., Hosp.			
COP, 5 1/4s, 9/1/20	BBB□	1,480,000	1,562,466
			2,403,040

Illinois (4.0%)			
Bedford Pk., Village Rev.			
Bonds (Hotel/Motel Tax),			
Ser. A, 4.9s, 12/1/23	Baa1	600,000	612,768
Chicago, G.O. Bonds,			
Ser. A, AMBAC			
5 5/8s, 1/1/39			
(Prerefunded)	Aaa	3,395,000	3,751,407
5 5/8s, 1/1/39	Aaa	105,000	114,282
Du Page Cnty., Special			
Svc. Area No. 31			
Special Tax Bonds			
(Monarch Landing)			
5 5/8s, 3/1/36	BB□/P	100,000	105,139
5.4s, 3/1/16	BB□/P	260,000	270,642
IL Dev. Fin. Auth. Hosp.			
Rev. Bonds (Adventist			
Hlth. Syst./Sunbelt			
Obligation), 5.65s,			
11/15/24 (Prerefunded)	A2	3,250,000	3,462,193
IL Fin. Auth. Rev. Bonds			
(Three Crowns Pk.			

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Plaza), Ser. A, 5 7/8s, 2/15/26 (Landing At Plymouth Place), Ser. A,	B+/P	1,000,000	1,046,120
5.35s, 5/15/15 IL Fin. Auth. Solid Waste Disposal (Waste Mgmt., Inc.), Ser. A,	B+/P	600,000	610,260
5.05s, 8/1/29 IL Hlth. Fac. Auth. Rev. Bonds (St. Benedict), Ser. 03A-1,	BBB	250,000	258,792
6.9s, 11/15/33 IL State Toll Hwy. Auth. Rev. Bonds, Ser. A-1,	B/P	500,000	546,220
FSA, 5s, 1/1/23	Aaa	3,750,000	4,032,300
			14,810,123

Indiana (2.6%) IN State Dev. Fin. Auth. Env. Impt. Rev. Bonds (USX Corp.), 5.6s, 12/1/32 IN Trans. Fin. Auth. Arpt. Facs. Lease Rev. Bonds, Ser. A, AMBAC, 5s, 11/1/16 (Prerefunded)	Baa1 Aaa	2,500,000 6,500,000	2,612,125 6,630,000
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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
Indiana <i>continued</i> St. Joseph Cnty., Econ. Dev. Rev. Bonds (Holy Cross Village Notre Dame), Ser. A, 5 3/4s, 5/15/15	B/P	\$ 455,000	\$ 481,213
			9,723,338

Iowa (2.8%) IA Rev. Bonds (Care Initiatives), Ser. A, 5s, 7/1/19 IA Fin. Auth. Hlth. Care Fac. Rev. Bonds	BBB□	1,840,000	1,865,226
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(Care Initiatives)

9 1/4s, 7/1/25 (Prerefunded)	AAA	2,565,000	3,199,453
9.15s, 7/1/09 (Prerefunded)	AAA	880,000	958,514
Ser. A, 5 1/4s, 7/1/17 IA Fin. Auth. Retirement Cmnty. Rev. Bonds (Friendship Haven), Ser. A	BBB□	1,040,000	1,084,762
6 1/8s, 11/15/32	BB/P	200,000	208,186
6s, 11/15/24	BB/P	200,000	205,108
Tobacco Settlement Auth. of IA Rev. Bonds			
Ser. C, 5 3/8s, 6/1/38	BBB	750,000	784,830
Ser. B, zero %, 6/1/34	BBB	2,250,000	2,212,425
			10,518,504

Kansas (0.4%)

Salina, Hosp. Rev. Bonds (Salina Regl. Hlth.)			
5s, 10/1/17	A1	500,000	537,655
5s, 10/1/16	A1	605,000	652,529
5s, 10/1/15	A1	250,000	269,743
			1,459,927

Kentucky (0.5%)

