

A world of investing.®



Putnam Variable Trust

Annual report

12 | 31 | 16

Putnam VT
Diversified Income Fund

Message from the Trustees

Dear Shareholder:

With 2017 under way, investor sentiment generally brightened at the prospect of moving beyond the challenges of the past year, when politics tested markets. Fortunately, market turbulence in the aftermath of key political events was in many cases followed by impressive rebounds, and annual performance in most global financial markets exceeded expectations.

Of course, uncertainties and macroeconomic risks do not simply disappear with the close of the calendar year. Conditions in the bond market have changed given the shift in the potential for inflation. As such, we believe investors should continue to focus on time-tested strategies: maintain a well-diversified portfolio, keep a long-term view, and do not overreact to short-term market fluctuations. To help ensure that your portfolio is aligned with your individual goals, time horizon, and tolerance for risk, we also believe it is a good idea to speak regularly with your financial advisor.

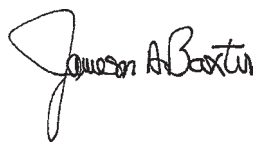
In today's environment, we favor the investment approach practiced at Putnam — active strategies based on fundamental research. Putnam portfolio managers, backed by a network of global analysts, bring years of experience to navigating changing market conditions and pursuing investment opportunities. In the following pages, you will find an overview of your fund's performance for the reporting period ended December 31, 2016, as well as an outlook for the coming months.

As always, thank you for investing with Putnam.

Respectfully yours,



Robert L. Reynolds
President and Chief Executive Officer
Putnam Investments



Jameson A. Baxter
Chair, Board of Trustees

February 13, 2017

Performance summary (as of 12/31/16)

Investment objective

As high a level of current income as Putnam Investment Management, LLC, (Putnam Management) believes is consistent with preservation of capital

Net asset value December 31, 2016

Class IA: \$6.06 | Class IB: \$6.07

Total return at net asset value

(as of 12/31/16)	Class IA shares*	Class IB shares†	Bloomberg Barclays U.S. Aggregate Bond Index	Citigroup Non-U.S. World Government Bond Index	JPMorgan Developed High Yield Index‡
1 year	5.76%	5.42%	2.65%	1.81%	18.22%
5 years	25.88	24.40	11.67	-9.33	44.59
Annualized	4.71	4.46	2.23	-1.94	7.65
10 years	53.35	51.68	53.00	28.52	111.25
Annualized	4.37	4.25	4.34	2.54	7.77
Life	236.07	223.32	234.16	168.77	—
Annualized	5.34	5.17	5.32	4.34	—

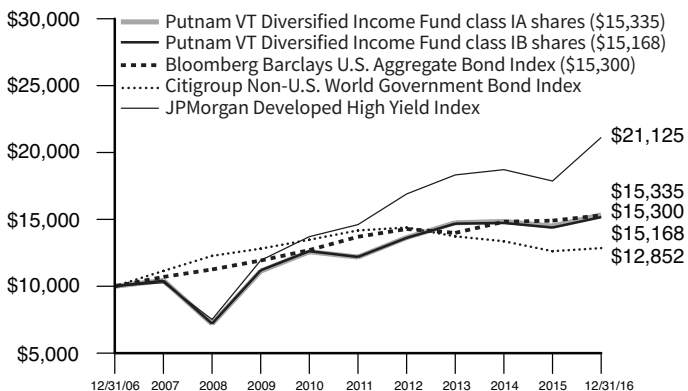
For a portion of the periods, the fund had expense limitations, without which returns would have been lower.

* Class inception date: September 15, 1993.

† Class inception date: April 6, 1998.

‡ The fund's secondary benchmark, the JPMorgan Developed High Yield Index, was introduced on 12/31/94, which post-dates the inception of the fund's class IA shares.

Cumulative total returns of a \$10,000 investment in class IA and class IB shares at net asset value — since 12/31/06



The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index of U.S. investment-grade fixed-income securities. The Citigroup Non-U.S. World Government Bond Index is an unmanaged index generally considered to be representative of the world bond market excluding the United States. The JPMorgan Developed High Yield Index is an unmanaged index of high-yield fixed-income securities issued in developed countries.

Data represent past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and principal value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance information does not reflect any deduction for taxes a shareholder may owe on fund distributions or on the redemption of fund shares. All total return figures are at net asset value

and exclude contract charges and expenses, which are added to the variable annuity contracts to determine total return at unit value. Had these charges and expenses been reflected, performance would have been lower. Performance of class IB shares before their inception is derived from the historical performance of class IA shares, adjusted to reflect the higher operating expenses applicable to such shares. For more recent performance, contact your variable annuity provider who can provide you with performance that reflects the charges and expenses at your contract level.

Portfolio composition

Agency pass-through	27.6%
Commercial MBS	24.8%
High-yield corporate bonds	23.8%
Agency collateralized mortgage obligations	20.8%
Non-agency residential MBS	12.4%
Emerging-market bonds	10.7%
International Treasuries/agency securities	2.9%
Investment-grade corporate bonds	1.9%
Bank loans	1.8%
Equity investments	0.2%
Cash and net other assets	9.8%

Allocations are shown as a percentage of the fund's net assets. Cash and net other assets, if any, represent the market value weights of cash, derivatives, short-term securities, and other unclassified assets in the portfolio. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities, any interest accruals, and rounding. Allocations may not total 100% because the table includes the notional value of certain derivatives (the economic value for purposes of calculating periodic payment obligations), in addition to the market value of securities. Holdings and allocations may vary over time.

Credit quality

A-1+	7.2%
AAA	45.9%
AA	0.5%
A	0.8%
BBB	10.3%
BB	22.5%
B	20.9%
CCC and below	8.9%
Not rated	-17.0%

Credit qualities are shown as a percentage of net assets. A bond rated BBB or higher (A-3 or higher, for short-term debt) is considered investment grade. This chart reflects the highest security rating provided by one or more of Standard & Poor's, Moody's, and Fitch. To-be-announced (TBA) mortgage commitments, if any, are included based on their issuer ratings. Ratings may vary over time.

Cash, derivative instruments, and net other assets are shown in the not-rated category. Payables and receivables for TBA mortgage commitments are included in the not-rated category and may result in negative weights. The fund itself has not been rated by an independent rating agency.

Report from your fund's managers

What was the fund's investment environment like during the 12-month reporting period ended December 31, 2016?

After a volatile start to the period, credit-sensitive bonds began to benefit from improvements across a broad range of global issues, including higher oil prices, easing concerns about the strength of China's economy, and improving U.S. economic data.

The market upturn accelerated considerably in March and April, as demand for risk assets continued to improve and credit spreads tightened. And the rally persisted in May amid a six-month high for oil prices and a jump in stock prices later that month.

The rally was briefly disrupted in late June, as the United Kingdom's vote to exit the European Union, dubbed "Brexit," surprised investors and reverberated throughout global markets. However, as investors reassessed the broader impact of Brexit in the days following the vote, credit-sensitive securities rose once again.

Interest rates trended gradually higher from early summer through the end of October, then spiked in the week following the U.S. presidential election. Financial market sentiment abruptly shifted and appeared to focus on increasing prospects for higher interest rates and rising inflation in 2017. Against this higher-rate backdrop, investment-grade credit suffered a downturn in November and trended moderately lower over the balance of the period. Meanwhile, high-yield bonds had a slight pullback in November before rebounding strongly in December.

Which holdings and strategies had the biggest influence on Putnam VT Diversified Income Fund's performance?

The fund's class IA shares returned 5.76%, which outperformed its primary benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, which returned 2.65%, for the 12-month reporting period. Holdings of high-yield corporate credit made the biggest contribution to the fund's performance. High-yield bonds were bolstered by improving U.S. economic growth, a recovery in oil prices, positive flows into retail funds, and a supportive supply-and-demand backdrop.

Within mortgage credit, investments in non-agency residential mortgage-backed securities also contributed. These positions benefited from improving fundamentals in the housing market, along with the fact that there was no new supply of the bonds we held coming to market.

Our holdings of agency credit risk-transfer securities [CRTs] provided a further boost to results. CRTs are backed by a reference pool of agency mortgages. Unlike regular agency pass-throughs, the principal invested in CRTs is not backed by Fannie Mae or Freddie Mac. To compensate investors for this risk, CRTs offer higher yields than conventional pass-through securities. During the year, the combination of relatively high yields and high-quality collateral resulted in growing investor demand for CRTs.

Within our prepayment strategies, holdings of agency interest-only collateralized mortgage obligations [IO CMOs] generated positive returns and also aided performance. Rising interest rates provided a tailwind for these investments, helping to keep mortgage prepayment speeds below market expectations.

On the downside, our interest-rate and yield-curve positioning in the United States was the primary detractor from performance. We continued our efforts to de-emphasize interest-rate risk by keeping the portfolio's duration — a key measure of interest-rate sensitivity — below zero. This strategy hampered performance in January as rates declined sharply. After rates bottomed in July, however, this positioning began to help the fund, particularly in the fourth quarter when rates rose sharply in the aftermath of the U.S. election.

How did you use derivatives during the period?

We used bond futures and interest-rate swaps to help take tactical positions at various points along the yield curve, and to help hedge the risk associated with the fund's yield-curve positioning. We also used interest-rate swaps to help gain exposure to rates in various countries. In addition, we employed options to hedge the interest-rate and prepayment risks associated with our CMO holdings, and to help manage overall downside risk.

What is your outlook for the months ahead, and how are you positioning the portfolio?

We think U.S. economic growth may accelerate in 2017, but the election of Donald Trump as president could result in a struggle of competing forces influencing the economy. It will take some time to get clarity on what the Trump administration's actual policy priorities will be, as well as which measures have the best chance of being approved by Congress. In the interim, we think some level of market volatility is likely due to increased uncertainty.

As for positioning, our non-U.S., quantitatively driven, negative-duration strategies will move the fund's total duration further below zero. We will also extend our strategy of seeking to capitalize on potentially steeper global yield curves. We think this overall positioning could benefit the fund if interest rates continue to trend higher in 2017.

We plan to continue seeking opportunities in corporate and mortgage credit that we believe offer relative value. Within those market areas, we continue to have a constructive outlook for high-yield bonds, based on what we think is a generally favorable fundamental and technical backdrop for the asset class. We also continue to like commercial mortgage-backed securities due to what we believe are the attractive spreads available there.

We plan to maintain the fund's exposure to select emerging-market countries, seeking to benefit from the relatively high income levels available in markets where we believe we're being properly compensated for risk.

Lastly, we expect to maintain a sufficient cash allocation to provide a cushion against bouts of market volatility, as well as any disruptions in the market's supply/demand environment.

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

Consider these risks before investing: International investing involves currency, economic, and political risks. Emerging-market securities carry illiquidity and volatility risks. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk and the risk that they may increase in value when interest rates decline and decline in value when interest rates rise. Bond investments are subject to interest-rate risk (the risk of bond prices falling if interest rates rise) and credit risk (the risk of an issuer defaulting on interest or principal payments). Interest-rate risk is greater for longer-term bonds, and credit risk is greater for below-investment-grade bonds. Risks associated with derivatives include increased investment exposure (which may be considered leverage) and, in the case of over-the-counter instruments, the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. Unlike bonds, funds that invest in bonds have fees and expenses. Bond prices may fall or fail to rise over time for several reasons, including general financial market conditions, changing market perceptions of the risk of default, changes in government intervention, and factors related to a specific issuer or industry. These factors may also lead to periods of high volatility and reduced liquidity in the bond markets. You can lose money by investing in the fund.

Your fund's managers



Portfolio Manager **D. William Kohli** is Chief Investment Officer, Fixed Income, at Putnam. He joined Putnam in 1994 and has been in the investment industry since 1986.

In addition to Bill, your fund is managed by Portfolio Manager Michael J. Atkin; Co-Head of Fixed Income Michael V. Salm; and Co-Head of Fixed Income Paul D. Scanlon, CFA, at Putnam.

Your fund's managers also manage other accounts advised by Putnam Management or an affiliate, including retail mutual fund counterparts to the funds in Putnam Variable Trust.

ABOUT DERIVATIVES

Derivatives are an increasingly common type of investment instrument, the performance of which is *derived* from an underlying security, index, currency, or other area of the capital markets. Derivatives employed by the fund's managers generally serve one of two main purposes: to implement a strategy that may be difficult or more expensive to invest in through traditional securities, or to hedge unwanted risk associated with a particular position.

For example, the fund's managers might use currency forward contracts to capitalize on an anticipated change in exchange rates between two currencies. This approach would require a significantly smaller outlay of capital than purchasing traditional bonds denominated in the underlying currencies. In another example, the managers may identify a bond that they believe is undervalued relative to its risk of default, but may seek to reduce the interest-rate risk of that bond by using interest-rate swaps, a derivative through which two parties "swap" payments based on the movement of certain rates. In other examples, the managers may use options and futures contracts to hedge against a variety of risks by establishing a combination of long and short exposures to specific equity markets or sectors.

Like any other investment, derivatives may not appreciate in value and may lose money. Derivatives may amplify traditional investment risks through the creation of leverage and may be less liquid than traditional securities. And because derivatives typically represent contractual agreements between two financial institutions, derivatives entail "counterparty risk," which is the risk that the other party is unable or unwilling to pay. Putnam monitors the counterparty risks we assume. For example, Putnam often enters into collateral agreements that require the counterparties to post collateral on a regular basis to cover their obligations to the fund. Counterparty risk for exchange-traded futures and centrally cleared swaps is mitigated by the daily exchange of margin and other safeguards against default through their respective clearinghouses.

Understanding your fund's expenses

As an investor in a variable annuity product that invests in a registered investment company, you pay ongoing expenses, such as management fees, distribution fees (12b-1 fees), and other expenses. Using the following information, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You may also pay one-time transaction expenses, which are not shown in this section and would result in higher total expenses. Charges and expenses at the insurance company separate account level are not reflected. For more information, see your fund's prospectus or talk to your financial representative.

Review your fund's expenses

The two left-hand columns of the Expenses per \$1,000 table show the expenses you would have paid on a \$1,000 investment in your fund from 7/1/16 to 12/31/16. They also show how much a \$1,000 investment would be worth at the close of the period, *assuming actual returns and expenses*. To estimate the ongoing expenses you paid over the period, divide your account value by \$1,000, then multiply the result by the number in the first line for the class of shares you own.

Compare your fund's expenses with those of other funds

The two right-hand columns of the Expenses per \$1,000 table show your fund's expenses based on a \$1,000 investment, *assuming a hypothetical 5% annualized return*. You can use this information to compare the ongoing expenses (but not transaction expenses or total costs) of investing in the fund with those of other funds. All shareholder reports of mutual funds and funds serving as variable annuity vehicles will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expense ratios

	Class IA	Class IB
Total annual operating expenses for the fiscal year ended 12/31/15	0.75%	1.00%
Annualized expense ratio for the six-month period ended 12/31/16*	0.79%	1.04%

Fiscal-year expense information in this table is taken from the most recent prospectus, is subject to change, and may differ from that shown for the annualized expense ratio and in the financial highlights of this report.

Expenses are shown as a percentage of average net assets.

*For the fund's most recent fiscal half year; may differ from expense ratios based on one-year data in the financial highlights.

Expenses per \$1,000

	Expenses and value for a \$1,000 investment, assuming actual returns for the 6 months ended 12/31/16		Expenses and value for a \$1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 12/31/16	
	Class IA	Class IB	Class IA	Class IB
Expenses paid per \$1,000*†	\$4.14	\$5.45	\$4.01	\$5.28
Ending value (after expenses)	\$1,084.10	\$1,083.90	\$1,021.17	\$1,019.91

*Expenses for each share class are calculated using the fund's annualized expense ratio for each class, which represents the ongoing expenses as a percentage of average net assets for the six months ended 12/31/16. The expense ratio may differ for each share class.

†Expenses based on actual returns are calculated by multiplying the expense ratio by the average account value for the period; then multiplying the result by the number of days in the period; and then dividing that result by the number of days in the year. Expenses based on a hypothetical 5% return are calculated by multiplying the expense ratio by the average account value for the six-month period; then multiplying the result by the number of days in the six-month period; and then dividing that result by the number of days in the year.

Report of Independent Registered Public Accounting Firm

To the Trustees of Putnam Variable Trust and Shareholders of
Putnam VT Diversified Income Fund:

In our opinion, the accompanying statement of assets and liabilities, including the portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Putnam VT Diversified Income Fund (the “Fund”) as of December 31, 2016, the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of investments as of December 31, 2016 by correspondence with the custodian, brokers, transfer agent, and the application of alternative auditing procedures where securities purchased had not been received, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
February 13, 2017

The fund's portfolio 12/31/16

MORTGAGE-BACKED SECURITIES (48.4%)*

Agency collateralized mortgage obligations (17.9%)

	Principal amount	Value
Federal Home Loan Mortgage Corporation		
IFB Ser. 3408, Class EK, 22.961%, 4/15/37	\$41,038	\$63,999
IFB Ser. 2979, Class AS, 21.692%, 3/15/34	1,768	1,829
IFB Ser. 3072, Class SM, 21.216%, 11/15/35	111,148	162,587
IFB Ser. 3249, Class PS, 19.952%, 12/15/36	83,247	117,737
IFB Ser. 3065, Class DC, 17.748%, 3/15/35	253,857	371,799
Ser. 4122, Class TI, IO, 4.50%, 10/15/42	1,636,429	346,105
Ser. 4000, Class PI, IO, 4.50%, 1/15/42	819,379	152,732
Ser. 4024, Class PI, IO, 4.50%, 12/15/41	1,866,222	351,057
Ser. 4546, Class TI, IO, 4.00%, 12/15/45	1,333,045	221,619
Ser. 4462, IO, 4.00%, 4/15/45	986,188	187,721
Ser. 4425, IO, 4.00%, 1/15/45	3,265,549	600,045
Ser. 4452, Class QI, IO, 4.00%, 11/15/44	2,547,104	558,070
Ser. 4604, Class QI, IO, 3.50%, 7/15/46	4,158,857	685,088
Ser. 4580, Class ID, IO, 3.50%, 8/15/45	3,716,094	630,621
Ser. 4122, Class CI, IO, 3.50%, 10/15/42	2,795,251	371,673
Ser. 4105, Class HI, IO, 3.50%, 7/15/41	1,337,510	159,654
Ser. 304, Class C37, IO, 3.50%, 12/15/27	1,658,758	199,430
Ser. 4210, Class PI, IO, 3.00%, 12/15/41	1,929,118	144,533
FRB Ser. 57, Class 1AX, IO, 0.373%, 7/25/43	1,234,907	13,214
Ser. 3300, PO, zero %, 2/15/37	28,708	24,809
Ser. 3326, Class WF, zero %, 10/15/35	854	633

Federal National Mortgage Association		
IFB Ser. 06-62, Class PS, 35.363%, 7/25/36	50,556	93,463
IFB Ser. 06-8, Class HP, 21.794%, 3/25/36	167,744	266,792
IFB Ser. 07-53, Class SP, 21.428%, 6/25/37	109,291	162,669
IFB Ser. 08-24, Class SP, 20.511%, 2/25/38	124,170	175,151
IFB Ser. 05-122, Class SE, 20.454%, 11/25/35	148,932	204,469
IFB Ser. 05-83, Class QP, 15.428%, 11/25/34	117,602	147,391
Ser. 16-3, Class NI, IO, 6.00%, 2/25/46	2,215,614	533,230
Ser. 374, Class 6, IO, 5.50%, 8/25/36	180,430	40,686
IFB Ser. 13-103, Class SK, IO, 5.164%, 10/25/43	1,455,916	332,695
Ser. 12-132, Class PI, IO, 5.00%, 10/25/42	4,147,243	823,738
Ser. 378, Class 19, IO, 5.00%, 6/25/35	580,986	106,756
Ser. 12-127, Class BI, IO, 4.50%, 11/25/42	550,322	128,545
Ser. 12-30, Class HI, IO, 4.50%, 12/25/40	3,160,416	406,113
Ser. 409, Class 81, IO, 4.50%, 11/25/40	2,402,217	468,192
Ser. 409, Class 82, IO, 4.50%, 11/25/40	1,596,184	314,927
Ser. 366, Class 22, IO, 4.50%, 10/25/35	129,648	6,906
Ser. 15-88, Class QI, IO, 4.00%, 10/25/44	1,946,121	294,002
Ser. 13-41, Class IP, IO, 4.00%, 5/25/43	1,710,682	284,332
Ser. 13-44, Class PI, IO, 4.00%, 1/25/43	1,624,353	255,836
Ser. 12-96, Class PI, IO, 4.00%, 7/25/41	674,413	103,817
Ser. 13-35, Class IP, IO, 3.00%, 6/25/42	2,128,567	185,824
Ser. 13-53, Class JI, IO, 3.00%, 12/25/41	2,414,573	271,639
Ser. 13-23, Class PI, IO, 3.00%, 10/25/41	2,408,208	173,680
Ser. 99-51, Class N, PO, zero %, 9/17/29	9,795	8,326

Federal National Mortgage Association Grantor Trust Ser. 00-T6, IO, 0.712%, 3/30/30		
	1,074,971	22,789

Government National Mortgage Association		
IFB Ser. 13-129, Class SN, IO, 5.411%, 9/20/43	1,187,268	191,767
IFB Ser. 13-99, Class VS, IO, 5.393%, 7/16/43	778,630	131,604
Ser. 14-122, Class IC, IO, 5.00%, 8/20/44	1,056,554	193,476
Ser. 14-76, IO, 5.00%, 5/20/44	1,258,793	253,878
Ser. 15-187, Class KI, IO, 5.00%, 6/20/43	2,404,581	309,881
Ser. 13-22, Class OI, IO, 5.00%, 1/20/43	2,181,998	449,710
Ser. 13-3, Class IT, IO, 5.00%, 1/20/43	1,329,279	273,831
Ser. 13-6, Class IC, IO, 5.00%, 1/20/43	873,982	179,236

MORTGAGE-BACKED SECURITIES (48.4%)* cont.

Agency collateralized mortgage obligations cont.