KY Econ. Dev. Fin. Auth. Hlth. Syst. Rev. Bonds (Norton Hlth. Care), Ser. A			
6 1/2s, 10/1/20	A□/F	1,040,000	1,132,664
6 1/2s, 10/1/20 (Prerefunded)	AAA/P	675,000	753,496
			1,886,160

Louisiana (1.4%)

LA Local Govt. Env. Fac. Cmnty. Dev. Auth. Rev. Bonds (Hlth. Care - St. James Place), Ser. A, 7s, 11/1/26	B□/P	400,000	406,036
(St. James Place), Ser. A, 7s, 11/1/20	B□/P	1,000,000	1,017,200

MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **		Principal amount		Value
<i>Louisiana continued</i>					
LA Pub. Fac. Auth. Rev. Bonds (Pennington Med. Foundation), 5s, 7/1/16	A3	\$	600,000	\$	636,360
Tangipahoa Parish Hosp. Svcs. Rev. Bonds (North Oaks Med. Ctr.), Ser. A, 5s, 2/1/25	A		500,000		518,060
W. Feliciana Parish, Poll. Control Rev. Bonds (Gulf States Util. Co.), Ser. C, 7s, 11/1/15	BBB□		2,750,000		2,770,240 5,347,896

Maine (1.0%)

ME State Hsg. Auth. Rev. Bonds, Ser. D-2-AMT, 5s, 11/15/27	Aa1		1,455,000		1,478,513
Rumford, Solid Waste Disp. Rev. Bonds (Boise Cascade Corp.), 6 7/8s, 10/1/26	Ba3		2,000,000		2,185,300 3,663,813

Maryland (1.0%)

MD State Hlth. & Higher Ed. Fac. Auth. Rev. Bonds (Medstar Hlth.), 5 3/4s, 8/15/15	Baa1		1,000,000		1,106,130
(Edenwald), Ser. A, 5.2s, 1/1/24	BB/P		300,000		308,982
MD State Indl. Dev. Fin. Auth. Econ. Dev. Rev. Bonds (Our Lady of Good Counsel					

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School), Ser. A, 6s, 5/1/35 Westminster, Econ. Dev. Rev. Bonds (Carroll Lutheran Village), Ser. A, 5 7/8s, 5/1/21	B/P BB/P	200,000 1,850,000	215,136 1,931,345 3,561,593
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Massachusetts (10.7%)

Boston, Indl. Dev. Fin. Auth. Rev. Bonds (Springhouse, Inc.), 6s, 7/1/28 MA State G.O. Bonds, 5s, 7/1/09	BB□/P Aa2	600,000 6,000,000	610,566 6,215,700
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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **		Principal amount		Value
<i>Massachusetts continued</i>					
MA State Dev. Fin. Agcy. Rev. Bonds (Lasell Village), Ser. A, 6 3/8s, 12/1/25	BB□/P	\$	585,000	\$	596,811
MA State Hlth. & Edl. Fac. Auth. Rev. Bonds (Civic Investments/ HPHC), Ser. A, 9s, 12/15/15	BBB□/P		1,900,000		2,361,852
(Norwood Hosp.), Ser. C, 7s, 7/1/14 (Prerefunded)	Ba2		1,185,000		1,418,635
(Jordan Hosp.), Ser. E, 6 3/4s, 10/1/33	BBB□		1,200,000		1,322,988
(UMass Memorial), Ser. C, 6 5/8s, 7/1/32	Baa2		2,225,000		2,465,990
(UMass Memorial), Ser. C, 6 1/2s, 7/1/21 (Caritas Christi Oblig. Group), Ser. A, 5 1/4s, 7/1/08	Baa2 BBB		1,875,000 1,500,000		2,064,037 1,526,610
(Partners Hlth. Care Syst.), Ser. F, 5s, 7/1/21	Aa2		1,000,000		1,072,540
MA State Hsg. Fin.					

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Agcy. Rev. Bonds (Rental Mtge.) Ser. C, AMBAC, 5 5/8s, 7/1/40	Aaa	2,000,000	2,031,280
Ser. A, AMBAC, 5 1/2s, 7/1/40	Aaa	15,290,000	15,636,013
MA State Indl. Fin. Agcy. Rev. Bonds (1st Mtge. Stone Institution & Newton), 7.9s, 1/1/24	BBB ⁻ /P	500,000	501,290
(TNG Marina Bay LLC), U.S. Govt. Coll., 7 1/2s, 12/1/27	AAA	580,000	618,158
(Prerefunded) (1st Mtge. Berkshire Retirement), Ser. A, 6 5/8s, 7/1/16	BBB ⁻	1,550,000	1,551,581
			39,994,051

Michigan (3.7%) Flint, Hosp. Bldg. Auth. Rev. Bonds (Hurley Med. Ctr.), 6s, 7/1/20	Ba1	275,000	291,195
Garden City, Hosp. Fin. Auth. Rev. Bonds (Garden City Hosp. OB Group), Ser. A, 5 3/4s, 9/1/17	Ba1	350,000	350,801

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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
Michigan <i>continued</i> Kentwood, Economic Dev. Rev. Bonds (Holland Home), Ser. A, 5s, 11/15/22	BBB ⁻ /P	\$ 300,000	\$ 302,382
MI State Hosp. Fin. Auth. Rev. Bonds (Oakwood Hosp.), Ser. A, 6s, 4/1/22	A2	1,500,000	1,640,625
Ser. A, 5s, 4/15/26 (Chelsea Cmnty.	A1	2,665,000	2,789,589

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Hosp. Oblig.), 5s, 5/15/25	BBB	755,000	775,030
MI State Hsg. Dev. Auth. Rev. Bonds, Ser. A, 3.9s, 6/1/30	AA+	1,500,000	1,496,760
Midland Cnty., Econ. Dev. Corp. Rev. Bonds, 6 3/4s, 7/23/09	B	2,000,000	2,050,460
Monroe Cnty., Hosp. Fin. Auth. Rev. Bonds (Mercy Memorial Hosp.), 5 1/2s, 6/1/20	Baa3	1,000,000	1,067,450
Warren Cons. School Dist. G.O. Bonds, FSA, 5 3/8s, 5/1/18	Aaa	2,975,000	3,224,305
			13,988,597

Minnesota (2.6%) Cohasset, Poll. Control Rev. Bonds (Allete, Inc.), 4.95s, 7/1/22	A	2,000,000	2,058,960
Hutchinson, G.O. Bonds (Indpt. School Dist. No. 423), Ser. A, 5 3/4s, 2/1/13 (Prerefunded)	Aa2	1,000,000	1,026,860
Inver Grove Heights, Nursing Home Rev. Bonds (Presbyterian Homes Care), 5 3/8s, 10/1/26	B/P	500,000	506,560
MN Agricultural & Econ. Dev. Board Rev. Bonds (Hlth. Care Syst.), Ser. A, MBIA, 5 1/2s, 11/15/17 (Prerefunded)	Aaa	2,390,000	2,485,433
MN State Hsg. Fin. Agcy. Rev. Bonds (Residential Hsg.), Ser. H, 4.15s, 1/1/12	Aa1	760,000	765,236
Northfield, Hosp. Rev. Bonds, 5 1/2s, 11/1/18	BBB□	1,140,000	1,227,142

MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

Rating **	Principal amount	Value
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Minnesota *continued*

Sauk Rapids Hlth. Care
& Hsg. Fac. Rev. Bonds
(Good Shepherd
Lutheran Home),

6s, 1/1/34	B/P	\$	400,000	\$	413,144
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St. Paul, Hsg. & Redev.
Auth. Hosp. Rev.

Bonds (Hlth. East),

6s, 11/15/25	Baa3		1,000,000		1,107,340
					9,590,675

Mississippi (1.2%)

Lowndes Cnty., Solid
Waste Disp. & Poll.
Control Rev. Bonds
(Weyerhaeuser Co.),

Ser. B, 6.7s, 4/1/22	Baa2		1,500,000		1,828,110
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MS Bus. Fin. Corp.

Poll. Control Rev.