	Principal amount	Value
Government National Mortgage Association		
Ser. 12-146, IO, 5.00%, 12/20/42	\$2,036,211	\$420,600
Ser. 13-130, Class IB, IO, 5.00%, 12/20/40	682,986	50,304
Ser. 13-16, Class IB, IO, 5.00%, 10/20/40	396,951	19,475
Ser. 11-41, Class BI, IO, 5.00%, 5/20/40	535,403	47,937
Ser. 10-35, Class UI, IO, 5.00%, 3/20/40	701,907	148,875
Ser. 10-20, Class UI, IO, 5.00%, 2/20/40	1,022,842	209,038
Ser. 10-9, Class UI, IO, 5.00%, 1/20/40	4,576,791	959,295
Ser. 09-121, Class UI, IO, 5.00%, 12/20/39	2,612,815	539,703
Ser. 15-79, Class GI, IO, 5.00%, 10/20/39	889,596	179,138
IFB Ser. 14-119, Class SA, IO, 4.861%, 8/20/44	3,030,455	454,568
Ser. 16-37, Class IW, IO, 4.50%, 2/20/46	1,385,451	299,604
Ser. 16-104, Class GI, IO, 4.50%, 1/20/46	4,676,210	510,362
Ser. 13-182, Class IQ, IO, 4.50%, 12/16/43	2,042,927	408,585
Ser. 13-34, Class IH, IO, 4.50%, 3/20/43	3,044,789	639,159
Ser. 13-183, Class JI, IO, 4.50%, 2/16/43	1,289,796	193,383
Ser. 14-108, Class IP, IO, 4.50%, 12/20/42	449,140	75,792
Ser. 11-18, Class PI, IO, 4.50%, 8/20/40	183,778	24,595
Ser. 10-35, Class AI, IO, 4.50%, 3/20/40	2,049,033	386,263
Ser. 10-35, Class QI, IO, 4.50%, 3/20/40	2,118,193	401,821
Ser. 13-151, Class IB, IO, 4.50%, 2/20/40	2,149,291	423,578
Ser. 10-9, Class QI, IO, 4.50%, 1/20/40	1,039,774	196,621
Ser. 09-121, Class BI, IO, 4.50%, 12/16/39	930,471	215,171
Ser. 10-168, Class PI, IO, 4.50%, 11/20/39	445,409	50,109
Ser. 10-158, Class IP, IO, 4.50%, 6/20/39	1,942,138	184,503
Ser. 10-98, Class PI, IO, 4.50%, 10/20/37	236,270	6,351
Ser. 15-186, Class AI, IO, 4.00%, 12/20/45	6,143,567	1,051,840
Ser. 16-27, Class IB, IO, 4.00%, 11/20/45	1,925,306	348,952
Ser. 15-79, Class CI, IO, 4.00%, 5/20/45	3,587,417	720,097
Ser. 15-40, IO, 4.00%, 3/20/45	2,986,097	616,629
Ser. 15-64, Class YI, IO, 4.00%, 11/20/44	2,096,839	377,179
Ser. 13-165, Class IL, IO, 4.00%, 3/20/43	1,294,379	219,604
Ser. 12-47, Class CI, IO, 4.00%, 3/20/42	2,120,987	380,057
Ser. 12-8, Class PI, IO, 4.00%, 5/20/41	5,234,030	782,643
Ser. 16-48, Class MI, IO, 3.50%, 4/16/46	2,217,920	426,062
Ser. 15-95, Class PI, IO, 3.50%, 7/20/45	2,828,479	388,916
Ser. 15-64, Class PI, IO, 3.50%, 5/20/45	2,422,792	345,345
Ser. 13-102, Class IP, IO, 3.50%, 6/20/43	1,611,671	161,602
Ser. 13-76, IO, 3.50%, 5/20/43	3,756,313	622,121
Ser. 13-28, IO, 3.50%, 2/20/43	1,272,069	196,574
Ser. 13-54, Class JI, IO, 3.50%, 2/20/43	1,795,493	292,881
Ser. 13-37, Class JI, IO, 3.50%, 1/20/43	2,700,185	418,529
Ser. 13-27, Class PI, IO, 3.50%, 12/20/42	1,915,016	311,190
Ser. 12-136, Class BI, IO, 3.50%, 11/20/42	1,918,734	370,124
Ser. 12-140, Class IC, IO, 3.50%, 11/20/42	2,102,528	431,619
Ser. 15-69, Class IK, IO, 3.50%, 3/20/38	2,728,936	349,577
Ser. 16-H23, Class NI, IO, 2.826%, 10/20/66	10,320,416	1,439,698
Ser. 16-H24, Class JI, IO, 2.776%, 11/20/66	3,237,516	447,231
Ser. 16-H14, Class AI, IO, 2.463%, 6/20/66	2,805,544	360,793
Ser. 16-H17, Class KI, IO, 2.432%, 7/20/66	1,958,032	245,428
Ser. 15-H24, Class AI, IO, 2.364%, 9/20/65	4,014,017	434,317
Ser. 15-H10, Class BI, IO, 2.239%, 4/20/65	2,626,757	299,663
Ser. 16-H16, Class EI, IO, 2.169%, 6/20/66	2,792,294	345,686
Ser. 16-H09, Class BI, IO, 2.153%, 4/20/66	5,428,053	642,285
Ser. 16-H03, Class DI, IO, 2.038%, 12/20/65	3,915,618	392,924
Ser. 16-H03, Class AI, IO, 2.028%, 1/20/66	3,251,497	375,398
Ser. 16-H02, Class HI, IO, 1.852%, 1/20/66	4,556,963	465,722
Ser. 15-H25, Class EI, IO, 1.834%, 10/20/65	3,960,960	385,005
Ser. 16-H10, Class AI, IO, 1.833%, 4/20/66	6,441,500	568,140
FRB Ser. 15-H08, Class CI, IO, 1.78%, 3/20/65	2,123,178	201,676
Ser. 16-H06, Class DI, IO, 1.728%, 7/20/65	6,078,289	578,653

MORTGAGE-BACKED**SECURITIES (48.4%)* cont.****Principal amount****Value****Agency collateralized mortgage obligations cont.**

Government National Mortgage Association

Ser. 15-H23, Class BI, IO, 1.716%, 9/20/65	\$4,445,537	\$411,212
Ser. 16-H14, IO, 1.66%, 6/20/66	2,607,763	220,356
Ser. 13-H08, Class CI, IO, 1.66%, 2/20/63	5,351,854	358,574
Ser. 16-H06, Class CI, IO, 1.609%, 2/20/66	6,588,293	551,440
Ser. 15-H25, Class AI, IO, 1.605%, 9/20/65	6,540,637	561,187
Ser. 14-H21, Class BI, IO, 1.534%, 10/20/64	3,954,442	287,488
Ser. 15-H26, Class CI, IO, 0.609%, 8/20/65	11,321,975	261,538
Ser. 06-36, Class OD, PO, zero %, 7/16/36	2,592	2,173

38,853,264**Commercial mortgage-backed securities (18.1%)**

Banc of America Commercial Mortgage Trust

Ser. 06-4, Class AJ, 5.695%, 7/10/46	147,023	146,776
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Banc of America Commercial Mortgage Trust 144A

FRB Ser. 07-5, Class XW, IO, 0.329%, 2/10/51	26,247,550	52,241
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Banc of America Merrill Lynch Commercial

Mortgage, Inc. Ser. 05-6, Class G, 5.147%, 9/10/47	816,619	816,619
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Bear Stearns Commercial Mortgage Securities Trust

FRB Ser. 07-T26, Class AJ, 5.566%, 1/12/45	1,453,000	1,380,350
FRB Ser. 06-PW11, Class AJ, 5.436%, 3/11/39	779,000	771,210
Ser. 05-PWR7, Class B, 5.214%, 2/11/41	819,618	819,618
Ser. 05-PWR9, Class C, 5.055%, 9/11/42	499,000	499,853

Bear Stearns Commercial Mortgage Securities Trust

144A FRB Ser. 06-PW11, Class B, 5.436%, 3/11/39	673,000	235,550
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CD Mortgage Trust 144A

FRB Ser. 07-CD5, Class E, 6.116%, 11/15/44	578,000	560,923
FRB Ser. 07-CD5, Class XS, IO, 0.154%, 11/15/44	18,962,425	6,796

CFCRE Commercial Mortgage Trust 144A

FRB Ser. 11-C2, Class E, 5.754%, 12/15/47	326,000	324,241
FRB Ser. 11-C2, Class F, 5.25%, 12/15/47	822,000	720,647

Citigroup Commercial Mortgage Trust 144A

FRB Ser. 12-GC8, Class D, 4.876%, 9/10/45	779,712	726,458
FRB Ser. 14-GC21, Class D, 4.835%, 5/10/47	487,000	397,343

COBALT CMBS Commercial Mortgage Trust

Ser. 07-C2, Class AJFX, 5.568%, 4/15/47	410,000	410,246
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COMM Mortgage Pass-Through Certificates

144A Ser. 12-CR3, Class F, 4.75%, 10/15/45	700,000	474,699
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COMM Mortgage Trust Ser. 06-C8, Class AJ,

5.377%, 12/10/46	626,000	625,812
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COMM Mortgage Trust 144A

FRB Ser. 14-CR18, Class D, 4.737%, 7/15/47	500,000	402,200
FRB Ser. 13-CR9, Class D, 4.256%, 7/10/45	452,000	397,172
Ser. 13-LC13, Class E, 3.719%, 8/10/46	566,000	377,239
Ser. 14-CR18, Class E, 3.60%, 7/15/47	493,000	304,082

Credit Suisse Commercial Mortgage Trust FRB

Ser. 06-C5, Class AX, IO, 0.641%, 12/15/39	3,179,405	10,174
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Crest, Ltd. 144A Ser. 03-2A, Class E2, 8.00%,
12/28/38 (Cayman Islands)

	575,573	572,695
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CSAIL Commercial Mortgage Trust 144A FRB

Ser. 15-C1, Class D, 3.80%, 4/15/50	682,000	556,151
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GE Capital Commercial Mortgage Corp. Trust

FRB Ser. 06-C1, Class AJ, 5.309%, 3/10/44	439,740	432,704
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GMAC Commercial Mortgage Securities, Inc.

Trust Ser. 04-C3, Class B, 4.965%, 12/10/41	89,753	89,811
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GS Mortgage Securities Corp. II 144A

FRB Ser. 13-GC10, Class D, 4.41%, 2/10/46	699,000	633,783
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FRB Ser. 05-GG4, Class XC, IO, 0.918%, 7/10/39	948,239	1,422
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MORTGAGE-BACKED**SECURITIES (48.4%)* cont.****Principal amount****Value****Commercial mortgage-backed securities cont.**

GS Mortgage Securities Trust 144A

Ser. 11-GC3, Class E, 5.00%, 3/10/44	\$528,000	\$479,054
FRB Ser. 14-GC18, Class D, 4.945%, 1/10/47	1,218,000	1,000,952
FRB Ser. 14-GC26, Class D, 4.511%, 11/10/47	665,000	535,059
FRB Ser. 13-GC13, Class D, 4.066%, 7/10/46	276,000	242,127

JPMBB Commercial Mortgage Securities Trust 144A

FRB Ser. 13-C15, Class D, 5.046%, 11/15/45	855,000	797,822
FRB Ser. 14-C18, Class D, 4.814%, 2/15/47	844,000	709,888
FRB Ser. C14, Class D, 4.562%, 8/15/46	289,000	263,716
FRB Ser. 14-C18, Class E, 4.314%, 2/15/47	381,000	258,928
FRB Ser. 13-C12, Class E, 4.086%, 7/15/45	138,000	95,386
Ser. 14-C25, Class E, 3.332%, 11/15/47	656,000	386,778

JPMorgan Chase Commercial Mortgage

Securities Trust		
FRB Ser. 07-CB20, Class AJ, 6.152%, 2/12/51	231,500	233,236
FRB Ser. 06-LDP6, Class B, 5.653%, 4/15/43	58,528	58,528
Ser. 06-LDP8, Class B, 5.52%, 5/15/45	267,828	269,770
FRB Ser. 05-LDP2, Class E, 4.981%, 7/15/42	357,000	354,037
FRB Ser. 13-C10, Class D, 4.154%, 12/15/47	380,000	334,687

JPMorgan Chase Commercial Mortgage

Securities Trust 144A		
FRB Ser. 07-CB20, Class B, 6.252%, 2/12/51	449,000	418,782
FRB Ser. 07-CB20, Class C, 6.252%, 2/12/51	1,004,000	883,520
FRB Ser. 11-C3, Class E, 5.619%, 2/15/46	321,000	323,279
FRB Ser. 11-C3, Class F, 5.619%, 2/15/46	401,000	403,607
FRB Ser. 12-C8, Class E, 4.66%, 10/15/45	271,000	239,813
FRB Ser. 13-C13, Class D, 4.053%, 1/15/46	329,000	292,880
Ser. 13-C13, Class E, 3.986%, 1/15/46	818,000	545,115
Ser. 13-C10, Class E, 3.50%, 12/15/47	833,000	589,847
FRB Ser. 13-LC11, Class E, 3.25%, 4/15/46	558,000	364,486
FRB Ser. 07-CB20, Class X1, IO, 0.346%, 2/12/51	31,669,244	54,984

LB Commercial Mortgage Trust 144A

Ser. 99-C1, Class G, 6.41%, 6/15/31	225,291	232,117
Ser. 98-C4, Class J, 5.60%, 10/15/35	379,000	387,528

LB-UBS Commercial Mortgage Trust

FRB Ser. 06-C3, Class C, 5.546%, 3/15/39	358,126	351,411
FRB Ser. 06-C6, Class C, 5.482%, 9/15/39	824,000	244,843

LSTAR Commercial Mortgage Trust 144A FRB

Ser. 15-3, Class C, 3.243%, 4/20/48	413,000	344,083
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Merrill Lynch Mortgage Trust FRB Ser. 08-C1,

Class AJ, 6.263%, 2/12/51	269,000	275,026
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Mezz Cap Commercial Mortgage Trust 144A

FRB Ser. 07-C5, Class X, IO, 5.449%, 12/15/49	715,677	4,294
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Morgan Stanley Bank of America Merrill Lynch

Trust 144A		
FRB Ser. 14-C14, Class D, 4.83%, 2/15/47	367,000	322,153
Ser. 14-C17, Class D, 4.698%, 8/15/47	747,000	594,127
FRB Ser. 12-C6, Class F, 4.648%, 11/15/45	512,000	417,741
FRB Ser. 12-C6, Class G, 4.50%, 11/15/45	800,000	584,800
Ser. 14-C15, Class F, 4.00%, 4/15/47	440,000	280,471
Ser. 14-C17, Class E, 3.50%, 8/15/47	602,000	363,849
Ser. 15-C24, Class D, 3.257%, 5/15/48	383,000	258,473
Ser. 14-C19, Class D, 3.25%, 12/15/47	550,000	415,174

Morgan Stanley Capital I Trust

FRB Ser. 07-T27, Class AJ, 5.643%, 6/11/42	141,000	143,355
Ser. 07-HQ11, Class C, 5.558%, 2/12/44	986,000	587,518
Ser. 07-HQ11, Class B, 5.538%, 2/12/44	556,000	539,320
Ser. 06-HQ10, Class B, 5.448%, 11/12/41	385,000	388,668
FRB Ser. 06-HQ8, Class D, 5.419%, 3/12/44	513,000	202,604

MORTGAGE-BACKED SECURITIES (48.4%)* cont.	Principal amount	Value
Commercial mortgage-backed securities cont.		
Morgan Stanley Capital I Trust 144A FRB Ser. 08-T29, Class F, 6.275%, 1/11/43	\$302,000	\$301,426
Morgan Stanley Capital I, Inc. 144A FRB Ser. 04-RR, Class F7, 6.00%, 4/28/39	416,988	409,274
STRIPS CDO 144A Ser. 03-1A, Class N, IO, 5.00%, 3/24/18 (Cayman Islands)	158,000	4,345
TIAA Real Estate CDO, Ltd. 144A Ser. 03-1A, Class E, 8.00%, 12/28/38	527,990	39,599
UBS-Barclays Commercial Mortgage Trust 144A Ser. 12-C2, Class F, 4.885%, 5/10/63	476,000	332,581
Wachovia Bank Commercial Mortgage Trust FRB Ser. 06-C26, Class AJ, 6.104%, 6/15/45	2,148,000	1,395,556
FRB Ser. 07-C30, Class AJ, 5.413%, 12/15/43	394,000	394,000
FRB Ser. 07-C34, IO, 0.294%, 5/15/46	11,130,156	21,147
Wells Fargo Commercial Mortgage Trust 144A Ser. 12-LC5, Class E, 4.777%, 10/15/45	479,000	356,807
FRB Ser. 13-LC12, Class D, 4.296%, 7/15/46	393,000	351,361
WF-RBS Commercial Mortgage Trust 144A FRB Ser. 13-C17, Class D, 5.124%, 12/15/46	371,000	350,152
FRB Ser. 12-C6, Class E, 5.00%, 4/15/45	525,000	404,198
FRB Ser. 11-C4, Class F, 5.00%, 6/15/44	1,270,000	975,487
FRB Ser. 13-C16, Class D, 4.982%, 9/15/46	174,000	160,898
FRB Ser. 14-C19, Class E, 4.97%, 3/15/47	875,000	624,225
FRB Ser. 13-UBS1, Class E, 4.627%, 3/15/46	555,000	392,108
FRB Ser. 12-C7, Class F, 4.50%, 6/15/45	2,626,000	1,867,349
FRB Ser. 13-C15, Class D, 4.48%, 8/15/46	464,000	405,871
FRB Ser. 14-C19, Class D, 4.234%, 3/15/47	726,000	586,455
	39,193,490	
Residential mortgage-backed securities (non-agency) (12.4%)		
BCAP, LLC Trust 144A FRB Ser. 11-RR3, Class 3A6, 2.80%, 11/27/36	590,773	392,864
FRB Ser. 12-RR5, Class 4A8, 0.754%, 6/26/35	167,912	161,370
Bear Stearns Alt-A Trust FRB Ser. 04-3, Class B, 3.681%, 4/25/34	300,659	298,622
FRB Ser. 05-8, Class 21A1, 2.99%, 10/25/35	467,887	442,079
Bear Stearns Asset Backed Securities I Trust FRB Ser. 04-FR3, Class M6, 5.321%, 9/25/34	33,576	18,880
Bellemeade Re Ltd. 144A FRB Ser. 15-1A, Class M2, 5.056%, 7/25/25 (Bermuda)	387,000	392,805
Countrywide Alternative Loan Trust FRB Ser. 06-OA7, Class 1A1, 2.222%, 6/25/46	787,070	740,318
FRB Ser. 05-38, Class A1, 2.067%, 9/25/35	275,625	259,859
FRB Ser. 06-OA7, Class 1A2, 1.507%, 6/25/46	640,149	556,930
FRB Ser. 05-38, Class A3, 1.106%, 9/25/35	775,424	677,261
FRB Ser. 05-59, Class 1A1, 1.069%, 11/20/35	583,033	500,422
FRB Ser. 07-OH1, Class A1D, 0.966%, 4/25/47	235,772	187,835
FRB Ser. 06-OA10, Class 4A1, 0.946%, 8/25/46	2,565,158	2,062,131
Federal Home Loan Mortgage Corporation Structured Agency Credit Risk Debt FRN Ser. 15-DN1, Class B, 12.256%, 1/25/25	1,279,929	1,557,683
Structured Agency Credit Risk Debt FRN Ser. 16-DNA2, Class B, 11.256%, 10/25/28	250,000	281,892
Structured Agency Credit Risk Debt FRN Ser. 15-HQA2, Class B, 11.256%, 5/25/28	254,312	288,177
Structured Agency Credit Risk Debt FRN Ser. 16-DNA1, Class B, 10.756%, 7/25/28	785,836	853,443
Structured Agency Credit Risk Debt FRN Ser. 15-DNA3, Class B, 10.106%, 4/25/28	602,929	645,442
Structured Agency Credit Risk Debt FRN Ser. 15-DNA2, Class B, 8.306%, 12/25/27	561,662	592,576

MORTGAGE-BACKED SECURITIES (48.4%)* cont.	Principal amount	Value
Residential mortgage-backed securities (non-agency) cont.		
Federal Home Loan Mortgage Corporation Structured Agency Credit Risk Debt FRN Ser. 16-HQA1, Class M3, 7.106%, 9/25/28	\$395,000	\$454,270
Structured Agency Credit Risk Debt FRN Ser. 16-HQA2, Class M3, 5.906%, 11/25/28	590,000	640,108
Federal National Mortgage Association Connecticut Avenue Securities FRB Ser. 16-C03, Class 2B, 13.506%, 10/25/28	260,000	326,505
Connecticut Avenue Securities FRB Ser. 16-C02, Class 1B, 13.006%, 9/25/28	880,000	1,079,573
Connecticut Avenue Securities FRB Ser. 16-C03, Class 1B, 12.506%, 10/25/28	500,000	591,463
Connecticut Avenue Securities FRB Ser. 16-C01, Class 1B, 12.506%, 8/25/28	590,000	704,871
Connecticut Avenue Securities FRB Ser. 16-C04, Class 1B, 11.006%, 1/25/29	120,000	132,174
Connecticut Avenue Securities FRB Ser. 16-C03, Class 2M2, 6.656%, 10/25/28	1,970,000	2,180,032
Connecticut Avenue Securities FRB Ser. 15-C04, Class 1M2, 6.456%, 4/25/28	2,136,000	2,352,772
Connecticut Avenue Securities FRB Ser. 15-C04, Class 2M2, 6.306%, 4/25/28	210,000	229,011
Connecticut Avenue Securities FRB Ser. 15-C03, Class 1M2, 5.756%, 7/25/25	2,195,000	2,363,499
Connecticut Avenue Securities FRB Ser. 15-C03, Class 2M2, 5.756%, 7/25/25	380,000	409,341
Connecticut Avenue Securities FRB Ser. 15-C02, Class 1M2, 4.756%, 5/25/25	88,000	91,726
Connecticut Avenue Securities FRB Ser. 15-C02, Class 2M2, 4.756%, 5/25/25	120,000	125,234
GSA Home Equity Trust FRB Ser. 06-8, Class 2A2, 0.936%, 5/25/36	784,805	390,283
MortgageIT Trust FRB Ser. 05-3, Class M2, 1.286%, 8/25/35	241,645	212,404
Nomura Resecuritization Trust 144A FRB Ser. 15-4R, Class 1A14, 0.681%, 3/26/47	475,000	294,975
Residential Accredit Loans, Inc. FRB Ser. 06-QO10, Class A1, 0.916%, 1/25/37	683,148	575,495
Structured Asset Mortgage Investments II Trust FRB Ser. 07-AR1, Class 2A1, 0.936%, 1/25/37	596,365	493,619
WaMu Mortgage Pass-Through Certificates Trust FRB Ser. 05-AR10, Class 1A3, 2.748%, 9/25/35	153,017	149,176
FRB Ser. 05-AR19, Class A1C3, 1.256%, 12/25/45	829,182	749,414
FRB Ser. 05-AR19, Class A1C4, 1.156%, 12/25/45	534,979	461,580
FRB Ser. 05-AR17, Class A1B3, 1.106%, 12/25/45	983,291	859,823
	26,777,937	
Total mortgage-backed securities (cost \$105,809,687)		\$104,824,691
U.S. GOVERNMENT AND AGENCY MORTGAGE OBLIGATIONS (37.5%)*		
U.S. Government Guaranteed Mortgage Obligations (0.5%)		
Government National Mortgage Association Pass-Through Certificates 4.50%, TBA, 1/1/47	\$1,000,000	\$1,067,500
		1,067,500
U.S. Government Agency Mortgage Obligations (37.0%)		
Federal National Mortgage Association Pass-Through Certificates 5.50%, TBA, 1/1/47	3,000,000	3,332,813
4.50%, TBA, 1/1/47	1,000,000	1,075,000
4.00%, TBA, 1/1/47	1,000,000	1,051,250
3.50%, TBA, 1/1/47	58,000,000	59,450,000