Bonds (Syst. Energy
Resources, Inc.),

5.9s, 5/1/22	BBB□		1,250,000		1,256,150
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MS Home Corp. Rev.

Bonds (Single Fam.

Mtge.), Ser. B-2,

GNMA Coll., FNMA

Coll., 6.45s, 12/1/33	Aaa		1,035,000		1,076,855
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MS Hosp. Equip. & Fac.

Auth. Rev. Bonds (Hosp.

South Central),

5 1/4s, 12/1/21	BBB+		250,000		266,930
					4,428,045

Missouri (2.2%)

Cape Girardeau Cnty.,

Indl. Dev. Auth.

Hlth. Care Fac. Rev.

Bonds (St. Francis

Med. Ctr.), Ser. A,

5 1/2s, 6/1/32	A+		1,750,000		1,875,353
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Kansas City, Indl.

Dev. Auth. Hlth. Fac.

Rev. Bonds (First

Mtge. Bishop

Spencer), Ser. A,

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6 1/2s, 1/1/35 MO Hsg. Dev. Comm. Rev. Bonds (Home Ownership) Ser. D, GNMA Coll., FNMA Coll., 5.55s, 9/1/34 Ser. B, GNMA Coll., FNMA Coll., 4.4s, 9/1/14 Ser. B, GNMA Coll., FNMA Coll., 4.3s, 9/1/13	BB+/P Aaa AAA AAA	1,500,000 1,385,000 420,000 410,000	1,582,305 1,421,896 426,653 415,797
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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **		Principal amount		Value
<i>Missouri continued</i>					
MO State Hlth. & Edl. Fac. Auth. Rev. Bonds (BJC Hlth. Syst.), 5 1/4s, 5/15/32	Aa2	\$	1,450,000	\$	1,528,561
MO State Hlth. & Edl. Fac. Auth. VRDN (Cox Hlth. Syst.), AMBAC, 3.65s, 6/1/22	VMIG1		1,000,000		1,000,000 8,250,565
<i>Montana (0.9%)</i>					
Forsyth, Poll. Control VRDN (Pacific Corp.), 3.65s, 1/1/18	P-1		3,000,000		3,000,000
MT Fac. Fin. Auth. Rev. Bonds (Sr. Living St. Johns Lutheran), Ser. A, 6s, 5/15/25	B+/P		350,000		368,946 3,368,946
<i>Nebraska (0%)</i>					
Kearney, Indl. Dev. Rev. Bonds (Great Platte River), 8s, 9/1/12	D/P		61,716		46,507
(Brookhaven), zero %, 9/1/12	D/P		791,466		23,744

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70,251

Nevada (3.5%)			
Clark Cnty., Impt.			
Dist. Special Assmt.			
(Dist. No. 142),			
6 3/8s, 8/1/23	BB□/P	1,000,000	1,036,190
(Summerlin			
No. 151), 5s, 8/1/16	BB/P	1,010,000	1,040,997
Clark Cnty., Indl.			
Dev. Rev. Bonds			
(Southwest Gas Corp.),			
Ser. C, AMBAC,			
5.95s, 12/1/38	Aaa	5,000,000	5,451,800
Henderson, Local Impt.			
Dist. Special Assmt.			
(No. T-14),			
5.8s, 3/1/23	BB/P	450,000	464,823
(No. T-16),			
5 1/8s, 3/1/25	BB□/P	500,000	512,290
(No. T-17), 5s, 9/1/18	BB/P	275,000	282,164
(No. T-18), 5s, 9/1/16	BB□/P	1,425,000	1,469,161
Las Vegas, Local Impt.			
Board Special Assmt.			
(Dist. No. 607),			
5.9s, 6/1/18	BB□/P	875,000	926,958
Washoe Cnty., Wtr.			
Fac. Mandatory Put			
Bonds (Sierra Pacific			
Pwr. Co.), 5s, 7/1/09	Ba1	2,000,000	2,027,960
			13,212,343

MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **		Principal amount		Value
New Hampshire (1.7%)					
NH Higher Ed. & Hlth.					
Fac. Auth. Rev. Bonds					
(Riverwoods at					
Exeter), Ser. A,					
6 3/8s, 3/1/13	BB+/P	\$	590,000	\$	603,510
NH Hlth. & Ed. Fac.					
Auth. Rev. Bonds					
(Kendal at Hanover),					
Ser. A, 5s, 10/1/18	BBB+		1,275,000		1,330,794
NH State Bus. Fin. Auth.					