**U.S. GOVERNMENT AND AGENCY
MORTGAGE OBLIGATIONS (37.5%)* cont.**

	Principal amount	Value
3.00%, TBA, 1/1/47	\$2,000,000	\$1,988,438
2.50%, TBA, 1/1/47	14,000,000	13,332,813

U.S. Government Agency Mortgage Obligations cont.
Total U.S. government and agency mortgage obligations (cost \$81,342,735)

80,230,314

\$81,297,814

**CORPORATE BONDS
AND NOTES (31.3%)***

Basic materials (3.2%)

	Principal amount	Value
A Schulman, Inc. 144A company guaranty sr. unsec. unsub. notes 6.875%, 6/1/23	\$133,000	\$138,985
Allegheny Technologies, Inc. sr. unsec. unsub. notes 9.375%, 6/1/19	161,000	172,270
ArcelorMittal SA sr. unsec. unsub. bonds 10.85%, 6/1/19 (France)	138,000	161,460
ArcelorMittal SA sr. unsec. unsub. bonds 6.125%, 6/1/25 (France)	86,000	94,170
ArcelorMittal SA sr. unsec. unsub. notes 8.00%, 10/15/39 (France)	26,000	28,531
Beacon Roofing Supply, Inc. company guaranty sr. unsec. unsub. notes 6.375%, 10/1/23	202,000	215,510
Blue Cube Spinco, Inc. company guaranty sr. unsec. unsub. notes 9.75%, 10/15/23	82,000	97,580
BMC East, LLC 144A company guaranty sr. notes 5.50%, 10/1/24	172,000	171,570
Boise Cascade Co. 144A company guaranty sr. unsec. notes 5.625%, 9/1/24	224,000	222,320
Builders FirstSource, Inc. 144A company guaranty sr. unsec. notes 10.75%, 8/15/23	323,000	370,643
Builders FirstSource, Inc. 144A company guaranty sr. unsub. notes 5.625%, 9/1/24	65,000	65,325
Cemex Finance, LLC 144A company guaranty sr. notes 6.00%, 4/1/24 (Mexico)	200,000	205,500
Cemex SAB de CV 144A company guaranty sr. notes 6.50%, 12/10/19 (Mexico)	205,000	216,788
Chemours Co. (The) company guaranty sr. unsec. unsub. notes 7.00%, 5/15/25	44,000	43,340
Chemours Co. (The) company guaranty sr. unsec. unsub. notes 6.625%, 5/15/23	165,000	163,350
Compass Minerals International, Inc. 144A company guaranty sr. unsec. notes 4.875%, 7/15/24	97,000	92,635
Coveris Holdings SA 144A company guaranty sr. unsec. notes 7.875%, 11/1/19 (Luxembourg)	270,000	269,325
CPG Merger Sub, LLC 144A company guaranty sr. unsec. notes 8.00%, 10/1/21	75,000	77,250
First Quantum Minerals, Ltd. 144A company guaranty sr. unsec. notes 7.00%, 2/15/21 (Canada)	87,000	86,565
First Quantum Minerals, Ltd. 144A company guaranty sr. unsec. notes 6.75%, 2/15/20 (Canada)	87,000	86,783
Freeport-McMoRan, Inc. company guaranty sr. unsec. notes 3.55%, 3/1/22 (Indonesia)	13,000	12,090
Freeport-McMoRan, Inc. 144A company guaranty sr. unsec. notes 6.75%, 2/1/22 (Indonesia)	80,000	82,200
Freeport-McMoRan, Inc. 144A company guaranty sr. unsec. unsub. notes 6.875%, 2/15/23 (Indonesia)	131,000	137,550

**CORPORATE BONDS
AND NOTES (31.3%)* cont.**

	Principal amount	Value
Basic materials cont.		
GCP Applied Technologies, Inc. 144A company guaranty sr. unsec. notes 9.50%, 2/1/23	\$240,000	\$275,400
Grinding Media, Inc./MC Grinding Media Canada, Inc. 144A sr. sub. notes 7.375%, 12/15/23	35,000	36,771
HudBay Minerals, Inc. 144A company guaranty sr. unsec. notes 7.625%, 1/15/25 (Canada)	65,000	67,560
Huntsman International, LLC company guaranty sr. unsec. notes 5.125%, 11/15/22	112,000	114,240
Joseph T Ryerson & Son, Inc. 144A sr. notes 11.00%, 5/15/22	120,000	132,000
Kraton Polymers, LLC/Kraton Polymers Capital Corp. 144A company guaranty sr. unsec. notes 10.50%, 4/15/23	207,000	233,393
Louisiana-Pacific Corp. company guaranty sr. unsec. unsub. notes 4.875%, 9/15/24	100,000	97,000
Mercer International, Inc. company guaranty sr. unsec. notes 7.75%, 12/1/22 (Canada)	194,000	203,700
New Gold, Inc. 144A company guaranty sr. unsec. unsub. notes 6.25%, 11/15/22 (Canada)	90,000	92,250
Norbord, Inc. 144A company guaranty sr. notes 6.25%, 4/15/23 (Canada)	130,000	135,200
Novelis Corp. 144A company guaranty sr. unsec. bonds 5.875%, 9/30/26	20,000	20,200
Novelis Corp. 144A company guaranty sr. unsec. notes 6.25%, 8/15/24	345,000	363,975
Pactiv, LLC sr. unsec. unsub. bonds 8.375%, 4/15/27	15,000	16,388
Platform Specialty Products Corp. 144A sr. unsec. notes 10.375%, 5/1/21	21,000	23,258
PQ Corp. 144A company guaranty sr. notes 6.75%, 11/15/22	40,000	42,800
Sealed Air Corp. 144A company guaranty sr. unsec. notes 6.875%, 7/15/33	216,000	219,780
Sealed Air Corp. 144A company guaranty sr. unsec. notes 5.25%, 4/1/23	170,000	176,800
Sealed Air Corp. 144A sr. unsec. bonds 5.50%, 9/15/25	45,000	46,463
Smurfit Kappa Treasury Funding, Ltd. company guaranty sr. unsec. unsub. notes 7.50%, 11/20/25 (Ireland)	139,000	161,240
Steel Dynamics, Inc. company guaranty sr. unsec. unsub. notes 6.375%, 8/15/22	135,000	140,738
Steel Dynamics, Inc. company guaranty sr. unsec. unsub. notes 5.50%, 10/1/24	50,000	53,000
Steel Dynamics, Inc. company guaranty sr. unsec. unsub. notes 5.25%, 4/15/23	25,000	26,188
Steel Dynamics, Inc. 144A sr. unsec. bonds 5.00%, 12/15/26	45,000	44,831
Teck Resources, Ltd. company guaranty sr. unsec. unsub. notes 4.75%, 1/15/22 (Canada)	56,000	56,140
Teck Resources, Ltd. company guaranty sr. unsec. unsub. notes 3.75%, 2/1/23 (Canada)	49,000	46,305
TMS International Corp. 144A company guaranty sr. unsec. sub. notes 7.625%, 10/15/21	147,000	139,650
U.S. Concrete, Inc. company guaranty sr. unsec. unsub. notes 6.375%, 6/1/24	55,000	58,163
Univar USA, Inc. 144A company guaranty sr. unsec. notes 6.75%, 7/15/23	120,000	123,900

CORPORATE BONDS AND NOTES (31.3%)* cont.	Principal amount	Value
Basic materials cont.		
USG Corp. 144A company guaranty sr. unsec. notes 5.50%, 3/1/25	\$73,000	\$75,008
Weekley Homes, LLC/Weekley Finance Corp. sr. unsec. notes 6.00%, 2/1/23	70,000	62,300
WR Grace & Co. - Conn. 144A company guaranty sr. unsec. notes 5.625%, 10/1/24	207,000	217,350
Zekelman Industries, Inc. 144A company guaranty sr. notes 9.875%, 6/15/23	165,000	184,800
		6,898,531
Capital goods (1.9%)		
Advanced Disposal Services, Inc. 144A sr. unsec. notes 5.625%, 11/15/24	220,000	218,900
American Axle & Manufacturing, Inc. company guaranty sr. unsec. notes 7.75%, 11/15/19	251,000	277,669
Amstead Industries, Inc. 144A company guaranty sr. unsec. sub. notes 5.375%, 9/15/24	120,000	117,900
Amstead Industries, Inc. 144A company guaranty sr. unsec. sub. notes 5.00%, 3/15/22	100,000	100,000
Ardagh Packaging Finance PLC/Ardagh Holdings USA, Inc. 144A company guaranty sr. unsec. notes 7.25%, 5/15/24 (Ireland)	245,000	257,250
ATS Automation Tooling Systems, Inc. 144A sr. unsec. notes 6.50%, 6/15/23 (Canada)	125,000	129,375
Belden, Inc. 144A company guaranty sr. unsec. sub. notes 5.25%, 7/15/24	87,000	87,435
Berry Plastics Corp. company guaranty notes 6.00%, 10/15/22	60,000	63,450
Berry Plastics Corp. company guaranty notes 5.50%, 5/15/22	105,000	109,200
Bombardier, Inc. 144A sr. unsec. notes 8.75%, 12/1/21 (Canada)	145,000	153,338
Briggs & Stratton Corp. company guaranty sr. unsec. notes 6.875%, 12/15/20	247,000	270,542
Crown Cork & Seal Co., Inc. company guaranty sr. unsec. bonds 7.375%, 12/15/26	100,000	112,000
Gates Global, LLC/Gates Global Co. 144A company guaranty sr. unsec. notes 6.00%, 7/15/22	195,000	190,369
KLX, Inc. 144A company guaranty sr. unsec. notes 5.875%, 12/1/22	215,000	221,450
Manitowoc Foodservice, Inc. sr. unsec. notes 9.50%, 2/15/24	284,000	327,310
MasTec, Inc. company guaranty sr. unsec. unsub. notes 4.875%, 3/15/23	223,000	217,983
Moog, Inc. 144A company guaranty sr. unsec. notes 5.25%, 12/1/22	166,000	169,320
Oshkosh Corp. company guaranty sr. unsec. sub. notes 5.375%, 3/1/25	85,000	86,700
Oshkosh Corp. company guaranty sr. unsec. sub. notes 5.375%, 3/1/22	269,000	279,760
Reynolds Group Issuer, Inc./Reynolds Group Issuer, LLC/Reynolds Group Issuer Lu 144A company guaranty sr. unsec. unsub. notes 7.00%, 7/15/24	127,000	135,017
TI Group Automotive Systems, LLC 144A sr. unsec. notes 8.75%, 7/15/23	285,000	297,825
TransDigm, Inc. company guaranty sr. unsec. unsub. notes 6.50%, 7/15/24	145,000	151,706
ZF North America Capital, Inc. 144A company guaranty sr. unsec. unsub. notes 4.75%, 4/29/25	215,000	218,763
		4,193,262

CORPORATE BONDS AND NOTES (31.3%)* cont.	Principal amount	Value
Communication services (3.6%)		
Altice Financing SA 144A company guaranty sr. notes 6.625%, 2/15/23 (Luxembourg)	\$200,000	\$205,750
Altice SA 144A company guaranty sr. unsec. notes 7.75%, 5/15/22 (Luxembourg)	200,000	213,500
Cablevision Systems Corp. sr. unsec. unsub. notes 8.00%, 4/15/20	66,000	72,435
CCO Holdings, LLC/CCO Holdings Capital Corp. company guaranty sr. unsec. notes 5.25%, 9/30/22	35,000	36,313
CCO Holdings, LLC/CCO Holdings Capital Corp. 144A company guaranty sr. unsec. bonds 5.50%, 5/1/26	93,000	94,860
CCO Holdings, LLC/CCO Holdings Capital Corp. 144A company guaranty sr. unsec. notes 5.875%, 4/1/24	220,000	234,850
CCO Holdings, LLC/CCO Holdings Capital Corp. 144A sr. unsec. notes 5.75%, 2/15/26	44,000	45,540
CCO Holdings, LLC/CCO Holdings Capital Corp. 144A sr. unsec. unsub. notes 5.125%, 5/1/23	84,000	86,520
CenturyLink, Inc. sr. unsec. unsub. notes 6.75%, 12/1/23	145,000	148,263
CenturyLink, Inc. sr. unsec. unsub. notes 5.625%, 4/1/20	50,000	52,875
Cequel Communications Holdings I, LLC/Cequel Capital Corp. 144A sr. unsec. unsub. notes 5.125%, 12/15/21	189,000	192,308
Cequel Communications Holdings I, LLC/Cequel Capital Corp. 144A sr. unsec. unsub. notes 5.125%, 12/15/21	135,000	137,363
CSC Holdings, LLC sr. unsec. unsub. bonds 5.25%, 6/1/24	310,000	303,025
CSC Holdings, LLC sr. unsec. unsub. notes 6.75%, 11/15/21	146,000	156,950
CSC Holdings, LLC 144A sr. unsec. unsub. notes 10.125%, 1/15/23	235,000	271,425
Digicel, Ltd. 144A company guaranty sr. unsec. notes 6.75%, 3/1/23 (Jamaica)	400,000	361,000
DISH DBS Corp. company guaranty sr. unsec. unsub. notes 5.875%, 11/15/24	127,000	130,683
Frontier Communications Corp. sr. unsec. notes 11.00%, 9/15/25	65,000	67,113
Frontier Communications Corp. sr. unsec. notes 10.50%, 9/15/22	190,000	199,747
Frontier Communications Corp. sr. unsec. notes 8.875%, 9/15/20	136,000	144,840
Frontier Communications Corp. sr. unsec. unsub. notes 7.625%, 4/15/24	35,000	31,325
Intelsat Jackson Holdings SA company guaranty sr. unsec. notes 7.50%, 4/1/21 (Bermuda)	158,000	120,475
Intelsat Jackson Holdings SA 144A company guaranty sr. notes 8.00%, 2/15/24 (Bermuda)	8,000	8,220
Intelsat Luxembourg SA company guaranty sr. unsec. bonds 7.75%, 6/1/21 (Luxembourg)	26,000	8,515
Intelsat Luxembourg SA company guaranty sr. unsec. sub. bonds 8.125%, 6/1/23 (Luxembourg)	50,000	15,625
Level 3 Communications, Inc. sr. unsec. unsub. notes 5.75%, 12/1/22	30,000	30,825

CORPORATE BONDS AND NOTES (31.3%)* cont.	Principal amount	Value
Communication services cont.		
Level 3 Financing, Inc. company guaranty sr. unsec. unsub. notes 5.375%, 1/15/24	\$30,000	\$30,300
Level 3 Financing, Inc. company guaranty sr. unsec. unsub. notes 5.375%, 8/15/22	30,000	30,975
Quebecor Media, Inc. sr. unsec. unsub. notes 5.75%, 1/15/23 (Canada)	36,000	37,305
SFR Group SA 144A company guaranty sr. notes 6.00%, 5/15/22 (France)	400,000	410,000
SFR Group SA 144A sr. bonds 6.25%, 5/15/24 (France)	200,000	200,750
Sprint Capital Corp. company guaranty sr. unsec. unsub. notes 6.875%, 11/15/28	182,000	179,725
Sprint Communications, Inc. 144A company guaranty sr. unsec. notes 9.00%, 11/15/18	363,000	400,208
Sprint Corp. company guaranty sr. unsec. sub. notes 7.875%, 9/15/23	523,000	558,303
Sprint Corp. company guaranty sr. unsec. sub. notes 7.25%, 9/15/21	175,000	185,938
T-Mobile USA, Inc. company guaranty sr. unsec. notes 6.625%, 4/1/23	218,000	230,808
T-Mobile USA, Inc. company guaranty sr. unsec. notes 6.375%, 3/1/25	135,000	144,281
T-Mobile USA, Inc. company guaranty sr. unsec. unsub. notes 6.125%, 1/15/22	240,000	253,200
Telenet Finance V Luxembourg SCA 144A sr. notes 6.75%, 8/15/24 (Luxembourg) EUR	365,000	425,254
Unitymedia Hessen GmbH & Co. KG/Unitymedia NRW GmbH company guaranty sr. notes 5.625%, 4/15/23 (Germany) EUR	83,200	93,745
Unitymedia Hessen GmbH & Co. KG/Unitymedia NRW GmbH company guaranty sr. notes Ser. REGS, 5.75%, 1/15/23 (Germany) EUR	88,290	99,261
Videotron, Ltd. company guaranty sr. unsec. unsub. notes 5.00%, 7/15/22 (Canada)	\$201,000	206,276
Virgin Media Secured Finance PLC 144A sr. notes 6.00%, 4/15/21 (United Kingdom) GBP	168,727	216,274
West Corp. 144A company guaranty sr. unsec. sub. notes 5.375%, 7/15/22	\$239,000	230,635
WideOpenWest Finance, LLC/WideOpenWest Capital Corp. company guaranty sr. unsec. sub. notes 10.25%, 7/15/19	149,000	157,195
Wind Acquisition Finance SA 144A company guaranty sr. notes 4.00%, 7/15/20 (Luxembourg) EUR	125,000	134,147
Windstream Services, LLC company guaranty sr. unsec. notes 6.375%, 8/1/23	\$263,000	234,728
		7,829,653
Consumer cyclicals (5.1%)		
AMC Entertainment Holdings, Inc. 144A sr. unsec. sub. bonds 5.875%, 11/15/26	45,000	46,069
AMC Entertainment, Inc. company guaranty sr. unsec. sub. notes 5.875%, 2/15/22	71,000	74,284
AMC Entertainment, Inc. company guaranty sr. unsec. sub. notes 5.75%, 6/15/25	135,000	138,038
American Builders & Contractors Supply Co., Inc. 144A sr. unsec. notes 5.75%, 12/15/23	150,000	154,500
American Tire Distributors, Inc. 144A sr. unsec. sub. notes 10.25%, 3/1/22	193,000	185,151

CORPORATE BONDS AND NOTES (31.3%)* cont.	Principal amount	Value
Consumer cyclicals cont.		
Bon-Ton Department Stores, Inc. (The) company guaranty notes 8.00%, 6/15/21	\$97,000	\$46,560
Boyd Gaming Corp. company guaranty sr. unsec. sub. notes 6.875%, 5/15/23	109,000	117,175
Brookfield Residential Properties, Inc. 144A company guaranty sr. unsec. notes 6.50%, 12/15/20 (Canada)	250,000	255,625
Brookfield Residential Properties, Inc./Brookfield Residential US Corp. 144A company guaranty sr. unsec. notes 6.125%, 7/1/22 (Canada)	125,000	125,363
Caesars Growth Properties Holdings, LLC/Caesars Growth Properties Finance, Inc. company guaranty notes 9.375%, 5/1/22	140,000	150,934
CalAtlantic Group, Inc. company guaranty sr. unsec. sub. notes 6.25%, 12/15/21	140,000	150,850
CalAtlantic Group, Inc. company guaranty sr. unsec. sub. notes 5.875%, 11/15/24	80,000	81,200
CBS Radio, Inc. 144A company guaranty sr. unsec. notes 7.25%, 11/1/24	40,000	42,000
Cedar Fair LP/Canada's Wonderland Co./Magnum Management Corp. company guaranty sr. unsec. notes 5.25%, 3/15/21	120,000	123,900
Cinemark USA, Inc. company guaranty sr. unsec. notes 5.125%, 12/15/22	67,000	69,010
Cinemark USA, Inc. company guaranty sr. unsec. sub. notes 4.875%, 6/1/23	65,000	65,813
Clear Channel Worldwide Holdings, Inc. company guaranty sr. unsec. sub. notes 7.625%, 3/15/20	162,000	161,190
Clear Channel Worldwide Holdings, Inc. company guaranty sr. unsec. unsub. notes 6.50%, 11/15/22	395,000	403,888
Diamond Resorts International, Inc. 144A sr. notes 7.75%, 9/1/23	195,000	195,000
Diamond Resorts International, Inc. 144A sr. unsec. notes 10.75%, 9/1/24	80,000	77,800
Dollar Tree, Inc. company guaranty sr. unsec. unsub. notes 5.75%, 3/1/23	60,000	63,450
Eldorado Resorts, Inc. company guaranty sr. unsec. unsub. notes 7.00%, 8/1/23	175,000	185,500
General Motors Co. sr. unsec. notes 5.20%, 4/1/45	33,000	31,809
General Motors Financial Co., Inc. company guaranty sr. unsec. notes 4.00%, 10/6/26	100,000	96,152
GLP Capital LP/GLP Financing II, Inc. company guaranty sr. unsec. sub. notes 4.875%, 11/1/20	180,000	189,000
GLP Capital LP/GLP Financing II, Inc. company guaranty sr. unsec. unsub. notes 5.375%, 4/15/26	65,000	67,789
Great Canadian Gaming Corp. 144A company guaranty sr. unsec. notes 6.625%, 7/25/22 (Canada) CAD	335,000	261,982
Hanesbrands, Inc. 144A company guaranty sr. unsec. unsub. notes 4.625%, 5/15/24	\$90,000	87,300
Hilton Domestic Operating Co., Inc. 144A sr. unsec. sub. notes 4.25%, 9/1/24	25,000	24,250
Howard Hughes Corp. (The) 144A sr. unsec. notes 6.875%, 10/1/21	77,000	81,143
iHeartCommunications, Inc. company guaranty sr. notes 9.00%, 12/15/19	166,000	135,705