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Rev. Bonds (Alice Peck Day Hlth. Syst.), Ser. A, 7s, 10/1/29	BBB[P]	2,565,000	2,685,760
NH State Bus. Fin. Auth. Poll. Control Rev. Bonds, 3 1/2s, 7/1/27	Baa2	1,750,000	1,718,430
			6,338,494

New Jersey (4.0%) NJ Econ. Dev. Auth. Rev. Bonds (Cranes Mill), Ser. A, 7 1/2s, 2/1/27 (Prerefunded)	Aaa	1,300,000	1,338,337
(Cedar Crest Vlg., Inc.), Ser. A, 7 1/4s, 11/15/31 (Newark Arpt. Marriot Hotel), 7s, 10/1/14 (First Mtge. Presbyterian Home), Ser. A, 6 3/8s, 11/1/31 (First Mtge. Lions Gate), Ser. A, 5 7/8s, 1/1/37 (Cigarette Tax), 5 1/2s, 6/15/24	BB[P]	1,250,000	1,364,300
NJ Econ. Dev. Auth. Solid Waste Rev. Bonds (Disp. Waste Mgt.), 5.3s, 6/1/15	Ba1	1,900,000	1,940,394
NJ Hlth. Care Fac. Fin. Auth. Rev. Bonds (Trinitas Hosp. Oblig. Group), 7 1/2s, 7/1/30 (United Methodist Homes), Ser. A, 5 3/4s, 7/1/29 (Atlantic City Med. Ctr.), 5 3/4s, 7/1/25	BB/P	500,000	530,190
	B/P	230,000	239,842
	Baa2	2,500,000	2,635,400
	BBB	1,750,000	1,856,278
	Baa3	1,300,000	1,438,905
	BB+	2,250,000	2,307,150
	A2	1,250,000	1,334,313
			14,985,109

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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
New Mexico (0.6%)			
Farmington, Poll.			
Control Rev. Bonds			
(San Juan), Ser. B,			
4 7/8s, 4/1/33	Baa2	\$ 1,200,000	\$ 1,230,012
NM Mtge. Fin. Auth.			
Rev. Bonds (Single			
Fam. Mtge.), GNMA			
Coll., FNMA Coll.,			
FHLMC Coll.			
Ser. F2, Class I,,			
5.6s, 7/1/38	AAA	500,000	540,460
Ser. D-2, 5.64s, 9/1/33	AAA	460,000	475,244
			2,245,716
New York (17.5%)			
Huntington, Hsg. Auth.			
Rev. Bonds (Gurwin			
Jewish Sr. Residence),			
Ser. A, 6s, 5/1/39	B+/P	500,000	514,035
Livingston Cnty.,			
Indl. Dev. Agcy.			
Civic Fac. Rev. Bonds			
(Nicholas H. Noyes			
Memorial Hosp.),			
5 3/4s, 7/1/15	BB	1,330,000	1,385,900
Long Island, Pwr.			
Auth. NY Elec. Syst.			
Rev. Bonds, Ser. A,			
U.S. Govt. Coll.,			
5 3/4s, 12/1/24	AAA	2,000,000	2,087,360
(Prerefunded)			
Nassau Cnty., Indl.			
Dev. Agcy. Rev. Bonds			
(Keyspan-Glenwood),			
5 1/4s, 6/1/27	A	2,000,000	2,099,600
NY City, G.O. Bonds,			
Ser. B, 5 1/4s, 12/1/09	AA□	10,000,000	10,470,400
NY City, Indl. Dev.			
Agcy. Rev. Bonds			
(Staten Island U.			
Hosp. Project),			
6.45s, 7/1/32	B2	1,480,000	1,567,157