CORPORATE BONDS AND NOTES (31.3%)* cont.	Principal amount	Value
Consumer cyclicals cont.		
Isle of Capri Casinos, Inc. company guaranty sr. unsec. notes 5.875%, 3/15/21	\$105,000	\$108,675
Jack Ohio Finance, LLC/Jack Ohio Finance 1 Corp. 144A company guaranty notes 10.25%, 11/15/22	240,000	244,200
Jack Ohio Finance, LLC/Jack Ohio Finance 1 Corp. 144A company guaranty sr. notes 6.75%, 11/15/21	215,000	217,688
JC Penney Corp., Inc. company guaranty sr. unsec. bonds 8.125%, 10/1/19	68,000	73,440
JC Penney Corp., Inc. company guaranty sr. unsec. unsub. notes 5.65%, 6/1/20	29,000	28,601
Jo-Ann Stores Holdings, Inc. 144A sr. unsec. notes 9.75%, 10/15/19 ††	115,000	109,538
L Brands, Inc. company guaranty sr. unsec. notes 6.625%, 4/1/21	246,000	277,058
L Brands, Inc. company guaranty sr. unsec. sub. notes 5.625%, 2/15/22	105,000	112,219
Lamar Media Corp. company guaranty sr. unsec. sub. notes 5.875%, 2/1/22	70,000	72,100
Lamar Media Corp. company guaranty sr. unsec. sub. notes 5.375%, 1/15/24	94,000	97,290
Lear Corp. company guaranty sr. unsec. notes 5.25%, 1/15/25	22,000	23,128
Lennar Corp. company guaranty sr. unsec. unsub. notes 4.75%, 11/15/22	73,000	74,825
Lions Gate Entertainment Corp. 144A sr. unsec. unsub. notes 5.875%, 11/1/24	129,000	130,613
Live Nation Entertainment, Inc. 144A company guaranty sr. unsec. notes 4.875%, 11/1/24	60,000	60,150
Masonite International Corp. 144A company guaranty sr. unsec. notes 5.625%, 3/15/23	65,000	67,113
Mattamy Group Corp. 144A sr. unsec. notes 6.875%, 12/15/23 (Canada)	30,000	30,375
Mattamy Group Corp. 144A sr. unsec. notes 6.50%, 11/15/20 (Canada)	237,000	240,555
MGM Resorts International company guaranty sr. unsec. notes 6.75%, 10/1/20	210,000	233,625
MGM Resorts International company guaranty sr. unsec. notes 5.25%, 3/31/20	30,000	31,725
MGM Resorts International company guaranty sr. unsec. unsub. notes 6.625%, 12/15/21	175,000	194,688
Navistar International Corp. company guaranty sr. unsec. notes 8.25%, 11/1/21	116,000	117,450
Neiman Marcus Group, LLC (The) company guaranty sr. notes 7.125%, 6/1/28	125,000	111,406
Neiman Marcus Group, Ltd. 144A company guaranty sr. unsec. sub. notes 8.75%, 10/15/21 ††	196,000	138,670
Neiman Marcus Group, Ltd. 144A company guaranty sr. unsec. sub. notes 8.00%, 10/15/21	100,000	74,250
Nexstar Escrow Corp. 144A company guaranty sr. unsec. notes 5.625%, 8/1/24	130,000	129,025
Nielsen Co. Luxembourg Sarl (The) 144A company guaranty sr. unsec. sub. notes 5.50%, 10/1/21 (Luxembourg)	88,000	91,410
Nielsen Finance, LLC/Nielsen Finance Co. 144A company guaranty sr. unsec. sub. notes 5.00%, 4/15/22	90,000	91,688

CORPORATE BONDS AND NOTES (31.3%)* cont.	Principal amount	Value
Consumer cyclicals cont.		
Outfront Media Capital, LLC/Outfront Media Capital Corp. company guaranty sr. unsec. sub. notes 5.875%, 3/15/25	\$125,000	\$130,938
Outfront Media Capital, LLC/Outfront Media Capital Corp. company guaranty sr. unsec. sub. notes 5.625%, 2/15/24	83,000	86,320
Penn National Gaming, Inc. sr. unsec. sub. notes 5.875%, 11/1/21	200,000	208,500
Penske Automotive Group, Inc. company guaranty sr. unsec. sub. notes 5.75%, 10/1/22	200,000	206,000
Penske Automotive Group, Inc. company guaranty sr. unsec. sub. notes 5.50%, 5/15/26	48,000	47,400
Penske Automotive Group, Inc. company guaranty sr. unsec. sub. notes 5.375%, 12/1/24	109,000	108,728
PulteGroup, Inc. company guaranty sr. unsec. unsub. notes 5.50%, 3/1/26	155,000	153,838
Regal Entertainment Group sr. unsec. sub. notes 5.75%, 2/1/25	40,000	40,550
Regal Entertainment Group sr. unsec. sub. notes 5.75%, 6/15/23	153,000	155,678
Ritchie Bros Auctioneers, Inc. 144A company guaranty sr. unsec. notes 5.375%, 1/15/25 (Canada)	40,000	40,800
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp. 144A sr. notes 6.125%, 8/15/21	165,000	168,300
Sabre Global, Inc. 144A company guaranty sr. notes 5.375%, 4/15/23	145,000	147,900
Scientific Games International, Inc. company guaranty sr. unsec. notes 10.00%, 12/1/22	461,000	458,695
Scientific Games International, Inc. company guaranty sr. unsec. sub. notes 6.25%, 9/1/20	45,000	38,250
Scientific Games International, Inc. 144A company guaranty sr. notes 7.00%, 1/1/22	145,000	155,513
Sinclair Television Group, Inc. 144A company guaranty sr. unsec. sub. notes 5.625%, 8/1/24	313,000	320,043
Sirius XM Radio, Inc. 144A company guaranty sr. unsec. sub. notes 6.00%, 7/15/24	105,000	109,856
Six Flags Entertainment Corp. 144A company guaranty sr. unsec. unsub. notes 5.25%, 1/15/21	261,000	266,873
Spectrum Brands, Inc. company guaranty sr. unsec. notes 5.75%, 7/15/25	95,000	98,563
Spectrum Brands, Inc. company guaranty sr. unsec. sub. notes 6.625%, 11/15/22	15,000	15,919
Standard Industries, Inc. 144A sr. unsec. notes 6.00%, 10/15/25	30,000	31,575
Standard Industries, Inc. 144A sr. unsec. notes 5.375%, 11/15/24	201,000	206,528
Standard Industries, Inc./NJ 144A sr. unsec. notes 5.125%, 2/15/21	20,000	20,850
SugarHouse HSP Gaming Prop. Mezz LP/ SugarHouse HSP Gaming Finance Corp. 144A sr. notes 6.375%, 6/1/21	169,000	168,578
Taylor Morrison Communities, Inc./Monarch Communities, Inc. 144A company guaranty sr. unsec. notes 5.25%, 4/15/21	300,000	307,500
Taylor Morrison Communities, Inc./Monarch Communities, Inc. 144A company guaranty sr. unsec. sub. notes 5.625%, 3/1/24	70,000	70,175

**CORPORATE BONDS
AND NOTES (31.3%)* cont.**

	Principal amount	Value
Consumer cyclicals cont.		
Tempur Sealy International, Inc. company guaranty sr. unsec. unsub. bonds 5.50%, 6/15/26	\$70,000	\$70,350
Tribune Media Co. company guaranty sr. unsec. notes 5.875%, 7/15/22	160,000	162,600
Wolverine World Wide, Inc. 144A company guaranty sr. unsec. bonds 5.00%, 9/1/26	87,000	83,738
	11,150,493	
Consumer staples (1.3%)		
1011778 BC ULC/New Red Finance, Inc. 144A company guaranty notes 6.00%, 4/1/22 (Canada)	340,000	355,300
Ashtead Capital, Inc. 144A company guaranty notes 5.625%, 10/1/24	200,000	209,000
BlueLine Rental Finance Corp. 144A notes 7.00%, 2/1/19	113,000	110,175
CEC Entertainment, Inc. company guaranty sr. unsec. sub. notes 8.00%, 2/15/22	104,000	106,080
Ceridian HCM Holding, Inc. 144A sr. unsec. notes 11.00%, 3/15/21	395,000	405,863
Dean Foods Co. 144A company guaranty sr. unsec. notes 6.50%, 3/15/23	135,000	142,088
JBS USA Lux SA/JBS USA Finance, Inc. 144A sr. unsec. notes 8.25%, 2/1/20 (Brazil)	83,000	85,075
KFC Holding Co./Pizza Hut Holdings, LLC/Taco Bell of America, LLC 144A company guaranty sr. unsec. notes 5.25%, 6/1/26	115,000	116,725
KFC Holding Co./Pizza Hut Holdings, LLC/Taco Bell of America, LLC 144A company guaranty sr. unsec. notes 5.00%, 6/1/24	115,000	117,444
Lamb Weston Holdings, Inc. 144A company guaranty sr. unsec. unsub. notes 4.875%, 11/1/26	90,000	89,044
Lamb Weston Holdings, Inc. 144A company guaranty sr. unsec. unsub. notes 4.625%, 11/1/24	65,000	65,163
Landry's, Inc. 144A sr. unsec. notes 6.75%, 10/15/24	80,000	81,200
Pilgrim's Pride Corp. 144A company guaranty sr. unsec. notes 5.75%, 3/15/25	80,000	79,800
Prestige Brands, Inc. 144A company guaranty sr. unsec. notes 5.375%, 12/15/21	145,000	150,075
Revlon Consumer Products Corp. company guaranty sr. unsec. notes 6.25%, 8/1/24	62,000	63,550
Revlon Consumer Products Corp. company guaranty sr. unsec. sub. notes 5.75%, 2/15/21	290,000	291,450
Rite Aid Corp. 144A company guaranty sr. unsec. unsub. notes 6.125%, 4/1/23	218,000	234,350
Vander Intermediate Holding II Corp. 144A sr. unsec. notes 9.75%, 2/1/19 ††	38,362	27,237
WhiteWave Foods Co. (The) company guaranty sr. unsec. notes 5.375%, 10/1/22	85,000	93,075
	2,822,694	
Energy (6.3%)		
Alta Mesa Holdings LP/Alta Mesa Finance Services Corp. 144A company guaranty sr. unsec. notes 7.875%, 12/15/24	90,000	93,150
Antero Resources Corp. company guaranty sr. unsec. notes 5.625%, 6/1/23	70,000	71,663
Antero Resources Corp. company guaranty sr. unsec. sub. notes 5.125%, 12/1/22	94,000	94,940
Antero Resources Finance Corp. company guaranty sr. unsec. sub. notes 5.375%, 11/1/21	150,000	153,375

**CORPORATE BONDS
AND NOTES (31.3%)* cont.**

	Principal amount	Value
Energy cont.		
Baytex Energy Corp. 144A company guaranty sr. unsec. sub. notes 5.625%, 6/1/24 (Canada)	\$96,000	\$84,720
Baytex Energy Corp. 144A company guaranty sr. unsec. sub. notes 5.125%, 6/1/21 (Canada)	18,000	16,245
California Resources Corp. 144A company guaranty notes 8.00%, 12/15/22	268,000	238,520
CHC Helicopter SA company guaranty sr. notes 9.25%, 10/15/20 (Canada) (In default) †	90,000	42,750
Cheniere Corpus Christi Holdings, LLC 144A company guaranty sr. notes 5.875%, 3/31/25	150,000	153,047
Chesapeake Energy Corp. 144A company guaranty notes 8.00%, 12/15/22	143,000	154,261
Chesapeake Energy Corp. 144A company guaranty sr. unsec. notes 8.00%, 1/15/25	25,000	25,500
Concho Resources, Inc. company guaranty sr. unsec. notes 5.50%, 4/1/23	256,000	264,640
Concho Resources, Inc. company guaranty sr. unsec. notes 4.375%, 1/15/25	65,000	64,871
Concho Resources, Inc. company guaranty sr. unsec. unsub. notes 5.50%, 10/1/22	28,000	29,015
Continental Resources, Inc. company guaranty sr. unsec. notes 3.80%, 6/1/24	95,000	87,638
Denbury Resources, Inc. company guaranty sr. unsec. sub. notes 6.375%, 8/15/21	32,000	28,800
Denbury Resources, Inc. 144A company guaranty notes 9.00%, 5/15/21	63,000	68,198
Diamondback Energy, Inc. 144A company guaranty sr. unsec. notes 5.375%, 5/31/25	130,000	130,741
Diamondback Energy, Inc. 144A company guaranty sr. unsec. notes 4.75%, 11/1/24	50,000	49,000
Endeavor Energy Resources LP/EER Finance, Inc. 144A sr. unsec. notes 8.125%, 9/15/23	105,000	112,088
EP Energy, LLC/Everest Acquisition Finance, Inc. company guaranty sr. unsec. sub. notes 9.375%, 5/1/20	334,000	307,280
EP Energy, LLC/Everest Acquisition Finance, Inc. 144A company guaranty sr. notes 8.00%, 11/29/24	82,000	88,125
Gazprom OAO Via Gaz Capital SA 144A sr. unsec. unsub. notes 9.25%, 4/23/19 (Russia)	217,000	246,566
Halcon Resources Corp. 144A company guaranty notes 8.625%, 2/1/20	130,000	135,525
Hess Corp. sr. unsec. unsub. notes 7.30%, 8/15/31	80,000	93,177
Holly Energy Partners LP/Holly Energy Finance Corp. 144A company guaranty sr. unsec. notes 6.00%, 8/1/24	152,000	158,460
Laredo Petroleum, Inc. company guaranty sr. unsec. notes 7.375%, 5/1/22	167,000	173,054
Laredo Petroleum, Inc. company guaranty sr. unsec. sub. notes 5.625%, 1/15/22	105,000	105,788
Lukoil International Finance BV 144A company guaranty sr. unsec. unsub. bonds 6.656%, 6/7/22 (Russia)	430,000	478,375
Newfield Exploration Co. sr. unsec. unsub. notes 5.75%, 1/30/22	100,000	105,000
Newfield Exploration Co. sr. unsec. unsub. notes 5.375%, 1/1/26	95,000	96,862

CORPORATE BONDS AND NOTES (31.3%)* cont.	Principal amount	Value
Energy cont.		
Oasis Petroleum, Inc. company guaranty sr. unsec. sub. notes 6.875%, 1/15/23	\$110,000	\$112,750
Oasis Petroleum, Inc. company guaranty sr. unsec. unsub. notes 6.875%, 3/15/22	155,000	158,875
Parsley Energy, LLC/Parsley Finance Corp. 144A company guaranty sr. unsec. sub. notes 5.375%, 1/15/25	45,000	45,153
Pertamina Persero PT 144A sr. unsec. unsub. notes 4.875%, 5/3/22 (Indonesia)	200,000	205,425
Pertamina Persero PT 144A sr. unsec. unsub. notes 4.30%, 5/20/23 (Indonesia)	285,000	283,458
Petrobras Global Finance BV company guaranty sr. unsec. unsub. bonds 5.625%, 5/20/43 (Brazil)	156,000	115,315
Petrobras Global Finance BV company guaranty sr. unsec. unsub. notes 8.75%, 5/23/26 (Brazil)	763,000	823,086
Petrobras Global Finance BV company guaranty sr. unsec. unsub. notes 6.25%, 3/17/24 (Brazil)	1,607,000	1,542,720
Petrobras Global Finance BV company guaranty sr. unsec. unsub. notes 4.875%, 3/17/20 (Brazil)	605,000	598,164
Petroleos de Venezuela SA company guaranty sr. unsec. bonds Ser. REGS, 6.00%, 11/15/26 (Venezuela)	688,000	264,880
Petroleos de Venezuela SA company guaranty sr. unsec. unsub. notes 5.375%, 4/12/27 (Venezuela)	1,065,000	405,765
Petroleos de Venezuela SA 144A company guaranty sr. unsec. notes 6.00%, 11/15/26 (Venezuela)	760,000	292,600
Petroleos Mexicanos company guaranty sr. unsec. unsub. bonds 6.625%, 6/15/35 (Mexico)	380,000	374,300
Petroleos Mexicanos company guaranty sr. unsec. unsub. bonds 5.625%, 1/23/46 (Mexico)	475,000	394,250
Petroleos Mexicanos company guaranty sr. unsec. unsub. notes 4.50%, 1/23/26 (Mexico)	1,875,000	1,708,085
Precision Drilling Corp. company guaranty sr. unsec. notes 5.25%, 11/15/24 (Canada)	6,000	5,610
Precision Drilling Corp. 144A company guaranty sr. unsec. notes 7.75%, 12/15/23 (Canada)	45,000	47,475
Range Resources Corp. 144A company guaranty sr. unsec. sub. notes 5.75%, 6/1/21	160,000	167,600
Rose Rock Midstream LP/Rose Rock Finance Corp. company guaranty sr. unsec. sub. notes 5.625%, 11/15/23	76,000	74,100
Rose Rock Midstream LP/Rose Rock Finance Corp. company guaranty sr. unsec. sub. notes 5.625%, 7/15/22	26,000	25,545
Sabine Pass Liquefaction, LLC sr. notes 6.25%, 3/15/22	100,000	109,375
Sabine Pass Liquefaction, LLC sr. notes 5.75%, 5/15/24	230,000	246,675
Sabine Pass Liquefaction, LLC sr. notes 5.625%, 4/15/23	100,000	106,250
Sabine Pass Liquefaction, LLC 144A sr. bonds 5.00%, 3/15/27	100,000	100,875
Samson Investment Co. company guaranty sr. unsec. notes 9.75%, 2/15/20 (In default) †	535,000	28,088

CORPORATE BONDS AND NOTES (31.3%)* cont.	Principal amount	Value
Energy cont.		
SandRidge Energy, Inc. escrow company guaranty notes 8.75%, 6/1/20 F	\$149,000	\$298
Seven Generations Energy, Ltd. 144A sr. unsec. sub. notes 8.25%, 5/15/20 (Canada)	133,000	140,980
Seventy Seven Energy, Inc. escrow sr. unsec. notes 6.50%, 7/15/22 F	20,000	2
SM Energy Co. sr. unsec. notes 6.50%, 11/15/21	107,000	109,140
SM Energy Co. sr. unsec. sub. notes 5.00%, 1/15/24	81,000	76,343
SM Energy Co. sr. unsec. unsub. notes 6.50%, 1/1/23	43,000	43,753
SM Energy Co. sr. unsec. unsub. notes 6.125%, 11/15/22	180,000	182,250
Targa Resources Partners LP/Targa Resources Partners Finance Corp. 144A company guaranty sr. unsec. bonds 5.375%, 2/1/27	80,000	79,200
Targa Resources Partners LP/Targa Resources Partners Finance Corp. 144A company guaranty sr. unsec. notes 5.125%, 2/1/25	40,000	39,700
Tervita Corp. 144A sr. unsec. notes 10.875%, 2/15/18 (Canada) (In default) †	45,000	900
Tesoro Logistics LP/Tesoro Logistics Finance Corp. company guaranty sr. unsec. notes 5.25%, 1/15/25	45,000	45,956
Triangle USA Petroleum Corp. 144A company guaranty sr. unsec. notes 6.75%, 7/15/22 (In default) †	30,000	9,000
Whiting Petroleum Corp. company guaranty sr. unsec. sub. notes 6.50%, 10/1/18	100,000	99,500
Williams Partners LP/ACMP Finance Corp. company guaranty sr. unsec. unsub. notes 6.125%, 7/15/22	165,000	170,186
WPX Energy, Inc. sr. unsec. notes 8.25%, 8/1/23	39,000	43,583
WPX Energy, Inc. sr. unsec. notes 7.50%, 8/1/20	164,000	176,300
WPX Energy, Inc. sr. unsec. unsub. notes 6.00%, 1/15/22	172,000	176,300
		13,581,184
Financials (4.2%)		
Alliance Data Systems Corp. 144A company guaranty sr. unsec. notes 5.375%, 8/1/22	150,000	144,750
Ally Financial, Inc. company guaranty sr. unsec. notes 8.00%, 11/1/31	313,000	363,055
Ally Financial, Inc. sub. unsec. notes 5.75%, 11/20/25	85,000	84,788
American International Group, Inc. jr. unsec. sub. FRB 8.175%, 5/15/58	72,000	91,080
Bank of America Corp. jr. unsec. sub. FRN Ser. AA, 6.10%, perpetual maturity	50,000	50,563
Bank of America Corp. jr. unsec. sub. FRN Ser. Z, 6.50%, perpetual maturity	80,000	83,600
CBRE Services, Inc. company guaranty sr. unsec. notes 5.25%, 3/15/25	75,000	77,337
CIT Group, Inc. sr. unsec. sub. notes 5.00%, 8/1/23	125,000	128,750
CIT Group, Inc. sr. unsec. unsub. notes 5.375%, 5/15/20	175,000	185,938
CIT Group, Inc. sr. unsec. unsub. notes 5.00%, 8/15/22	325,000	338,813
CNO Financial Group, Inc. sr. unsec. unsub. notes 5.25%, 5/30/25	174,000	173,783

CORPORATE BONDS**AND NOTES (31.3%)* cont.**

	Principal amount	Value
Financials cont.		
Credit Acceptance Corp. company guaranty sr. unsec. notes 6.125%, 2/15/21	\$134,000	\$135,340
DFC Finance Corp. 144A company guaranty sr. notes 10.50%, 6/15/20	100,000	55,500
Dresdner Funding Trust I jr. unsec. sub. notes 8.151%, 6/30/31	250,000	289,688
ESH Hospitality, Inc. 144A company guaranty sr. unsec. notes 5.25%, 5/1/25 ^R	80,000	79,600
Hub Holdings, LLC/Hub Holdings Finance, Inc. 144A sr. unsec. sub. notes 8.125%, 7/15/19 ^{††}	53,000	52,868
HUB International, Ltd. 144A sr. unsec. notes 7.875%, 10/1/21	220,000	232,410
Icahn Enterprises LP/Icahn Enterprises Finance Corp. company guaranty sr. unsec. notes 6.00%, 8/1/20	235,000	239,994
Icahn Enterprises LP/Icahn Enterprises Finance Corp. company guaranty sr. unsec. notes 5.875%, 2/1/22	195,000	193,538
iStar, Inc. sr. unsec. notes 5.00%, 7/1/19 ^R	10,000	10,038
Lloyds Banking Group PLC 144A jr. unsec. sub. FRN 6.657%, perpetual maturity (United Kingdom)	125,000	134,375
Nationstar Mortgage, LLC/Nationstar Capital Corp. company guaranty sr. unsec. unsub. notes 7.875%, 10/1/20	100,000	103,500
Nationstar Mortgage, LLC/Nationstar Capital Corp. company guaranty sr. unsec. unsub. notes 6.50%, 7/1/21	270,000	273,375
OneMain Financial Holdings, LLC 144A company guaranty sr. unsec. sub. notes 6.75%, 12/15/19	64,000	66,720
OneMain Financial Holdings, LLC 144A company guaranty sr. unsec. unsub. notes 7.25%, 12/15/21	83,000	86,528
Provident Funding Associates LP/PFG Finance Corp. 144A company guaranty sr. unsec. notes 6.75%, 6/15/21	245,000	246,531
Royal Bank of Scotland Group PLC jr. unsec. sub. FRB 7.50%, perpetual maturity (United Kingdom)	200,000	189,500
Russian Agricultural Bank OJSC Via RSHB Capital SA 144A sr. unsec. unsub. notes 7.75%, 5/29/18 (Russia)	900,000	953,874
Sberbank of Russia Via SB Capital SA 144A sr. unsec. notes 6.125%, 2/7/22 (Russia)	250,000	271,250
Springleaf Finance Corp. company guaranty sr. unsec. unsub. notes 8.25%, 12/15/20	50,000	54,375
Springleaf Finance Corp. sr. unsec. unsub. notes 5.25%, 12/15/19	46,000	46,345
TMX Finance, LLC/TitleMax Finance Corp. 144A company guaranty sr. notes 8.50%, 9/15/18	25,000	21,813
TRI Pointe Group, Inc./TRI Pointe Homes, Inc. company guaranty sr. unsec. unsub. notes 5.875%, 6/15/24	131,000	134,930
UBSAG/Jersey jr. unsec. sub. FRN Ser. EMTN, 7.152%, perpetual maturity (Jersey)	EUR 200,000	221,596
USI, Inc./NY 144A sr. unsec. notes 7.75%, 1/15/21	\$198,000	201,960
Vnesheconombank Via VEB Finance PLC 144A sr. unsec. unsub. notes 6.80%, 11/22/25 (Russia)	255,000	271,740