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(Liberty-7 World Trade Ctr.), Ser. A, 6 1/4s, 3/1/15	B+/P	1,275,000	1,362,006
(Queens Baseball Stadium - Pilot), AMBAC, 5s, 1/1/21	Aaa	750,000	812,078
NY City, Indl. Dev. Agcy. Special Fac. FRB (American Airlines - JFK Intl. Arpt.), 7 5/8s, 8/1/25	B	1,250,000	1,510,412

MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
<i>New York continued</i>			
NY City, Indl. Dev. Agcy. Special Fac. Rev. Bonds (American Airlines - JFK Intl., Arpt.), 7 1/2s, 8/1/16	B	\$ 3,400,000	\$ 3,910,000
(British Airways PLC), 5 1/4s, 12/1/32	Ba2	2,425,000	2,376,961
NY City, Muni. Wtr. Fin. Auth. Rev. Bonds, Ser. C, MBIA, 5 1/2s, 6/15/17	Aaa	10,000,000	10,123,200
NY Cntys., Tobacco Trust IV Rev. Bonds, Ser. A, 5s, 6/1/38	BBB	1,000,000	1,016,700
NY State Dorm. Auth. Rev. Bonds (Winthrop-U. Hosp. Assn.), Ser. A, 5 1/2s, 7/1/32	Baa1	900,000	956,565
(Lenox Hill Hosp. Oblig. Group), 5 1/4s, 7/1/09	Ba2	1,000,000	1,023,590
(NY U. Hosp. Ctr.), Ser. A, 5s, 7/1/20	Ba2	500,000	513,465
NY State Energy Research & Dev. Auth. Gas Fac. Rev. Bonds (Brooklyn Union Gas), 6.952s, 7/1/26	A+	2,400,000	2,459,400
Onondaga Cnty., Indl. Dev. Agcy. Rev. Bonds			

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(Solvay Paperboard, LLC), 7s, 11/1/30 (acquired 12/9/98, cost \$2,000,000) □	BB/P	2,000,000	2,094,540
Port Auth. NY & NJ Rev. Bonds (Kennedy Intl. Arpt. - 5th Installment), 6 3/4s, 10/1/19	BB+/P	200,000	203,196
Port. Auth. NY & NJ Special Oblig. Rev. Bonds (JFK Intl. Air Term. - 6), MBIA, 5.9s, 12/1/17	Aaa	15,000,000	15,618,750
Suffolk Cnty., Indl. Dev. Agcy. Rev. Bonds (Peconic Landing), Ser. A, 8s, 10/1/30	B+/P	1,700,000	1,873,094

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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
<i>New York continued</i>			
Suffolk Cnty., Indl. Dev. Agcy. Continuing Care Retirement Rev. Bonds (Jeffersons Ferry), 5s, 11/1/15	BBB□	\$ 450,000	\$ 473,976
(Jefferson□s Ferry), 4 5/8s, 11/1/16	BBB□	1,000,000	1,023,730
			65,476,115

North Carolina (6.2%)

NC Eastern Muni. Pwr. Agcy. Syst. Rev. Bonds Ser. D, 6 3/4s, 1/1/26	Baa2	1,500,000	1,642,440
Ser. A, 5 3/4s, 1/1/26	Baa2	3,000,000	3,170,250
NC Med. Care Cmnty. Hlth. Care Fac. Rev. Bonds (Deerfield), Ser. A, 5s, 11/1/23	A□/F	750,000	785,197
(Presbyterian Homes),			

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5.4s, 10/1/27 (Pines at Davidson), Ser. A, 5s, 1/1/16 (Novant Hlth. Oblig. Group), Ser. A, 5s, 11/1/14 (Pines at Davidson), Ser. A, 4.85s, 1/1/26 NC Med. Care Comm. Retirement Fac. Rev. Bonds (First Mtge.), Ser. A-05, 5 1/2s, 10/1/35 (First Mtge.), Ser. A-05, 5 1/4s, 10/1/25 (First Mtge. United Methodist), Ser. C, 5 1/4s, 10/1/24 NC State Muni. Pwr. Agcy. Rev. Bonds (No. 1, Catawba Elec.), Ser. B, 6 1/2s, 1/1/20	BB/P A□/F Aa3 A□/F BB+/P BB+/P BB+/P A3	2,000,000 545,000 10,000,000 1,270,000 1,040,000 600,000 150,000 1,000,000	2,082,460 586,861 10,750,000 1,325,296 1,063,286 615,864 154,622 1,090,710 23,266,986
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Ohio (2.2%) Coshocton Cnty., Env. Rev. Bonds (Smurfit- Stone Container Corp.), 5 1/8s, 8/1/13 Cuyahoga Cnty., Rev. Bonds, Ser. A 6s, 1/1/16 6s, 1/1/15	B/P Aa3 Aa3	1,400,000 1,280,000 2,000,000	1,410,598 1,441,869 2,257,940
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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
<i>Ohio continued</i>			
OH State Air Quality Dev. Auth. Rev. Bonds (Toledo Poll. Control), Ser. A, 6.1s, 8/1/27	Baa2	\$ 3,000,000	\$ 3,108,090
			8,218,497

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Oklahoma (3.3%)			
OK City Arpt. Trust			
Rev. Bonds Jr. Lien			
27th Ser., Ser. A,			
FSA, 5s, 7/1/18	Aaa	3,150,000	3,281,198
OK Dev. Fin. Auth.			
Rev. Bonds (Hillcrest			
Hlth. Care Syst.),			
Ser. A, U.S. Govt.			
Coll., 5 5/8s, 8/15/29			
(Prerefunded)	Aaa	1,575,000	1,672,052
OK State Indl. Dev.			
Auth. Rev. Bonds			
(Hlth. Syst.),			
Ser. A, MBIA			
5 3/4s, 8/15/29	AAA	4,045,000	4,266,747
5 3/4s, 8/15/29			
(Prerefunded)	AAA	2,955,000	3,146,780
			12,366,777

Oregon (0.8%)			
Multnomah Cnty., Hosp.			
Fac. Auth. Rev. Bonds			
(Terwilliger Plaza),			
6 1/2s, 12/1/29	BBB+/P	1,900,000	1,980,826
OR State Hsg. & Cmnty.			
Svcs. Dept. Rev.			
Bonds (Single Family			
Mtge.), Ser. K,			
5 5/8s, 7/1/29	Aa2	845,000	869,099
			2,849,925

Pennsylvania (5.9%)			
Allegheny Cnty., Hosp.			
Dev. Auth. Rev. Bonds			
(Hlth. Syst.), Ser. B,			
9 1/4s, 11/15/15	Ba3	35,000	41,871
Allegheny Cnty., Indl.			
Dev. Auth. Rev.			
Bonds (Env. Impt.),			
5 1/2s, 11/1/16	Ba1	1,250,000	1,330,050
Bucks Cnty., Indl.			
Dev. Auth. Retirement			
Cmnty. Rev. Bonds			
(Ann's Choice, Inc.),			
Ser. A			

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6 1/8s, 1/1/25	BB/P	610,000	650,455
5.3s, 1/1/14	BB/P	690,000	706,036
5.2s, 1/1/13	BB/P	1,000,000	1,016,780