CORPORATE BONDS**AND NOTES (31.3%)* cont.**

	Principal amount	Value
Financials cont.		
VTB Bank OJSC Via VTB Capital SA 144A sr. unsec. notes 6.875%, 5/29/18 (Russia)	\$1,548,000	\$1,625,957
VTB Bank OJSC Via VTB Capital SA 144A unsec. sub. bonds 6.95%, 10/17/22 (Russia)	700,000	752,500
VTB Bank PJSC via VTB Eurasia DAC 144A unsec. sub. FRN 9.50%, perpetual maturity (Russia)	300,000	321,000
		8,989,302
Health care (2.4%)		
Acadia Healthcare Co., Inc. company guaranty sr. unsec. sub. notes 6.125%, 3/15/21	225,000	232,031
Acadia Healthcare Co., Inc. company guaranty sr. unsec. sub. notes 5.125%, 7/1/22	85,000	84,469
AMAG Pharmaceuticals, Inc. 144A company guaranty sr. unsec. notes 7.875%, 9/1/23	176,000	176,000
Centene Corp. sr. unsec. unsub. notes 6.125%, 2/15/24	155,000	163,331
Centene Corp. sr. unsec. unsub. notes 5.625%, 2/15/21	50,000	52,570
Centene Corp. sr. unsec. unsub. notes 4.75%, 1/15/25	34,000	33,193
Centene Corp. sr. unsec. unsub. notes 4.75%, 5/15/22	135,000	136,350
CHS/Community Health Systems, Inc. company guaranty sr. unsec. notes 6.875%, 2/1/22	247,000	171,665
Concordia International Corp. 144A company guaranty sr. unsec. notes 7.00%, 4/15/23 (Canada)	120,000	38,400
Concordia International Corp. 144A sr. notes 9.00%, 4/1/22 (Canada)	25,000	21,125
DPx Holdings BV 144A sr. unsec. sub. notes 7.50%, 2/1/22 (Netherlands)	132,000	139,590
Endo Finance, LLC/Endo Finco, Inc. 144A company guaranty sr. unsec. unsub. notes 5.375%, 1/15/23	158,000	134,300
Endo Limited/Endo Finance LLC/Endo Finco, Inc. 144A company guaranty sr. unsec. unsub. notes 6.00%, 7/15/23 (Ireland)	200,000	175,250
Halyard Health, Inc. company guaranty sr. unsec. unsub. notes 6.25%, 10/15/22	156,000	160,680
HCA, Inc. company guaranty sr. bonds 5.25%, 6/15/26	130,000	134,388
HCA, Inc. company guaranty sr. notes 6.50%, 2/15/20	227,000	247,998
HCA, Inc. company guaranty sr. unsec. unsub. notes 7.50%, 2/15/22	74,000	83,990
HCA, Inc. company guaranty sr. unsec. unsub. notes 5.375%, 2/1/25	50,000	50,125
Jaguar Holding Co. II/Pharmaceutical Product Development, LLC 144A company guaranty sr. unsec. notes 6.375%, 8/1/23	150,000	160,500
Kinetic Concepts, Inc./KCI USA, Inc. 144A notes 9.625%, 10/1/21	65,000	68,738
Mallinckrodt International Finance SA/Mallinckrodt CB, LLC 144A company guaranty sr. unsec. unsub. notes 5.50%, 4/15/25 (Luxembourg)	132,000	118,140
MEDNAX, Inc. 144A company guaranty sr. unsec. unsub. notes 5.25%, 12/1/23	60,000	61,800
Molina Healthcare, Inc. company guaranty sr. unsec. notes 5.375%, 11/15/22	105,000	106,575

CORPORATE BONDS AND NOTES (31.3%)* cont.	Principal amount	Value
Health care cont.		
Omega Healthcare Investors, Inc. company guaranty sr. unsec. unsub. notes 4.95%, 4/1/24 R	\$135,000	\$136,793
Ortho-Clinical Diagnostics, Inc./Ortho-Clinical Diagnostics SA 144A sr. unsec. notes 6.625%, 5/15/22	245,000	217,438
Service Corp. International/US sr. unsec. notes 5.375%, 1/15/22	203,000	211,120
Service Corp. International/US sr. unsec. unsub. notes 5.375%, 5/15/24	478,000	498,315
Sterigenics-Nordion Holdings, LLC 144A sr. unsec. notes 6.50%, 5/15/23	90,000	91,575
Tenet Healthcare Corp. company guaranty sr. FRN 4.463%, 6/15/20	155,000	156,163
Tenet Healthcare Corp. company guaranty sr. notes 6.25%, 11/1/18	342,000	361,665
Tenet Healthcare Corp. company guaranty sr. notes 4.75%, 6/1/20	35,000	35,350
Tenet Healthcare Corp. company guaranty sr. sub. notes 6.00%, 10/1/20	164,000	171,790
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 6.125%, 4/15/25	150,000	112,688
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 5.875%, 5/15/23	289,000	218,195
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 5.50%, 3/1/23	80,000	60,000
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 5.375%, 3/15/20	114,000	96,330
		5,118,630
Technology (1.6%)		
Avaya, Inc. 144A company guaranty notes 10.50%, 3/1/21	74,000	31,820
Avaya, Inc. 144A company guaranty sr. notes 7.00%, 4/1/19	463,000	405,125
Black Knight InfoServ, LLC/Black Knight Lending Solutions, Inc. company guaranty sr. unsec. notes 5.75%, 4/15/23	157,000	163,869
CommScope Technologies Finance, LLC 144A sr. unsec. notes 6.00%, 6/15/25	217,000	230,020
Diamond 1 Finance Corp./Diamond 2 Finance Corp. 144A company guaranty sr. unsec. notes 7.125%, 6/15/24	371,000	411,876
First Data Corp. 144A company guaranty sr. unsec. unsub. notes 7.00%, 12/1/23	180,000	191,700
First Data Corp. 144A notes 5.75%, 1/15/24	170,000	175,420
First Data Corp. 144A sr. notes 5.375%, 8/15/23	150,000	155,625
Inception Merger Sub, Inc./Rackspace Hosting, Inc. 144A sr. unsec. notes 8.625%, 11/15/24	156,000	165,118
Infor Software Parent LLC/Infor Software Parent, Inc. 144A company guaranty sr. unsec. notes 7.125%, 5/1/21 ††	264,000	271,920
Infor US, Inc. company guaranty sr. unsec. notes 6.50%, 5/15/22	188,000	195,990
Infor US, Inc. 144A company guaranty sr. notes 5.75%, 8/15/20	51,000	53,423

CORPORATE BONDS AND NOTES (31.3%)* cont.	Principal amount	Value
Technology cont.		
Iron Mountain, Inc. company guaranty sr. unsec. notes 6.00%, 8/15/23 R	\$210,000	\$223,125
Micron Technology, Inc. company guaranty sr. unsec. unsub. notes 5.875%, 2/15/22	181,000	188,693
Solera, LLC / Solera Finance, Inc. 144A sr. unsec. notes 10.50%, 3/1/24	125,000	140,625
Techem Energy Metering Service GmbH & Co. KG 144A company guaranty sr. unsec. sub. notes 7.875%, 10/1/20 (Germany)	EUR 230,000	251,876
Zebra Technologies Corp. sr. unsec. unsub. bonds 7.25%, 10/15/22	\$213,000	231,638
		3,487,863
Transportation (0.2%)		
Air Medical Merger Sub Corp. 144A sr. unsec. notes 6.375%, 5/15/23	190,000	182,400
Watco Cos., LLC/Watco Finance Corp. 144A company guaranty sr. unsec. notes 6.375%, 4/1/23	332,000	343,620
		526,020
Utilities and power (1.5%)		
AES Corp./Virginia (The) sr. unsec. notes 5.50%, 4/15/25	280,000	278,600
AES Corp./Virginia (The) sr. unsec. notes 4.875%, 5/15/23	85,000	84,150
AES Corp./Virginia (The) sr. unsec. unsub. notes 7.375%, 7/1/21	180,000	200,700
Boardwalk Pipelines LP company guaranty sr. unsec. unsub. bonds 5.95%, 6/1/26	50,000	54,342
Calpine Corp. sr. unsec. sub. notes 5.75%, 1/15/25	335,000	323,275
Calpine Corp. 144A company guaranty sr. notes 6.00%, 1/15/22	50,000	52,250
Calpine Corp. 144A company guaranty sr. sub. notes 5.875%, 1/15/24	40,000	41,900
Colorado Interstate Gas Co., LLC company guaranty sr. unsec. notes 6.85%, 6/15/37	290,000	307,807
Dynegy, Inc. company guaranty sr. unsec. notes 7.375%, 11/1/22	20,000	19,100
Dynegy, Inc. company guaranty sr. unsec. notes 6.75%, 11/1/19	358,000	364,265
Dynegy, Inc. company guaranty sr. unsec. unsub. notes 7.625%, 11/1/24	70,000	64,575
Energy Transfer Equity LP company guaranty sr. notes 7.50%, 10/15/20	221,000	246,415
Energy Transfer Equity LP sr. sub. notes 5.875%, 1/15/24	280,000	289,100
GenOn Energy, Inc. sr. unsec. sub. notes 9.875%, 10/15/20	195,000	133,088
NRG Energy, Inc. company guaranty sr. unsec. sub. notes 7.875%, 5/15/21	93,000	96,953
NRG Energy, Inc. 144A company guaranty sr. unsec. bonds 6.625%, 1/15/27	148,000	139,860
NRG Energy, Inc. 144A company guaranty sr. unsec. notes 7.25%, 5/15/26	80,000	79,600
Regency Energy Partners LP/Regency Energy Finance Corp. company guaranty sr. unsec. unsub. notes 5.50%, 4/15/23	155,000	160,038
Regency Energy Partners LP/Regency Energy Finance Corp. company guaranty sr. unsec. unsub. notes 4.50%, 11/1/23	69,000	70,016

CORPORATE BONDS AND NOTES (31.3%)* cont.

	Principal amount	Value
Utilities and power cont.		
Southern Star Central Corp. 144A sr. unsec. notes 5.125%, 7/15/22	\$199,000	\$201,488
Texas Competitive Electric Holdings Co., LLC/TCEH Finance, Inc. escrow company guaranty sr. notes 11.50%, 10/1/20	119,000	1,190
	3,208,712	
Total corporate bonds and notes (cost \$68,617,868)		\$67,806,344

FOREIGN GOVERNMENT AND AGENCY BONDS AND NOTES (7.3%)*

	Principal amount	Value
Argentina (Republic of) 144A sr. unsec. bonds 7.125%, 7/6/36 (Argentina)	\$435,000	\$415,384
Argentina (Republic of) 144A sr. unsec. notes 7.50%, 4/22/26 (Argentina)	1,192,000	1,248,705
Brazil (Federal Republic of) sr. unsec. unsubs. notes 10.00%, 1/1/17 (Brazil) (units)	BRL 2,500	805,611
Buenos Aires (Province of) 144A sr. unsec. notes 9.125%, 3/16/24 (Argentina)	\$430,000	467,356
Buenos Aires (Province of) 144A sr. unsec. unsubs. notes 10.875%, 1/26/21 (Argentina)	2,075,000	2,376,290
Costa Rica (Republic of) 144A sr. unsec. unsubs. notes 7.00%, 4/4/44 (Costa Rica)	200,000	182,718
Croatia (Republic of) 144A sr. unsec. unsubs. notes 6.375%, 3/24/21 (Croatia)	360,000	391,500
Croatia (Republic of) 144A sr. unsec. unsubs. notes 6.00%, 1/26/24 (Croatia)	400,000	434,000
Egypt (Government of) 144A sr. unsec. notes 5.875%, 6/11/25 (Egypt)	555,000	503,463
Hellenic (Republic of) sr. unsec. notes 3.375%, 7/17/17 (Greece)	EUR 593,000	612,948
Hellenic (Republic of) sr. unsec. unsubs. bonds 4.75%, 4/17/19 (Greece)	EUR 410,000	403,840
Hellenic (Republic of) sr. unsec. unsubs. bonds Ser. PSI, 3.00%, 2/24/40 (Greece)	EUR 16,000	10,361
Hellenic (Republic of) sr. unsec. unsubs. bonds Ser. PSI, stepped-coupon 3.00% (3.65%, 2/24/20), 2/24/34 (Greece) ††	EUR 47,000	32,181
Hellenic (Republic of) sr. unsec. unsubs. bonds Ser. PSI, stepped-coupon 3.00% (3.65%, 2/24/20), 2/24/32 (Greece) ††	EUR 674,000	476,903
Hellenic (Republic of) sr. unsec. unsubs. bonds Ser. PSI, stepped-coupon 3.00% (3.65%, 2/24/20), 2/24/30 (Greece) ††	EUR 940,933	689,181
Hellenic (Republic of) sr. unsec. unsubs. bonds Ser. PSI, stepped-coupon 3.00% (3.65%, 2/24/20), 2/24/29 (Greece) ††	EUR 1,535,267	1,146,477
Hellenic (Republic of) sr. unsec. unsubs. bonds Ser. PSI, stepped-coupon 3.00% (3.65%, 2/24/20), 2/24/28 (Greece) ††	EUR 585,533	449,987
Hellenic (Republic of) sr. unsec. unsubs. bonds Ser. PSI, stepped-coupon 3.00% (3.65%, 2/24/20), 2/24/27 (Greece) ††	EUR 65,000	51,771
Hellenic (Republic of) sr. unsec. unsubs. bonds Ser. PSI, stepped-coupon 3.00% (3.65%, 2/24/20), 2/24/26 (Greece) ††	EUR 173,000	140,650
Hellenic (Republic of) sr. unsec. unsubs. bonds Ser. PSI, stepped-coupon 3.00% (3.65%, 2/24/20), 2/24/25 (Greece) ††	EUR 1,278,753	1,050,723
Hellenic (Republic of) sr. unsec. unsubs. bonds Ser. PSI, stepped-coupon 3.00% (3.65%, 2/24/20), 2/24/24 (Greece) ††	EUR 224,000	187,270

FOREIGN GOVERNMENT AND AGENCY BONDS AND NOTES (7.3%)* cont.

	Principal amount	Value
Hellenic (Republic of) sr. unsec. unsubs. bonds Ser. PSI, stepped-coupon 3.00% (3.65%, 2/24/20), 2/24/23 (Greece) ††	EUR 1,019,192	\$867,605
Indonesia (Republic of) 144A sr. unsec. notes 4.75%, 1/8/26 (Indonesia)	\$300,000	309,750
Indonesia (Republic of) 144A sr. unsec. unsubs. bonds 6.625%, 2/17/37 (Indonesia)	575,000	664,844
Indonesia (Republic of) 144A sr. unsec. unsubs. notes 5.95%, 1/8/46 (Indonesia)	300,000	330,750
Mexico (Republic of) sr. unsec. notes 5.75%, 10/12/10 (Mexico)	220,000	204,353
Russia (Federation of) 144A sr. unsec. notes 4.50%, 4/4/22 (Russia)	235,000	244,400
Russia (Federation of) 144A sr. unsec. unsubs. bonds 12.75%, 6/24/28 (Russia)	354,000	600,030
Russia (Federation of) 144A sr. unsec. unsubs. bonds 5.625%, 4/4/42 (Russia)	200,000	215,000
Ukraine (Government of) 144A unsec. FRN Ser. GDP, zero %, 5/31/40 (Ukraine)	361,000	108,618
Ukraine (Government of) 144A unsec. notes 7.75%, 9/1/27 (Ukraine)	176,000	163,437
Venezuela (Bolivarian Republic of) sr. unsec. bonds 7.00%, 3/31/38 (Venezuela)	265,000	113,950
Total foreign government and agency bonds and notes (cost \$16,219,783)		\$15,900,056

SENIOR LOANS (1.8%)* c

	Principal amount	Value
Academy, Ltd. bank term loan FRN Ser. B, 5.00%, 7/2/22	\$213,947	\$197,366
Asurion, LLC bank term loan FRN 8.50%, 3/3/21	140,000	141,680
Avaya, Inc. bank term loan FRN Ser. B6, 6.50%, 3/31/18	140,056	121,674
Avaya, Inc. bank term loan FRN Ser. B7, 6.25%, 5/29/20	214,235	185,314
Caesars Entertainment Operating Co., Inc. bank term loan FRN Ser. B6, 11.25%, 3/1/17 (In default) †	264,788	291,929
Caesars Growth Properties Holdings, LLC bank term loan FRN 6.25%, 5/8/21	328,018	330,376
Casella Waste Systems, Inc. bank term loan FRN Ser. B, 4.00%, 10/17/23	360,000	363,150
Chesapeake Energy Corp. bank term loan FRN 8.50%, 8/23/21	235,000	255,465
Cortez NP Intermediate Holding II Corp. bank term loan FRN Ser. B, 6.00%, 11/30/23	65,000	65,433
CPG International, Inc. bank term loan FRN Ser. B, 4.75%, 9/30/20	33,896	34,129
DPx Holdings BV bank term loan FRN Ser. B, 4.25%, 3/11/21	121,875	122,586
EP Energy, LLC bank term loan FRN 9.75%, 6/30/21	6,000	6,263
First Data Corp. bank term loan FRN 3.524%, 3/24/21	98,971	99,898
Gates Global, LLC/Gates Global Co. bank term loan FRN 4.25%, 7/6/21	79,710	79,697
Getty Images, Inc. bank term loan FRN Ser. B, 4.75%, 10/18/19	222,470	193,827
iHeartCommunications, Inc. bank term loan FRN Ser. D, 7.356%, 1/30/19	319,000	258,656
Krono's, Inc. bank term loan FRN 9.25%, 11/1/24	80,000	82,288
Krono's, Inc. bank term loan FRN 5.00%, 11/1/23	45,000	45,366

SENIOR LOANS (1.8%)* ccont.	Principal amount	Value
MEG Energy Corp. bank term loan FRN Ser. B, 3.75%, 3/31/20	\$234,383	\$226,034
Navistar, Inc. bank term loan FRN Ser. B, 6.50%, 8/7/20	148,500	150,319
Neiman Marcus Group, Ltd., Inc. bank term loan FRN 4.25%, 10/25/20	173,383	150,685
Ortho-Clinical Diagnostics, Inc. bank term loan FRN Ser. B, 4.75%, 6/30/21	78,000	77,293
Revlon Consumer Products Corp. bank term loan FRN Ser. B, 4.25%, 9/7/23	159,600	160,957
Solenis International LP bank term loan FRN 7.75%, 7/31/22	31,000	30,419
Talbots, Inc. (The) bank term loan FRN 9.50%, 3/19/21	54,964	49,880
Talbots, Inc. (The) bank term loan FRN 5.50%, 3/19/20	108,028	104,877
Valeant Pharmaceuticals International, Inc. bank term loan FRN Ser. E, 5.25%, 8/5/20	115,122	114,752
Total senior loans (cost \$4,047,511)		\$3,940,313

PURCHASED OPTIONS OUTSTANDING (0.5%)*	Expiration date/strike price	Contract amount	Value
Federal National Mortgage Association 30 yr 3.00% TBA commitments (Call)	Jan-17/\$99.46	\$50,000,000	\$191,000
Federal National Mortgage Association 30 yr 2.50% TBA commitments (Call)	Jan-17/95.39	3,000,000	9,150
Federal National Mortgage Association 30 yr 2.50% TBA commitments (Put)	Jan-17/100.77	3,750,000	206,812
Federal National Mortgage Association 30 yr 2.50% TBA commitments (Put)	Jan-17/100.58	3,750,000	199,763
Federal National Mortgage Association 30 yr 2.50% TBA commitments (Put)	Jan-17/100.02	3,750,000	178,688
Federal National Mortgage Association 30 yr 2.50% TBA commitments (Put)	Jan-17/99.83	3,750,000	171,638
USD/JPY (Call)	May-17/JPY118.00	4,325,900	108,407
Total purchased options outstanding (cost \$637,753)			\$1,065,458

PURCHASED SWAP OPTIONS OUTSTANDING (0.2%)*				
Counterparty	Fixed right % to receive or (pay)/ Floating rate index/Maturity date	Expiration date/strike	Contract amount	Value
Bank of America N.A.				
	1.4019/3 month USD-LIBOR-BBA/ Jan-19	Jan-17/1.4019	\$19,895,600	\$2,586
Citibank, N.A.				
	2.226/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.226	9,947,800	28,650
	2.11875/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.11875	9,947,800	5,372
Credit Suisse International				
	1.95275/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/1.95275	9,947,800	298
Goldman Sachs International				
	2.462/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.462	14,921,700	218,155
	2.4775/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.4775	9,947,800	163,144

PURCHASED SWAP OPTIONS OUTSTANDING (0.2%)* cont.				
Counterparty	Fixed right % to receive or (pay)/ Floating rate index/Maturity date	Expiration date/strike	Contract amount	Value
Goldman Sachs International cont.				
	2.2125/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.2125	\$9,947,800	\$21,686
	1.1735/3 month USD-LIBOR-BBA/ Jan-18	Jan-17/1.1735	39,791,200	1,990
JPMorgan Chase Bank N.A.				
	2.2095/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.2095	9,947,800	24,372
Total purchased swap options outstanding (cost \$429,844)				\$466,253

COMMON STOCKS (0.2%)*	Shares	Value
Halcon Resources Corp. †	11,413	\$106,597
Milagro Oil & Gas, Inc. (Units) F	98	7,938
SandRidge Energy, Inc. †	1,427	33,606
Texas Competitive Electric Holdings Co., Inc. (Rights) F	10,368	13,478
Tribune Media Co. Class 1C F	55,356	13,839
Vistra Energy Corp.	10,368	160,705
Total common stocks (cost \$466,820)		\$336,163

PREFERRED STOCKS (0.1%)*	Shares	Value
GMAC Capital Trust I Ser. 2, \$2.031 cum. ARP	6,980	\$177,292
Total preferred stocks (cost \$175,813)		\$177,292

CONVERTIBLE BONDS AND NOTES (—%)*	Principal amount	Value
Navistar International Corp. cv. sr. unsec. sub. bonds 4.50%, 10/15/18	\$64,000	\$63,080
SandRidge Energy, Inc. cv. company guaranty sr. unsec. sub. notes zero %, 10/4/20	33,659	41,926
Total convertible bonds and notes (cost \$88,343)		\$105,006

WARRANTS (—%)* †	Expiration date	Strike price	Warrants	Value
Halcon Resources Corp.	9/9/20	\$14.04	3,100	\$7,130
Seventy Seven Energy, Inc.	8/1/21	23.82	172	3,526
Total warrants (cost \$688)				\$10,656

SHORT-TERM INVESTMENTS (10.3%)*	Principal amount/ shares	Value
Putnam Short Term Investment Fund 0.69% L	Shares 6,506,207	\$6,506,207
State Street Institutional U.S. Government Money Market Fund, Premier Class 0.42% P	Shares 140,000	140,000
U.S. Treasury Bills 0.439%, 2/16/17 Δ \$	\$1,862,000	1,860,998
U.S. Treasury Bills 0.446%, 2/9/17 Δ \$	3,092,000	3,090,578
U.S. Treasury Bills 0.472%, 2/2/17 Δ	180,000	179,937
U.S. Treasury Bills 0.387%, 1/26/17 Δ \$	4,962,000	4,960,665
U.S. Treasury Bills 0.387%, 1/19/17 Δ \$	530,000	529,902
U.S. Treasury Bills 0.467%, 1/12/17 Δ \$	4,954,000	4,953,505
Total short-term investments (cost \$22,221,520)		\$22,221,792
Total investments (cost \$300,058,365)		\$298,151,838

Key to holding's currency abbreviations

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
CHF	Swiss Franc
EUR	Euro
GBP	British Pound
JPY	Japanese Yen
MXN	Mexican Peso
NOK	Norwegian Krone
NZD	New Zealand Dollar
SEK	Swedish Krona
USD / \$	United States Dollar
ZAR	South African Rand

Key to holding's abbreviations

ARP	Adjustable Rate Preferred Stock: the rate shown is the current interest rate at the close of the reporting period
bp	Basis Points
DAC	Designated Activity Company
EMTN	Euro Medium Term Notes
FRB	Floating Rate Bonds: the rate shown is the current interest rate at the close of the reporting period
FRN	Floating Rate Notes: the rate shown is the current interest rate or yield at the close of the reporting period
IFB	Inverse Floating Rate Bonds, which are securities that pay interest rates that vary inversely to changes in the market interest rates. As interest rates rise, inverse floaters produce less current income. The rate shown is the current interest rate at the close of the reporting period.
IO	Interest Only
OAO	Open Joint Stock Company
OJSC	Open Joint Stock Company
OTC	Over-the-counter
PJSC	Public Joint Stock Company
PO	Principal Only
REGS	Securities sold under Regulation S may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.
TBA	To Be Announced Commitments

Notes to the fund's portfolio

Unless noted otherwise, the notes to the fund's portfolio are for the close of the fund's reporting period, which ran from January 1, 2016 through December 31, 2016 (the reporting period). Within the following notes to the portfolio, references to "ASC 820" represent Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* and references to "OTC", if any, represent over-the-counter.