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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
<i>Pennsylvania continued</i>			
Carbon Cnty., Incl. Dev. Auth. Rev. Bonds (Panther Creek Partners), 6.65s, 5/1/10			
	BBB□	\$ 1,560,000	\$ 1,628,968
Erie-Western PA Port Auth. Rev. Bonds, 6 1/4s, 6/15/10			
	BB+/F	505,000	516,903
Lebanon Cnty., Hlth. Facs. Rev. Bonds (Pleasant View Retirement), Ser. A, 5.3s, 12/15/26			
	BB□/P	500,000	508,545
Lehigh Cnty., Gen. Purpose Auth. Rev. Bonds (Lehigh Valley Hosp. Hlth. Network), Ser. A, 5 1/4s, 7/1/32			
	A1	1,000,000	1,053,670
Monroe Cnty., Hosp. Auth. Rev. Bonds (Pocono Med. Ctr.), 6s, 1/1/43			
	BBB+	500,000	538,785
Montgomery Cnty., Incl. Auth. Resource Recvy. Rev. Bonds (Whitemarsh Cont Care), 6 1/4s, 2/1/35			
	B/P	700,000	745,808
PA State Econ. Dev. Fin. Auth. Resource Recvy. Rev. Bonds (Northampton Generating), Ser. A, 6.6s, 1/1/19			
	B+	4,200,000	4,200,588
PA State Higher Edl. Fac. Auth. Rev. Bonds (Widener U.), 5.4s, 7/15/36			
	BBB+	1,000,000	1,059,200
Philadelphia, Auth.			

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for Incl. Dev. VRDN (Fox Chase Cancer Ctr.), 3.63s, 7/1/25 Philadelphia, Hosp. & Higher Ed. Fac. Auth. Rev. Bonds (Graduate Hlth. Syst.), 7 1/4s, 7/1/10 (In default) □ Sayre, Hlth. Care Fac. Auth. Rev. Bonds (Guthrie Hlth.), Ser. A, 5 7/8s, 12/1/31	A□1+	6,000,000	6,000,000
	D/P	2,729,624	2,730
	A□	1,800,000	1,962,288
			21,962,677

MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **		Principal amount		Value
Puerto Rico (0.9%)					
Cmnwlth. of PR, G.O. Bonds (Pub. Impt.), Ser. A, 5 1/4s, 7/1/25					
	BBB	\$	1,500,000	\$	1,625,175
Cmnwlth. of PR, Hwy. & Trans. Auth. Rev. Bonds FGIC, 5 1/2s, 7/1/13					
	Aaa		1,035,000		1,153,735
	BBB		590,000		612,284
					3,391,194

South Carolina (2.4%)

Lexington Cnty. Hlth. Svcs. Dist. Inc. Hosp. Rev. Bonds, 5 1/2s, 5/1/37					
	A2		1,000,000		1,076,850
Richland Cnty., Rev. Bonds (Intl. Paper Co.), Ser. A, 4 1/4s, 10/1/07					
	BBB		2,500,000		2,506,575
SC Hosp. Auth. Rev. Bonds (Med. U.), Ser. A, 6 1/2s, 8/15/32 (Prerefunded)					
	AAA		1,250,000		1,436,950
SC Jobs Econ. Dev. Auth. Hosp. Fac. Rev. Bonds (Palmetto Hlth. Alliance), Ser. A, 7 3/8s, 12/15/21 (Prerefunded)					
	BBB+/F		1,000,000		1,157,110
SC Tobacco Settlement Rev. Mgmt. Auth.					

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Rev. Bonds, Ser. B, 6s, 5/15/22	BBB	1,195,000	1,271,958
Ser. B, 6 3/8s, 5/15/30	BBB	1,300,000	1,519,674
			8,969,117

South Dakota (0.7%) SD Edl. Enhancement Funding Corp. Rev. Bonds, Ser. B, 6 1/2s, 6/1/32	BBB	2,000,000	2,202,580
SD Hsg. Dev. Auth. Rev. Bonds (Home Ownership Mtge.), Ser. J, 4 1/2s, 5/1/17	AAA	500,000	519,880
			2,722,460

Tennessee (2.7%) Johnson City, Hlth. & Edl. Fac. Board Hosp. Rev. Bonds (First Mtge.-Mountain States Hlth.), Ser. A 7 1/2s, 7/1/33	BBB+	3,700,000	4,325,078
MBIA, 6s, 7/1/21	Aaa	2,000,000	2,164,940

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MUNICIPAL BONDS AND NOTES (144.7%)* *continued*

	Rating **	Principal amount	Value
Tennessee <i>continued</i> Johnson City, Hlth. & Edl. Facs. Board Retirement Fac. Rev. Bonds (Appalachian			