* Percentages indicated are based on net assets of \$216,709,630.

† This security is non-income-producing.

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

††† Income may be received in cash or additional securities at the discretion of the issuer.

Δ This security, in part or in entirety, was pledged and segregated with the custodian for collateral on certain derivative contracts at the close of the reporting period.

§ This security, in part or in entirety, was pledged and segregated with the custodian for collateral on the initial margin on certain centrally cleared derivative contracts at the close of the reporting period.

¢ Senior loans are exempt from registration under the Securities Act of 1933, as amended, but contain certain restrictions on resale and cannot be sold publicly. These loans pay interest at rates which adjust periodically. The interest rates shown for senior loans are the current interest rates at the close of the reporting period. Senior loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining maturity may be substantially less than the stated maturity shown (Notes 1 and 7).

F This security is valued by Putnam Management at fair value following procedures approved by the Trustees. Securities may be classified as Level 2 or Level 3 for ASC 820 based on the securities' valuation inputs (Note 1).

L Affiliated company (Note 5). The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

P This security was pledged, or purchased with cash that was pledged, to the fund for collateral on certain derivative contracts. The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period (Note 1).

R Real Estate Investment Trust.

At the close of the reporting period, the fund maintained liquid assets totaling \$103,289,473 to cover certain derivative contracts and delayed delivery securities.

Unless otherwise noted, the rates quoted in Short-term investments security descriptions represent the weighted average yield to maturity.

Debt obligations are considered secured unless otherwise indicated.

144A after the name of an issuer represents securities exempt from registration under Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

See Note 1 to the financial statements regarding TBA commitments.

The dates shown on debt obligations are the original maturity dates.

DIVERSIFICATION BY COUNTRY

Distribution of investments by country of risk at the close of the reporting period, excluding collateral received, if any (as a percentage of Portfolio Value):

United States	87.5%	Canada	1.0%
Greece	2.1	Indonesia	0.7
Russia	2.0	Luxembourg	0.5
Argentina	1.5	Other	2.4
Brazil	1.3	Total	100.0%
Mexico	1.0		

FORWARD CURRENCY CONTRACTS at 12/31/16 (aggregate face value \$77,248,138)

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/(depreciation)
Bank of America N.A.						
	Australian Dollar	Buy	1/18/17	\$412,919	\$433,546	\$(20,627)
	British Pound	Sell	3/16/17	376,420	382,273	5,853
	Canadian Dollar	Buy	1/18/17	1,014,832	1,004,278	10,554
	Chinese Yuan (Offshore)	Sell	2/16/17	2,110,873	2,153,129	42,256
	Euro	Sell	3/16/17	1,109,200	1,122,086	12,886
	Hong Kong Dollar	Sell	2/16/17	1,145,592	1,146,338	746
	Japanese Yen	Buy	2/16/17	1,100,114	1,091,985	8,129
	Japanese Yen	Sell	2/16/17	1,083,993	1,161,986	77,993
	New Zealand Dollar	Sell	1/18/17	339,276	313,113	(26,163)
	Norwegian Krone	Sell	3/16/17	648,672	667,779	19,107
	Swedish Krona	Buy	3/16/17	75,535	74,970	565
Barclays Bank PLC						
	Australian Dollar	Sell	1/18/17	428,068	410,775	(17,293)
	British Pound	Sell	3/16/17	851,359	875,641	24,282
	Canadian Dollar	Buy	1/18/17	529,950	556,046	(26,096)
	Euro	Sell	3/16/17	1,494,040	1,469,612	(24,428)
	Japanese Yen	Sell	2/16/17	309,079	344,959	35,880
	New Zealand Dollar	Sell	1/18/17	1,081,572	1,079,565	(2,007)
	Swiss Franc	Buy	3/16/17	32,847	33,162	(315)
Citibank, N.A.						
	Australian Dollar	Buy	1/18/17	322,096	339,989	(17,893)
	Brazilian Real	Buy	1/3/17	782,438	753,432	29,006
	Brazilian Real	Sell	1/3/17	782,438	760,734	(21,704)
	Brazilian Real	Sell	4/3/17	763,561	735,310	(28,251)
	British Pound	Sell	3/16/17	656,790	674,592	17,802
	Canadian Dollar	Buy	1/18/17	603,178	607,557	(4,379)
	Chinese Yuan (Offshore)	Sell	2/16/17	1,049,600	1,076,879	27,279
	Euro	Sell	3/16/17	2,003,005	1,998,620	(4,385)
	Japanese Yen	Sell	2/16/17	1,047,578	1,079,479	31,901
	Mexican Peso	Buy	1/18/17	280,495	281,043	(548)
	New Zealand Dollar	Sell	1/18/17	1,078,239	1,083,049	4,810
	South African Rand	Buy	1/18/17	7,336	7,316	20
Credit Suisse International						
	Canadian Dollar	Buy	1/18/17	2,140,212	2,156,616	(16,404)
	Canadian Dollar	Sell	1/18/17	2,150,716	2,151,401	685
	Hong Kong Dollar	Sell	2/16/17	925,427	925,896	469
	Swedish Krona	Buy	3/16/17	1,099,061	1,090,808	8,253
Goldman Sachs International						
	Australian Dollar	Sell	1/18/17	191,166	143,544	(47,622)
	British Pound	Sell	3/16/17	541,852	556,942	15,090
	Canadian Dollar	Buy	1/18/17	454,115	462,651	(8,536)
	Euro	Sell	3/16/17	746,861	722,520	(24,341)
	Japanese Yen	Sell	2/16/17	1,144,866	1,307,014	162,148
	New Taiwan Dollar	Sell	2/16/17	1,065,274	1,076,285	11,011
	New Zealand Dollar	Sell	1/18/17	1,641,801	1,709,821	68,020
	Norwegian Krone	Buy	3/16/17	1,093,737	1,085,678	8,059
	Norwegian Krone	Sell	3/16/17	1,083,229	1,111,414	28,185
	Russian Ruble	Buy	3/16/17	1,139,381	1,084,998	54,383
	South Korean Won	Sell	2/16/17	1,022,148	1,055,230	33,082
	Swedish Krona	Buy	3/16/17	131,858	130,903	955

FORWARD CURRENCY CONTRACTS at 12/31/16 (aggregate face value \$77,248,138) cont.

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/ (depreciation)
HSBC Bank USA, National Association						
	Australian Dollar	Buy	1/18/17	\$56,773	\$60,181	\$(3,408)
	Canadian Dollar	Buy	1/18/17	1,078,152	1,088,763	(10,611)
	Euro	Sell	3/16/17	537,804	532,612	(5,192)
	Hong Kong Dollar	Sell	2/16/17	1,144,108	1,144,700	592
JPMorgan Chase Bank N.A.						
	Australian Dollar	Buy	1/18/17	1,273,816	1,407,716	(133,900)
	British Pound	Sell	3/16/17	508,519	523,973	15,454
	Canadian Dollar	Buy	1/18/17	1,053,643	1,058,735	(5,092)
	Chinese Yuan (Offshore)	Sell	2/16/17	1,061,272	1,076,350	15,078
	Euro	Sell	3/16/17	1,417,346	1,447,387	30,041
	Hong Kong Dollar	Sell	2/16/17	1,169,428	1,170,032	604
	Japanese Yen	Buy	2/16/17	243,538	203,910	39,628
	New Taiwan Dollar	Sell	2/16/17	1,065,270	1,069,797	4,527
	New Zealand Dollar	Sell	1/18/17	1,342,591	1,317,592	(24,999)
	Norwegian Krone	Sell	3/16/17	1,226,880	1,263,604	36,724
	South Korean Won	Sell	2/16/17	1,022,148	1,059,851	37,703
	Swedish Krona	Buy	3/16/17	1,166,450	1,160,872	5,578
	Swiss Franc	Sell	3/16/17	8,286	9,037	751
Royal Bank of Scotland PLC (The)						
	Australian Dollar	Buy	1/18/17	1,027,320	1,089,680	(62,360)
	British Pound	Sell	3/16/17	813,457	835,709	22,252
	Canadian Dollar	Buy	1/18/17	1,085,080	1,093,319	(8,239)
	Euro	Sell	3/16/17	831,372	821,702	(9,670)
	New Zealand Dollar	Sell	1/18/17	2,111,413	2,145,304	33,891
	Swedish Krona	Buy	3/16/17	1,096,659	1,083,342	13,317
State Street Bank and Trust Co.						
	Australian Dollar	Sell	1/18/17	775,341	760,619	(14,722)
	Canadian Dollar	Buy	1/18/17	1,927,458	1,963,822	(36,364)
	Euro	Sell	3/16/17	1,774,614	1,776,128	1,514
	Japanese Yen	Buy	2/16/17	975,375	1,049,324	(73,949)
	Japanese Yen	Sell	2/16/17	944,024	1,053,848	109,824
	New Zealand Dollar	Sell	1/18/17	994,774	1,018,983	24,209
	Swedish Krona	Buy	3/16/17	1,140,505	1,100,717	39,788
UBSAG						
	Australian Dollar	Buy	1/18/17	619,523	656,501	(36,978)
	British Pound	Sell	3/16/17	822,840	844,989	22,149
	Euro	Sell	3/16/17	1,096,629	1,085,937	(10,692)
	New Zealand Dollar	Sell	1/18/17	1,019,147	1,031,230	12,083
WestPac Banking Corp.						
	Australian Dollar	Sell	1/18/17	252,556	238,500	(14,056)
	Canadian Dollar	Sell	1/18/17	424,467	423,089	(1,378)
	Euro	Sell	3/16/17	1,076,241	1,089,319	13,078
Total						\$475,592

WRITTEN SWAP OPTIONS**OUTSTANDING at 12/31/16**
(premiums \$2,012,263)**Counterparty****Fixed Obligation % to receive****or (pay)/Floating rate index/
Maturity date****Expiration
date/strike****Contract
amount****Value****Bank of America N.A.**

(2.0514)/3 month

USD-LIBOR-BBA/Jan-19

Jan-17/2.0514

\$19,895,600

\$1,194

Citibank, N.A.

(1.95275)/3 month

USD-LIBOR-BBA/Jan-27

Jan-17/1.95275

9,947,800

298

2.776/3 month USD-LIBOR-BBA/

Jan-27

Jan-17/2.776

9,947,800

1,194

2.28475/3 month

USD-LIBOR-BBA/Jan-27

Jan-17/2.28475

9,947,800

78,090

Credit Suisse International

2.73/3 month USD-LIBOR-BBA/

Jan-27

Jan-17/2.73

9,947,800

696

Goldman Sachs International

(1.52275)/3 month

USD-LIBOR-BBA/Jan-18

Jan-17/1.52275

39,791,200

398

2.7625/3 month USD-LIBOR-BBA/

Jan-27

Jan-17/2.7625

9,947,800

796

2.6875/3 month USD-LIBOR-BBA/

Jan-27

Jan-17/2.6875

9,947,800

6,068

2.657/3 month USD-LIBOR-BBA/

Jan-27

Jan-17/2.657

14,921,700

6,416

(2.242)/3 month USD-LIBOR-BBA/

Jan-27

Jan-17/2.242

14,921,700

49,689

(2.2675)/3 month

USD-LIBOR-BBA/Jan-27

Jan-17/2.2675

9,947,800

49,739

(2.3725)/3 month

USD-LIBOR-BBA/Jan-27

Jan-17/2.3725

9,947,800

97,488

(2.352)/3 month USD-LIBOR-BBA/

Jan-27

Jan-17/2.352

14,921,700

116,838

JPMorgan Chase Bank N.A.

2.762/3 month USD-LIBOR-BBA/

Jan-27

Jan-17/2.762

9,947,800

1,393

(6.00 Floor)/3 month

USD-LIBOR-BBA/Mar-18

Mar-18/6.00

8,886,000

536,448

Total**\$946,745****WRITTEN OPTIONS****OUTSTANDING at 12/31/16**
(premiums \$554,249)**Expiration
date/strike
price****Contract
amount****Value**Federal National Mortgage
Association 30 yr 3.00% TBA
commitments (Put)

Jan-17/\$99.46

\$50,000,000

\$202,500

Federal National Mortgage
Association 30 yr 2.50% TBA
commitments (Put)

Jan-17/100.02

3,750,000

178,688

Federal National Mortgage
Association 30 yr 2.50% TBA
commitments (Put)

Jan-17/99.83

3,750,000

171,638

Federal National Mortgage
Association 30 yr 2.50% TBA
commitments (Put)

Jan-17/99.27

3,750,000

150,562

Federal National Mortgage
Association 30 yr 2.50% TBA
commitments (Put)

Jan-17/99.27

3,750,000

150,562

WRITTEN OPTIONS**OUTSTANDING at 12/31/16**
(premiums \$554,249) cont.**Expiration date/
strike price****Contract
amount****Value**Federal National Mortgage
Association 30 yr 2.50% TBA
commitments (Put)

Jan-17/\$99.08

\$3,750,000

\$143,512

Federal National Mortgage
Association 30 yr 2.50% TBA
commitments (Put)

Jan-17/99.08

3,750,000

143,512

Federal National Mortgage
Association 30 yr 2.50% TBA
commitments (Put)

Jan-17/98.52

3,750,000

122,438

Federal National Mortgage
Association 30 yr 2.50% TBA
commitments (Put)

Jan-17/98.33

3,750,000

115,425

Federal National Mortgage
Association 30 yr 2.50% TBA
commitments (Put)

Jan-17/95.39

3,000,000

13,230

USD/JPY (Call)

May-17/JPY125.00

4,325,900

36,640

Total**\$1,428,707****FORWARD PREMIUM SWAP OPTION CONTRACTS OUTSTANDING at 12/31/16****Counterparty****Fixed right or****obligation % to****receive or (pay)/****Floating rate index/
Maturity date****Expira-
tion
date/
strike****Contract amount****Premium
receivable/
(payable)****Unrealized
appreciation/
(depreciation)****Barclays Bank PLC**

(0.625)/6 month

JPY-LIBOR-BBA/
Feb-37 (Purchased)Feb-17/
0.625

JPY 593,500,000

\$(48,480)

\$37,578

(0.66)/6 month

JPY-LIBOR-BBA/
Feb-37 (Purchased)Feb-17/
0.66

JPY 593,500,000

(48,290)

22,445

Total**\$(96,770)****\$60,023****TBA SALE COMMITMENTS OUTSTANDING at 12/31/16****(proceeds receivable
\$21,313,789)****Principal
amount****Settlement
date****Value**Federal National Mortgage
Association, 3.00%, 1/1/47

\$14,000,000

1/18/17

\$13,919,063

Federal National Mortgage
Association, 2.50%, 1/1/47

8,000,000

1/18/17

7,618,751

Total**\$21,537,814**

OTC INTEREST RATE SWAP CONTRACTS OUTSTANDING at 12/31/16

Swap counterparty/ Notional amount	Upfront premium received (paid)	Termination date	Payments made by fund per annum	Payments received by fund per annum	Unrealized appreciation/ (depreciation)
JPMorgan Chase Bank N.A.					
MXN 32,807,000	\$—	1/1/26	1 month MXN-TIIE-BANXICO	6.16%	\$(181,820)
MXN 33,655,000	—	10/6/21	1 month MXN-TIIE-BANXICO	5.93%	(109,556)
MXN 13,601,000	—	10/8/21	1 month MXN-TIIE-BANXICO	5.895%	(45,293)
MXN 14,098,000	—	10/26/21	1 month MXN-TIIE-BANXICO	6.09%	(42,154)
Total	\$—				\$(378,823)

CENTRALLY CLEARED INTEREST RATE SWAP CONTRACTS OUTSTANDING at 12/31/16

Notional amount	Upfront premium received (paid)	Termination date	Payments made by fund per annum	Payments received by fund per annum	Unrealized appreciation/ (depreciation)
\$287,964 ^E	\$(10)	4/24/47	3 month USD-LIBOR-BBA	1.92%	\$(43,487)
4,766,000 ^E	13,018	3/15/27	3 month USD-LIBOR-BBA	2.50%	67,956
27,737,000 ^E	46,499	3/15/22	3 month USD-LIBOR-BBA	2.15%	204,571
4,436,900 ^E	20,025	3/15/47	3 month USD-LIBOR-BBA	2.704%	119,873
112,255,800 ^E	(187,755)	3/15/27	2.4885%	3 month USD-LIBOR-BBA	(1,364,310)
23,452,300 ^E	(26,053)	3/15/22	2.132%	3 month USD-LIBOR-BBA	(139,445)
137,747,500 ^E	(40,624)	3/15/19	1.6065%	3 month USD-LIBOR-BBA	(170,934)
AUD 4,378,000 ^E	2,085	3/22/22	2.70%	6 month AUD-BBR- BBSW	(436)
AUD 1,972,000 ^E	597	3/22/27	3.10%	6 month AUD-BBR- BBSW	(8,008)
CAD 2,521,000 ^E	(22)	9/8/26	3 month CAD-BA-CDOR	1.58%	(66,931)
CAD 2,521,000 ^E	(22)	9/8/26	3 month CAD-BA-CDOR	1.6275%	(62,887)
CAD 4,264,000 ^E	(37)	10/19/26	1.8475%	3 month CAD-BA-CDOR	77,301
CAD 57,000 ^E	(97)	3/15/22	3 month CAD-BA-CDOR	1.60%	97
CAD 6,526,000 ^E	(2,351)	3/15/27	2.07%	3 month CAD-BA-CDOR	(51,292)
CHF 18,000 ^E	14	3/15/22	6 month CHF-LIBOR-BBA	0.25%	(14)
CHF 1,205,000 ^E	1,665	3/15/27	0.25%	6 month CHF-LIBOR-BBA	(6,791)
EUR 58,228,000 ^E	68,509	3/15/22	0.20%	6 month EUR-EURIBOR- REUTERS	(200,080)
EUR 2,102,000 ^E	(4,878)	3/15/27	0.40%	6 month EUR-EURIBOR- REUTERS	61,783
EUR 6,999,000 ^E	(102,562)	3/15/27	0.82%	6 month EUR-EURIBOR- REUTERS	(187,921)
GBP 2,758,000 ^E	(41)	9/8/26	1.075%	6 month GBP-LIBOR-BBA	81,126
GBP 2,601,000 ^E	(36)	10/19/26	6 month GBP-LIBOR-BBA	1.386%	(31,283)
GBP 15,633,000 ^E	(18,683)	3/15/22	1.06%	6 month GBP-LIBOR-BBA	(170,191)
GBP 5,971,000 ^E	25,646	3/15/27	1.50%	6 month GBP-LIBOR-BBA	(146,451)
JPY 141,909,000 ^E	(42)	2/22/37	6 month JPY-LIBOR-BBA	0.56%	(25,769)
MXN 11,170,000	(8)	12/3/26	7.715%	1 month MXN-TIIE- BANXICO	7,172
NOK 19,610,000 ^E	1,803	3/15/22	1.65%	6 month NOK-NIBOR-NIBR	(6,140)
NOK 2,000 ^E	—	3/15/27	6 month NOK-NIBOR-NIBR	2.05%	1
NZD 2,838,000 ^E	(2,665)	3/15/27	3 month NZD-BBR-FRA	3.70%	22,301

CENTRALLY CLEARED INTEREST RATE SWAP CONTRACTS OUTSTANDING at 12/31/16 cont.

Notional amount	Upfront premium received (paid)	Termination date	Payments made by fund per annum	Payments received by fund per annum	Unrealized appreciation/ (depreciation)
NZD 14,894,000 ^E	\$3,289	3/15/22	3 month NZD-BBR-FRA	3.18%	\$22,823
SEK 61,386,000 ^E	2,506	3/15/22	0.35%	3 month SEK-STIBOR-SIDE	(3,443)
SEK 229,000 ^E	3	3/15/27	1.25%	3 month SEK-STIBOR-SIDE	(229)
ZAR 13,209,000	(12)	10/11/26	8.32625%	3 month ZAR-JIBAR-SAFEX	(2,260)
Total	\$(200,239)				\$(2,023,298)

^E Extended effective date.

OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 12/31/16

Swap counterparty/ Notional amount	Upfront premium received (paid)	Termination date	Payments received (paid) by fund per annum	Total return received by or paid by fund	Unrealized appreciation/ (depreciation)
Barclays Bank PLC					
\$632,511	\$—	1/12/42	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	\$95
152,743	—	1/12/40	4.00% (1 month USD-LIBOR)	Synthetic MBX Index 4.00% 30 year Fannie Mae pools	406
348,233	—	1/12/39	6.00% (1 month USD-LIBOR)	Synthetic TRS Index 6.00% 30 year Fannie Mae pools	(3,665)
393,871	—	1/12/40	4.00% (1 month USD-LIBOR)	Synthetic MBX Index 4.00% 30 year Fannie Mae pools	1,047
49,850	—	1/12/38	6.50% (1 month USD-LIBOR)	Synthetic TRS Index 6.50% 30 year Fannie Mae pools	(317)
185,568	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic MBX Index 5.00% 30 year Ginnie Mae II pools	182
876,827	—	1/12/40	4.00% (1 month USD-LIBOR)	Synthetic MBX Index 4.00% 30 year Fannie Mae pools	2,332
745,067	—	1/12/40	4.50% (1 month USD-LIBOR)	Synthetic MBX Index 4.50% 30 year Fannie Mae pools	(276)
461,502	—	1/12/39	(6.00%) 1 month USD-LIBOR	Synthetic MBX Index 6.00% 30 year Fannie Mae pools	3,928
542,263	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic TRS Index 5.00% 30 year Ginnie Mae II pools	284
326,306	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic TRS Index 5.00% 30 year Ginnie Mae II pools	171
414,025	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic TRS Index 5.00% 30 year Ginnie Mae II pools	217
560,036	—	1/12/38	6.50% (1 month USD-LIBOR)	Synthetic TRS Index 6.50% 30 year Fannie Mae pools	(3,561)
80,338	—	1/12/38	6.50% (1 month USD-LIBOR)	Synthetic TRS Index 6.50% 30 year Fannie Mae pools	(511)
1,139,101	—	1/12/41	(5.00%) 1 month USD-LIBOR	Synthetic TRS Index 5.00% 30 year Fannie Mae pools	1,187

OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 12/31/16 cont.

Swap counterparty/ Notional amount	Upfront premium received (paid)	Termination date	Payments received (paid) by fund per annum	Total return received by or paid by fund	Unrealized appreciation/ (depreciation)
Barclays Bank PLC cont.					
\$530,927	\$—	1/12/41	(4.00%) 1 month USD-LIBOR	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	\$169
876,677	—	1/12/43	(3.50%) 1 month USD-LIBOR	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	95
1,466,067	—	1/12/40	5.00% (1 month USD-LIBOR)	Synthetic MBX Index 5.00% 30 year Fannie Mae pools	(4,057)
12,272,538	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic MBX Index 5.00% 30 year Fannie Mae pools	(16,739)
7,532,135	—	1/12/38	(6.50%) 1 month USD-LIBOR	Synthetic MBX Index 6.50% 30 year Fannie Mae pools	42,164
EUR 2,664,000	—	9/15/17	(0.4975%)	Eurostat Eurozone HICP excluding tobacco	4,543
EUR 1,332,000	—	9/15/17	(0.46%)	Eurostat Eurozone HICP excluding tobacco	3,323
EUR 1,895,000	—	9/15/17	(0.435%)	Eurostat Eurozone HICP excluding tobacco	5,745
GBP 1,740,000	—	11/3/26	3.4531%	GBP Non-revised UK Retail Price Index	(19,857)
Citibank, N.A.					
\$732,520	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic MBX Index 5.00% 30 year Fannie Mae pools	(999)
443,893	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic MBX Index 5.00% 30 year Fannie Mae pools	(605)
1,146,323	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic MBX Index 5.00% 30 year Fannie Mae pools	(1,564)
Credit Suisse International					
481,446	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic MBX Index 5.00% 30 year Fannie Mae pools	(657)
512,001	—	1/12/38	(6.50%) 1 month USD-LIBOR	Synthetic MBX Index 6.50% 30 year Fannie Mae pools	2,866
754,125	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic TRS Index 5.00% 30 year Ginnie Mae II pools	395
801,848	—	1/12/41	(5.00%) 1 month USD-LIBOR	Synthetic TRS Index 5.00% 30 year Fannie Mae pools	835
883,453	—	1/12/41	(5.00%) 1 month USD-LIBOR	Synthetic TRS Index 5.00% 30 year Fannie Mae pools	921
737,314	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic MBX Index 5.00% 30 year Ginnie Mae II pools	386
1,406,306	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic MBX Index 5.00% 30 year Ginnie Mae II pools	737
646,885	—	1/12/44	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	(171)

OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 12/31/16 *cont.*

Swap counterparty/ Notional amount	Upfront premium received (paid)	Termination date	Payments received (paid) by fund per annum	Total return received by or paid by fund	Unrealized appreciation/ (depreciation)
Credit Suisse International <i>cont.</i>					
\$323,768	\$—	1/12/44	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	\$(86)
421,938	—	1/12/44	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	(112)
581,735	—	1/12/43	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	(63)
467,126	—	1/12/43	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	(51)
1,119,474	—	1/12/43	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	(122)
3,116,343	—	1/12/45	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(2,935)
1,276,711	—	1/12/45	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(1,202)
1,263,596	—	1/12/45	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	(726)
1,252,025	—	1/12/41	(4.00%) 1 month USD-LIBOR	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	398
Deutsche Bank AG					
512,001	—	1/12/38	(6.50%) 1 month USD-LIBOR	Synthetic MBX Index 6.50% 30 year Fannie Mae pools	2,866
Goldman Sachs International					
639,491	—	1/12/39	6.00% (1 month USD-LIBOR)	Synthetic TRS Index 6.00% 30 year Fannie Mae pools	(6,730)
232,309	—	1/12/38	6.50% (1 month USD-LIBOR)	Synthetic TRS Index 6.50% 30 year Fannie Mae pools	(1,477)
1,569,927	—	1/12/42	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	236
1,569,927	—	1/12/42	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	236
358,587	—	1/12/38	(6.50%) 1 month USD-LIBOR	Synthetic MBX Index 6.50% 30 year Fannie Mae pools	2,007
134,703	—	1/12/38	(6.50%) 1 month USD-LIBOR	Synthetic MBX Index 6.50% 30 year Fannie Mae pools	754
93,523	—	1/12/39	6.00% (1 month USD-LIBOR)	Synthetic TRS Index 6.00% 30 year Fannie Mae pools	(984)
999,583	—	1/12/40	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(7,341)
245,334	—	1/12/39	6.00% (1 month USD-LIBOR)	Synthetic TRS Index 6.00% 30 year Fannie Mae pools	(2,582)

OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 12/31/16 *cont.*

Swap counterparty/ Notional amount	Upfront premium received (paid)	Termination date	Payments received (paid) by fund per annum	Total return received by or paid by fund	Unrealized appreciation/ (depreciation)
Goldman Sachs International <i>cont.</i>					
\$490,624	\$—	1/12/39	6.00% (1 month USD-LIBOR)	Synthetic TRS Index 6.00% 30 year Fannie Mae pools	\$(5,163)
250,368	—	1/12/38	(6.50%) 1 month USD-LIBOR	Synthetic MBX Index 6.50% 30 year Fannie Mae pools	1,402
491,241	—	1/12/38	(6.50%) 1 month USD-LIBOR	Synthetic MBX Index 6.50% 30 year Fannie Mae pools	2,750
300,405	—	1/12/38	(6.50%) 1 month USD-LIBOR	Synthetic MBX Index 6.50% 30 year Fannie Mae pools	1,682
23,040	—	1/12/38	(6.50%) 1 month USD-LIBOR	Synthetic MBX Index 6.50% 30 year Fannie Mae pools	129
61,394	—	1/12/38	(6.50%) 1 month USD-LIBOR	Synthetic MBX Index 6.50% 30 year Fannie Mae pools	344
16,477	—	1/12/38	6.50% (1 month USD-LIBOR)	Synthetic TRS Index 6.50% 30 year Fannie Mae pools	(105)
315,067	—	1/12/38	6.50% (1 month USD-LIBOR)	Synthetic TRS Index 6.50% 30 year Fannie Mae pools	(2,003)
2,044,225	—	1/12/42	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	307
250,543	—	1/12/39	6.00% (1 month USD-LIBOR)	Synthetic TRS Index 6.00% 30 year Fannie Mae pools	(2,637)
1,767,100	—	1/12/42	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	265
269,342	—	1/12/41	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(86)
1,172,802	—	1/12/41	(5.00%) 1 month USD-LIBOR	Synthetic TRS Index 5.00% 30 year Fannie Mae pools	1,222
1,334,730	—	1/12/44	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	(354)
1,065,573	—	1/12/44	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	(282)
654,037	—	1/12/44	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	(173)
1,267,170	—	1/12/45	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(1,193)
820,730	—	1/12/43	(3.50%) 1 month USD-LIBOR	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	89
2,280,309	—	1/12/45	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(2,148)
943,146	—	1/12/44	(3.00%) 1 month USD-LIBOR	Synthetic TRS Index 3.00% 30 year Fannie Mae pools	2,261

OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 12/31/16 *cont.*

Swap counterparty/ Notional amount	Upfront premium received (paid)	Termination date	Payments received (paid) by fund per annum	Total return received by or paid by fund	Unrealized appreciation/ (depreciation)
Goldman Sachs International <i>cont.</i>					
\$3,249,488	\$—	1/12/41	(4.00%) 1 month USD-LIBOR	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	\$1,032
EUR 9,589,000	—	8/10/17	(0.63%)	Eurostat Eurozone HICP excluding tobacco	(19,279)
EUR 3,166,000	—	8/11/17	(0.63%)	Eurostat Eurozone HICP excluding tobacco	(6,365)
EUR 2,664,000	—	8/31/17	(0.27%)	Eurostat Eurozone HICP excluding tobacco	14,975
EUR 2,664,000	—	9/1/17	(0.37%)	Eurostat Eurozone HICP excluding tobacco	11,722
EUR 2,664,000	—	9/10/20	(0.7975%)	Eurostat Eurozone HICP excluding tobacco	19,548
EUR 1,502,000	—	1/26/21	(0.75%)	Eurostat Eurozone HICP excluding tobacco	22,827
GBP 870,000	—	11/10/26	3.56%	GBP Non-revised UK Retail Price Index	4,310
GBP 870,000	—	11/18/26	3.52%	GBP Non-revised UK Retail Price Index	(1,029)
JPMorgan Chase Bank N.A.					
\$2,484,792	—	1/12/41	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(789)
1,886,463	—	1/12/41	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(599)
391,843	—	1/12/41	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(124)
1,172,802	—	1/12/41	(5.00%) 1 month USD-LIBOR	Synthetic TRS Index 5.00% 30 year Fannie Mae pools	1,222
EUR 1,332,000	—	9/4/20	(0.8675%)	Eurostat Eurozone HICP excluding tobacco	4,610
EUR 1,332,000	—	9/7/20	(0.85%)	Eurostat Eurozone HICP excluding tobacco	5,914
EUR 1,607,000	—	1/27/21	(0.755%)	Eurostat Eurozone HICP excluding tobacco	23,983
EUR 1,322,000	—	1/26/21	(0.75%)	Eurostat Eurozone HICP excluding tobacco	20,091
JPMorgan Securities LLC					
\$1,025,940	—	1/12/44	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(805)
470,929	—	1/12/43	(3.50%) 1 month USD-LIBOR	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	51
Total	\$—				\$98,737

OTC CREDIT DEFAULT CONTRACTS OUTSTANDING at 12/31/16

Swap counterparty/ Referenced debt*	Rating***	Upfront premium received (paid)**	Notional amount	Termination date	Payments received (paid) by fund per annum	Unrealized appreciation/ (depreciation)
Bank of America N.A.						
CMBX NA BBB- Index	BBB-/P	\$5,468	\$80,000	5/11/63	300 bp	\$963
CMBX NA BBB- Index	BBB-/P	10,546	175,000	5/11/63	300 bp	691
CMBX NA BBB- Index	BBB-/P	21,545	349,000	5/11/63	300 bp	1,891
CMBX NA BBB- Index	BBB-/P	20,577	361,000	5/11/63	300 bp	247
Credit Suisse International						
CMBX NA BB Index	—	(76,205)	543,000	1/17/47	(500 bp)	(4,406)
CMBX NA BB Index	—	(42,255)	2,394,000	5/11/63	(500 bp)	272,382
CMBX NA BB Index	—	(95,936)	586,000	1/17/47	(500 bp)	(18,451)
CMBX NA BB Index	—	(1,136)	117,000	1/17/47	(500 bp)	14,335
CMBX NA BBB- Index	BBB-/P	1,175	24,000	5/11/63	300 bp	(177)
CMBX NA BBB- Index	BBB-/P	79,326	1,617,000	5/11/63	300 bp	(11,738)
CMBX NA BBB- Index	BBB-/P	48,993	746,000	1/17/47	300 bp	6,981
CMBX NA BBB- Index	BBB-/P	1,021,577	13,821,000	1/17/47	300 bp	243,224
Goldman Sachs International						
CMBX NA BB Index	—	(114,473)	1,119,000	5/11/63	(500 bp)	32,595
CMBX NA BB Index	—	(27,088)	179,000	1/17/47	(500 bp)	(3,419)
CMBX NA BB Index	—	(47,339)	324,000	5/11/63	(500 bp)	(4,756)
CMBX NA BB Index	—	(74,898)	443,000	1/17/47	(500 bp)	(16,321)
CMBX NA BBB- Index	BBB-/P	11,031	228,000	5/11/63	300 bp	(1,809)
CMBX NA BBB- Index	BBB-/P	11,359	229,000	5/11/63	300 bp	(1,538)
CMBX NA BBB- Index	BBB-/P	11,164	229,000	5/11/63	300 bp	(1,733)
CMBX NA BBB- Index	BBB-/P	12,206	234,000	5/11/63	300 bp	(972)
CMBX NA BBB- Index	—	(10,898)	134,000	1/17/47	(300 bp)	(3,351)
CMBX NA BBB- Index	BBB-/P	3,859	49,000	1/17/47	300 bp	1,100
CMBX NA BBB- Index	BBB-/P	93,678	1,344,000	1/17/47	300 bp	17,988
CMBX NA BBB- Index	BBB-/P	227,880	3,083,000	1/17/47	300 bp	54,255
JPMorgan Securities LLC						
CMBX NA BB Index	—	(63,692)	453,000	5/11/63	(500 bp)	(4,156)
CMBX NA BB Index	—	(54,516)	376,000	5/11/63	(500 bp)	(5,099)
CMBX NA BB Index	—	(28,477)	198,000	5/11/63	(500 bp)	(2,455)
CMBX NA BB Index	—	(798)	6,000	5/11/63	(500 bp)	(9)
CMBX NA BBB- Index	BBB-/P	40,048	724,000	5/11/63	300 bp	(725)
CMBX NA BBB- Index	—	(103,524)	1,124,000	1/17/47	(300 bp)	(40,224)
CMBX NA BBB- Index	—	(37,437)	450,000	1/17/47	(300 bp)	(12,094)
CMBX NA BBB- Index	—	(17,403)	220,000	1/17/47	(300 bp)	(5,013)
Total		\$824,357				\$508,206

*Payments related to the referenced debt are made upon a credit default event.

**Upfront premium is based on the difference between the original spread on issue and the market spread on day of execution.

***Ratings are presented for credit default contracts in which the fund has sold protection on the underlying referenced debt. Ratings for an underlying index represent the average of the ratings of all the securities included in that index. The Moody's, Standard & Poor's or Fitch ratings are believed to be the most recent ratings available at December 31, 2016. Securities rated by Putnam are indicated by "/P." The Putnam rating categories are comparable to the Standard & Poor's classifications.

ASC 820 establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fund's investments. The three levels are defined as follows:

Level 1: Valuations based on quoted prices for identical securities in active markets.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the fair value measurement.

The following is a summary of the inputs used to value the fund's net assets as of the close of the reporting period:

Investments in securities:	Valuation inputs		
	Level 1	Level 2	Level 3
Common stocks*:			
Consumer cyclicals	\$—	\$—	\$13,839
Energy	140,203	—	7,938
Utilities and power	160,705	13,478	—
Total common stocks	300,908	13,478	21,777
Convertible bonds and notes	—	105,006	—
Corporate bonds and notes	—	67,806,044	300
Foreign government and agency bonds and notes	—	15,900,056	—
Mortgage-backed securities	—	104,824,691	—
Preferred stocks	177,292	—	—
Purchased options outstanding	—	1,065,458	—
Purchased swap options outstanding	—	466,253	—
Senior loans	—	3,940,313	—
U.S. government and agency mortgage obligations	—	81,297,814	—
Warrants	7,130	3,526	—
Short-term investments	6,646,207	15,575,585	—
Totals by level	\$7,131,537	\$290,998,224	\$22,077

Other financial instruments:	Valuation inputs		
	Level 1	Level 2	Level 3
Forward currency contracts	\$—	\$475,592	\$—
Written options outstanding	—	(1,428,707)	—
Written swap options outstanding	—	(946,745)	—
Forward premium swap option contracts	—	60,023	—
TBA sale commitments	—	(21,537,814)	—
Interest rate swap contracts	—	(2,201,882)	—
Total return swap contracts	—	98,737	—
Credit default contracts	—	(316,151)	—
Totals by level	\$—	\$(25,796,947)	\$—

* Common stock classifications are presented at the sector level, which may differ from the fund's portfolio presentation.

During the reporting period, transfers between Level 1 and Level 2 within the fair value hierarchy, if any (other than certain transfers involving non-U.S. equity securities as described in Note 1), did not represent, in the aggregate, more than 1% of the fund's net assets measured as of the end of the period. Transfers are accounted for using the end of period pricing valuation method.

The following is a reconciliation of Level 3 assets as of the close of the reporting period:

Investments in securities:	Balance as of 12/31/15	Accrued discounts/premiums	Realized gain/(loss)	Change in net unrealized appreciation/(depreciation)#	Cost of purchases	Proceeds from sales	Total transfers into Level 3†	Total transfers out of Level 3†	Balance as of 12/31/16
Common stocks*:									
Consumer cyclicals	\$13,838	\$—	\$—	\$1	\$—	\$—	\$—	\$—	\$13,839
Energy	260	—	(42,343)	30,834	61,530	(42,343)	—	—	7,938
Total common stocks	\$14,098	—	(42,343)	30,835	61,530	(42,343)	—	—	\$21,777
Corporate bonds and notes	\$8	—	(18,243)	18,533	2	—	—	—	\$300
Mortgage-backed securities	\$5,569,890	(398,099)	(97,561)	(395,282)	18,749	(1,352,464)	—	(3,345,233)	\$—
Totals	\$5,583,996	\$(398,099)	\$(158,147)	\$(345,914)	\$80,281	\$(1,394,807)	\$—	\$(3,345,233)	\$22,077

* Common stock classifications are presented at the sector level, which may differ from the fund's portfolio presentation.

† Transfers during the reporting period are accounted for using the end of period market value. Transfers out include valuations where a secondary pricing source was obtained for certain securities. Such valuations involve certain inputs and estimates that were unobservable at the end of the reporting period.

Includes \$(53,293) related to Level 3 securities still held at period end. Total change in unrealized appreciation/(depreciation) for securities (including Level 1 and Level 2) can be found in the Statement of operations.

Level 3 securities which are fair valued by Putnam Management, are not material to the fund.

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

Statement of assets and liabilities

12/31/16

Assets	
Investment in securities, at value (Note 1):	
Unaffiliated issuers (identified cost \$293,552,158)	\$291,645,631
Affiliated issuers (identified cost \$6,506,207) (Note 5)	6,506,207
Cash	460,284
Foreign currency (cost \$157,519) (Note 1)	157,720
Dividends, interest and other receivables	2,826,621
Receivable for shares of the fund sold	44,941
Receivable for investments sold	805,660
Receivable for sales of delayed delivery securities (Note 1)	21,390,071
Receivable for variation margin (Note 1)	4,651,662
Unrealized appreciation on forward premium swap option contracts (Note 1)	60,023
Unrealized appreciation on forward currency contracts (Note 1)	1,218,194
Unrealized appreciation on OTC swap contracts (Note 1)	865,913
Premium paid on OTC swap contracts (Note 1)	796,075
Total assets	331,429,002

Liabilities	
Payable for investments purchased	133,725
Payable for purchases of delayed delivery securities (Note 1)	81,604,719
Payable for shares of the fund repurchased	259,278
Payable for compensation of Manager (Note 2)	100,425
Payable for custodian fees (Note 2)	74,953
Payable for investor servicing fees (Note 2)	38,031
Payable for Trustee compensation and expenses (Note 2)	146,040
Payable for administrative services (Note 2)	2,243
Payable for distribution fees (Note 2)	29,611
Payable for variation margin (Note 1)	5,083,563
Unrealized depreciation on OTC swap contracts (Note 1)	637,793
Premium received on OTC swap contracts (Note 1)	1,620,432
Unrealized depreciation on forward currency contracts (Note 1)	742,602
Written options outstanding, at value (premiums \$2,566,512) (Notes 1 and 3)	2,375,452
TBA sale commitments, at value (proceeds receivable \$21,313,789) (Note 1)	21,537,814
Collateral on certain derivative contracts, at value (Note 1)	140,000
Other accrued expenses	192,691
Total liabilities	114,719,372
Net assets	\$216,709,630

Represented by	
Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	\$303,522,157
Undistributed net investment income (Note 1)	9,075,322
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(92,672,190)
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(3,215,659)
Total — Representing net assets applicable to capital shares outstanding	\$216,709,630

Computation of net asset value Class IA	
Net assets	\$77,226,466
Number of shares outstanding	12,742,724
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$6.06

Computation of net asset value Class IB	
Net assets	\$139,483,164
Number of shares outstanding	22,984,697
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$6.07

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

Statement of operations

Year ended 12/31/16

Investment income

Interest (net of foreign tax of \$277) (including interest income of \$50,491 from investments in affiliated issuers) (Note 5)	\$14,687,330
Dividends	38,958
Total investment income	14,726,288

Expenses

Compensation of Manager (Note 2)	1,205,020
Investor servicing fees (Note 2)	154,474
Custodian fees (Note 2)	115,345
Trustee compensation and expenses (Note 2)	15,218
Distribution fees (Note 2)	357,318
Administrative services (Note 2)	6,444
Auditing and tax fees	156,486
Other	94,538
Fees waived and reimbursed by Manager (Note 2)	(3,585)

Total expenses **2,101,258**

Expense reduction (Note 2) (182)

Net expenses **2,101,076**

Net investment income **12,625,212**

Net realized loss on investments (Notes 1 and 3) (14,931,372)

Net realized loss on swap contracts (Note 1) (1,183,581)

Net realized gain on futures contracts (Note 1) 732,086

Net realized loss on foreign currency transactions (Note 1) (777,934)

Net realized gain on written options (Notes 1 and 3) 2,444,848

Net unrealized appreciation of assets and liabilities in foreign currencies during the year 944,572

Net unrealized appreciation of investments, futures contracts, swap contracts, written options and TBA sale commitments during the year 11,139,770

Net loss on investments **(1,631,611)**

Net increase in net assets resulting from operations **\$10,993,601**

Statement of changes in net assets

	Year ended 12/31/16	Year ended 12/31/15
Decrease in net assets		
Operations:		
Net investment income	\$12,625,212	\$13,081,041
Net realized loss on investments and foreign currency transactions	(13,715,953)	(3,295,342)
Net unrealized appreciation (depreciation) of investments and assets and liabilities in foreign currencies	12,084,342	(16,041,491)
Net increase (decrease) in net assets resulting from operations	10,993,601	(6,255,792)
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class IA	(6,054,685)	(9,358,571)
Class IB	(10,511,769)	(16,632,738)
Decrease from capital share transactions (Note 4)	(19,551,770)	(18,589,648)
Total decrease in net assets	(25,124,623)	(50,836,749)
Net assets:		
Beginning of year	241,834,253	292,671,002
End of year (including undistributed net investment income of \$9,075,322 and \$15,570,117, respectively)	\$216,709,630	\$241,834,253

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

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

Period ended	INVESTMENT OPERATIONS:				LESS DISTRIBUTIONS:		RATIOS AND SUPPLEMENTAL DATA:					
	Net asset value, beginning of period	Net investment income (loss) ^a	Net realized and unrealized gain (loss) on investments	Total from investment operations	From net investment income	Total distributions	Net asset value, end of period	Total return at net asset value (%) ^{b,c}	Net assets, end of period (in thousands)	Ratio of expenses to average net assets (%) ^{b,d}	Ratio of net investment income (loss) to average net assets (%)	Portfolio turnover (%)
Class IA												
12/31/16	\$6.21	.34	(.03)	.31	(.46)	(.46)	\$6.06	5.76	\$77,226	.79 ^e	5.89 ^e	846 ^f
12/31/15	7.02	.32	(.47)	(.15)	(.66)	(.66)	6.21	(2.32)	84,766	.75	5.02	876 ^f
12/31/14	7.58	.38	(.32)	.06	(.62)	(.62)	7.02	.68	103,063	.76	5.27	408 ^f
12/31/13	7.26	.42	.16	.58	(.26)	(.26)	7.58	8.08	121,877	.75	5.71	234 ^g
12/31/12	6.88	.37	.43	.80	(.42)	(.42)	7.26	11.97	132,669	.77	5.24	170 ^g
Class IB												
12/31/16	\$6.22	.33	(.04)	.29	(.44)	(.44)	\$6.07	5.42	\$139,483	1.04 ^e	5.63 ^e	846 ^f
12/31/15	7.01	.31	(.46)	(.15)	(.64)	(.64)	6.22	(2.34)	157,069	1.00	4.76	876 ^f
12/31/14	7.57	.36	(.32)	.04	(.60)	(.60)	7.01	.35	189,608	1.01	5.02	408 ^f
12/31/13	7.25	.40	.16	.56	(.24)	(.24)	7.57	7.81	237,938	1.00	5.45	234 ^g
12/31/12	6.87	.35	.43	.78	(.40)	(.40)	7.25	11.69	314,873	1.02	4.99	170 ^g

^a Per share net investment income (loss) has been determined on the basis of the weighted average number of shares outstanding during the period.

^b The charges and expenses at the insurance company separate account level are not reflected.

^c Total return assumes dividend reinvestment.

^d Includes amounts paid through expense offset and/or brokerage/service arrangements, if any (Note 2). Also excludes acquired fund fees and expenses, if any.

^e Reflects a voluntary waiver of certain fund expenses in effect during the period. As a result of such waiver, the expenses of each class reflect a reduction of less than 0.01% as a percentage of average net assets (Note 2).

^f Portfolio turnover includes TBA purchase and sale commitments.

^g Portfolio turnover excludes TBA purchase and sale commitments. Including TBA purchase and sale commitments to conform with current year presentation, the portfolio turnover would have been the following:

	Portfolio turnover (%)
December 31, 2013	586%
December 31, 2012	546

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

Notes to financial statements 12/31/16

Within the following Notes to financial statements, references to “State Street” represent State Street Bank and Trust Company, references to “the SEC” represent the Securities and Exchange Commission, references to “Putnam Management” represent Putnam Investment Management, LLC, the fund’s manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC and references to “OTC”, if any, represent over-the-counter. Unless otherwise noted, the “reporting period” represents the period from January 1, 2016 through December 31, 2016.

Putnam VT Diversified Income Fund (the fund) is a diversified series of Putnam Variable Trust (the Trust), a Massachusetts business trust registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The goal of the fund is to seek as high a level of current income as Putnam Management believes is consistent with preservation of capital. The fund invests mainly in bonds that are securitized debt instruments (such as mortgage-backed investments) and other obligations of companies and governments worldwide, are either investment-grade or below-investment-grade in quality (sometimes referred to as “junk bonds”) and have intermediate- to long-term maturities (three years or longer). Putnam Management may consider, among other factors, credit, interest rate and prepayment risks, as well as general market conditions, when deciding whether to buy or sell investments. The fund typically uses to a significant extent derivatives, such as futures, options, certain foreign currency transactions and swap contracts, for both hedging and non-hedging purposes.

The fund offers class IA and class IB shares of beneficial interest. Class IA shares are offered at net asset value and are not subject to a distribution fee. Class IB shares are offered at net asset value and pay an ongoing distribution fee, which is identified in Note 2.

In the normal course of business, the fund enters into contracts that may include agreements to indemnify another party under given circumstances. The fund’s maximum exposure under these arrangements is unknown as this would involve future claims that may be, but have not yet been, made against the fund. However, the fund’s management team expects the risk of material loss to be remote.

The fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent and custodian, who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the fund’s Declaration of Trust, any claims asserted against or on behalf of the Putnam Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

Note 1 — Significant accounting policies

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations. Actual results could differ from those estimates. Subsequent events after the Statement of assets and liabilities date through the date that the financial statements were issued have been evaluated in the preparation of the financial statements.

Investment income, realized and unrealized gains and losses and expenses of the fund are borne pro-rata based on the relative net assets of each class to the total net assets of the fund, except that each class bears expenses unique to that class (including the distribution fees applicable to such classes). Each class votes as a class only with respect to its own distribution plan or other matters on which a class vote is required by law or determined by the Trustees. If the fund were liquidated, shares of each class would receive their pro-rata share of the net assets of the fund. In addition, the Trustees declare separate dividends on each class of shares.

Security valuation Portfolio securities and other investments are valued using policies and procedures adopted by the Board of Trustees. The Trustees have formed a Pricing Committee to oversee the implementation of these procedures and have delegated responsibility for valuing the fund’s assets in accordance with

these procedures to Putnam Management. Putnam Management has established an internal Valuation Committee that is responsible for making fair value determinations, evaluating the effectiveness of the pricing policies of the fund and reporting to the Pricing Committee.

Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets, and are classified as Level 1 securities under Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* (ASC 820). If no sales are reported, as in the case of some securities that are traded OTC, a security is valued at its last reported bid price and is generally categorized as a Level 2 security.

Investments in open-end investment companies (excluding exchange-traded funds), if any, which can be classified as Level 1 or Level 2 securities, are valued based on their net asset value. The net asset value of such investment companies equals the total value of their assets less their liabilities and divided by the number of their outstanding shares.

Market quotations are not considered to be readily available for certain debt obligations (including short-term investments with remaining maturities of 60 days or less) and other investments; such investments are valued on the basis of valuations furnished by an independent pricing service approved by the Trustees or dealers selected by Putnam Management. Such services or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities (which consider such factors as security prices, yields, maturities and ratings). These securities will generally be categorized as Level 2.

Many securities markets and exchanges outside the U.S. close prior to the scheduled close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the scheduled close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value certain foreign equity securities taking into account multiple factors including movements in the U.S. securities markets, currency valuations and comparisons to the valuation of American Depository Receipts, exchange-traded funds and futures contracts. The foreign equity securities, which would generally be classified as Level 1 securities, will be transferred to Level 2 of the fair value hierarchy when they are valued at fair value. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. Securities quoted in foreign currencies, if any, are translated into U.S. dollars at the current exchange rate.

To the extent a pricing service or dealer is unable to value a security or provides a valuation that Putnam Management does not believe accurately reflects the security’s fair value, the security will be valued at fair value by Putnam Management in accordance with policies and procedures approved by the Trustees. Certain investments, including certain restricted and illiquid securities and derivatives, are also valued at fair value following procedures approved by the Trustees. These valuations consider such factors as significant market or specific security events such as interest rate or credit quality changes, various relationships with other securities, discount rates, U.S. Treasury, U.S. swap and credit yields, index levels, convexity exposures, recovery rates, sales and other multiples and resale restrictions. These securities are classified as Level 2 or as Level 3 depending on the priority of the significant inputs.

To assess the continuing appropriateness of fair valuations, the Valuation Committee reviews and affirms the reasonableness of such valuations on a regular basis after considering all relevant information that is reasonably available. Such valuations and procedures are reviewed periodically by the Trustees. Certain securities may be valued on the basis of a price provided by a single source. The fair value of securities is generally determined as the amount that the fund could reasonably expect to realize from an orderly disposition of such securities over a reasonable period of time. By its nature, a fair value price is a good faith estimate of the value of a security in a current sale and does not reflect an actual market price, which may be different by a material amount.

Security transactions and related investment income Security transactions are recorded on the trade date (the date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis.

Interest income, net of any applicable withholding taxes, is recorded on the accrual basis. Dividend income, net of any applicable withholding taxes, is recognized on

the ex-dividend date except that certain dividends from foreign securities, if any, are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair value of the securities received. Dividends representing a return of capital or capital gains, if any, are reflected as a reduction of cost and/or as a realized gain.

All premiums/discounts are amortized/accreted on a yield-to-maturity basis.

The fund earned certain fees in connection with its senior loan purchasing activities. These fees are treated as market discount and are amortized into income in the Statement of operations.

Securities purchased or sold on a delayed delivery basis may be settled at a future date beyond customary settlement time; interest income is accrued based on the terms of the securities. Losses may arise due to changes in the fair value of the underlying securities or if the counterparty does not perform under the contract.

Stripped securities The fund may invest in stripped securities which represent a participation in securities that may be structured in classes with rights to receive different portions of the interest and principal. Interest-only securities receive all of the interest and principal-only securities receive all of the principal. If the interest-only securities experience greater than anticipated prepayments of principal, the fund may fail to recoup fully its initial investment in these securities. Conversely, principal-only securities increase in value if prepayments are greater than anticipated and decline if prepayments are slower than anticipated. The fair value of these securities is highly sensitive to changes in interest rates.

Foreign currency translation The accounting records of the fund are maintained in U.S. dollars. The fair value of foreign securities, currency holdings, and other assets and liabilities is recorded in the books and records of the fund after translation to U.S. dollars based on the exchange rates on that day. The cost of each security is determined using historical exchange rates. Income and withholding taxes are translated at prevailing exchange rates when earned or incurred. The fund does not isolate that portion of realized or unrealized gains or losses resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such gains and losses are included with the net realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on closed forward currency contracts, disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions and the difference between the amount of investment income and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized appreciation and depreciation of assets and liabilities in foreign currencies arise from changes in the value of open forward currency contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate.

Options contracts The fund uses options contracts to hedge duration and convexity, to isolate prepayment risk and to manage downside risks.

The potential risk to the fund is that the change in value of options contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments if there is an illiquid secondary market for the contracts, if interest or exchange rates move unexpectedly or if the counterparty to the contract is unable to perform. Realized gains and losses on purchased options are included in realized gains and losses on investment securities. If a written call option is exercised, the premium originally received is recorded as an addition to sales proceeds. If a written put option is exercised, the premium originally received is recorded as a reduction to the cost of investments.

Exchange-traded options are valued at the last sale price or, if no sales are reported, the last bid price for purchased options and the last ask price for written options. OTC traded options are valued using prices supplied by dealers.

Options on swaps are similar to options on securities except that the premium paid or received is to buy or grant the right to enter into a previously agreed upon interest rate or credit default contract. Forward premium swap option contracts include premiums that have extended settlement dates. The delayed settlement of the premiums is factored into the daily valuation of the option contracts. In the case of interest rate cap and floor contracts, in return for a premium, ongoing payments between two parties are based on interest rates exceeding a specified rate, in the case of a cap contract, or falling below a specified rate in the case of a floor contract.

Written option contracts outstanding at period end, if any, are listed after the fund's portfolio.

Futures contracts The fund uses futures contracts for hedging treasury term structure risk and for yield curve positioning.

The potential risk to the fund is that the change in value of futures contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts, if interest or exchange rates move unexpectedly or if the counterparty to the contract is unable to perform. With futures, there is minimal counterparty credit risk to the fund since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default. Risks may exceed amounts recognized on the Statement of assets and liabilities. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. The fund and the broker agree to exchange an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin."

Futures contracts outstanding at period end, if any, are listed after the fund's portfolio.

Forward currency contracts The fund buys and sells forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used for hedging currency exposures and to gain exposure to currencies.

The U.S. dollar value of forward currency contracts is determined using current forward currency exchange rates supplied by a quotation service. The fair value of the contract will fluctuate with changes in currency exchange rates. The contract is marked to market daily and the change in fair value is recorded as an unrealized gain or loss. The fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed when the contract matures or by delivery of the currency. The fund could be exposed to risk if the value of the currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the fund is unable to enter into a closing position. Risks may exceed amounts recognized on the Statement of assets and liabilities.

Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio.

Interest rate swap contracts The fund entered into OTC and/or centrally cleared interest rate swap contracts, which are arrangements between two parties to exchange cash flows based on a notional principal amount, for hedging term structure risk, for yield curve positioning and for gaining exposure to rates in various countries.

An OTC and centrally cleared interest rate swap can be purchased or sold with an upfront premium. For OTC interest rate swap contracts, an upfront payment received by the fund is recorded as a liability on the fund's books. An upfront payment made by the fund is recorded as an asset on the fund's books. OTC and centrally cleared interest rate swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers. Any change is recorded as an unrealized gain or loss on OTC interest rate swaps. Daily fluctuations in the value of centrally cleared interest rate swaps are settled through a central clearing agent and are recorded in variation margin on the Statement of assets and liabilities and recorded as unrealized gain or loss. Payments, including upfront premiums, received or made are recorded as realized gains or losses at the reset date or the closing of the contract. Certain OTC and centrally cleared interest rate swap contracts may include extended effective dates. Payments related to these swap contracts are accrued based on the terms of the contract.

The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or if the counterparty defaults, in the case of OTC interest rate contracts, or the central clearing agency or a clearing member defaults, in the case of centrally cleared interest rate swap contracts, on its respective obligation to perform under the contract. The fund's maximum risk of loss from counterparty risk or central clearing risk is the fair value of the contract. This risk may be mitigated for OTC interest rate swap contracts by having a master netting arrangement between the fund and the counterparty and for centrally cleared interest rate swap contracts through the daily exchange of variation margin. There is minimal counterparty risk with respect to centrally cleared interest rate swap contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. Risk of loss may exceed amounts recognized on the Statement of assets and liabilities.

OTC and centrally cleared interest rate swap contracts outstanding, including their respective notional amounts at period end, if any, are listed after the fund's portfolio.

Total return swap contracts The fund entered into OTC total return swap contracts, which are arrangements to exchange a market-linked return for a periodic payment, both based on a notional principal amount, to hedge sector exposure, for gaining exposure to specific sectors, for hedging inflation and for gaining exposure to inflation.

To the extent that the total return of the security, index or other financial measure underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the fund will receive a payment from or make a payment to the counterparty. OTC total return swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers and the change, if any, is recorded as an unrealized gain or loss. Payments received or made are recorded as realized gains or losses. Certain OTC total return swap contracts may include extended effective dates. Payments related to these swap contracts are accrued based on the terms of the contract. The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or in the price of the underlying security or index, the possibility that there is no liquid market for these agreements or that the counterparty may default on its obligation to perform. The fund's maximum risk of loss from counterparty risk is the fair value of the contract. This risk may be mitigated by having a master netting arrangement between the fund and the counterparty. Risk of loss may exceed amounts recognized on the Statement of assets and liabilities.

OTC total return swap contracts outstanding, including their respective notional amounts at period end, if any, are listed after the fund's portfolio.

Credit default contracts The fund entered into OTC and/or centrally cleared credit default contracts to hedge credit risk, for gaining liquid exposure to individual names, to hedge market risk and for gaining exposure to specific sectors.

In OTC and centrally cleared credit default contracts, the protection buyer typically makes a periodic stream of payments to a counterparty, the protection seller, in exchange for the right to receive a contingent payment upon the occurrence of a credit event on the reference obligation or all other equally ranked obligations of the reference entity. Credit events are contract specific but may include bankruptcy, failure to pay, restructuring and obligation acceleration. For OTC credit default contracts, an upfront payment received by the fund is recorded as a liability on the fund's books. An upfront payment made by the fund is recorded as an asset on the fund's books. Centrally cleared credit default contracts provide the same rights to the protection buyer and seller except the payments between parties, including upfront premiums, are settled through a central clearing agent through variation margin payments. Upfront and periodic payments received or paid by the fund for OTC and centrally cleared credit default contracts are recorded as realized gains or losses at the reset date or close of the contract. The OTC and centrally cleared credit default contracts are marked to market daily based upon quotations from an independent pricing service or market makers. Any change in value of OTC credit default contracts is recorded as an unrealized gain or loss. Daily fluctuations in the value of centrally cleared credit default contracts are recorded in variation margin on the Statement of assets and liabilities and recorded as unrealized gain or loss. Upon the occurrence of a credit event, the difference between the par value and fair value of the reference obligation, net of any proportional amount of the upfront payment, is recorded as a realized gain or loss.

In addition to bearing the risk that the credit event will occur, the fund could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index or the possibility that the fund may be unable to close out its position at the same time or at the same price as if it had purchased the underlying reference obligations. In certain circumstances, the fund may enter into offsetting OTC and centrally cleared credit default contracts which would mitigate its risk of loss. Risks of loss may exceed amounts recognized on the Statement of assets and liabilities. The fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract. This risk may be mitigated for OTC credit default contracts by having a master netting arrangement between the fund and the counterparty and for centrally cleared credit default contracts through the daily exchange of variation margin. Counterparty risk is further mitigated with respect to centrally cleared credit default swap contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. Where the fund is a seller of protection, the maximum potential amount of future payments the fund may be required to make is equal to the notional amount.

OTC and centrally cleared credit default contracts outstanding, including their respective notional amounts at period end, if any, are listed after the fund's portfolio.

TBA commitments The fund may enter into TBA (to be announced) commitments to purchase securities for a fixed unit price at a future date beyond customary settlement time. Although the unit price and par amount have been established, the actual securities have not been specified. However, it is anticipated that the amount of the commitments will not significantly differ from the principal amount. The fund holds, and maintains until settlement date, cash or high-grade debt obligations in an amount sufficient to meet the purchase price, or the fund may enter into offsetting contracts for the forward sale of other securities it owns. Income on the securities will not be earned until settlement date.

The fund may also enter into TBA sale commitments to hedge its portfolio positions, to sell mortgage-backed securities it owns under delayed delivery arrangements or to take a short position in mortgage-backed securities. Proceeds of TBA sale commitments are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, either equivalent deliverable securities or an offsetting TBA purchase commitment deliverable on or before the sale commitment date are held as "cover" for the transaction, or other liquid assets in an amount equal to the notional value of the TBA sale commitment are segregated. If the TBA sale commitment is closed through the acquisition of an offsetting TBA purchase commitment, the fund realizes a gain or loss. If the fund delivers securities under the commitment, the fund realizes a gain or a loss from the sale of the securities based upon the unit price established at the date the commitment was entered into.

TBA commitments, which are accounted for as purchase and sale transactions, may be considered securities themselves, and involve a risk of loss due to changes in the value of the security prior to the settlement date as well as the risk that the counterparty to the transaction will not perform its obligations. Counterparty risk is mitigated by having a master agreement between the fund and the counterparty.

Unsettled TBA commitments are valued at their fair value according to the procedures described under "Security valuation" above. The contract is marked to market daily and the change in fair value is recorded by the fund as an unrealized gain or loss. Based on market circumstances, Putnam Management will determine whether to take delivery of the underlying securities or to dispose of the TBA commitments prior to settlement.

TBA purchase commitments outstanding at period end, if any, are listed within the fund's portfolio and TBA sale commitments outstanding at period end, if any, are listed after the fund's portfolio.

Master agreements The fund is a party to ISDA (International Swaps and Derivatives Association, Inc.) Master Agreements that govern OTC derivative and foreign exchange contracts and Master Securities Forward Transaction Agreements that govern transactions involving mortgage-backed and other asset-backed securities that may result in delayed delivery (Master Agreements) with certain counterparties entered into from time to time. The Master Agreements may contain provisions regarding, among other things, the parties' general obligations, representations, agreements, collateral requirements, events of default and early termination. With respect to certain counterparties, in accordance with the terms of the Master Agreements, collateral posted to the fund is held in a segregated account by the fund's custodian and, with respect to those amounts which can be sold or repledged, are presented in the fund's portfolio. Collateral posted to the fund which cannot be sold or repledged totaled \$487,982 at the close of the reporting period.

Collateral pledged by the fund is segregated by the fund's custodian and identified in the fund's portfolio. Collateral can be in the form of cash or debt securities issued by the U.S. Government or related agencies or other securities as agreed to by the fund and the applicable counterparty. Collateral requirements are determined based on the fund's net position with each counterparty.

With respect to ISDA Master Agreements, termination events applicable to the fund may occur upon a decline in the fund's net assets below a specified threshold over a certain period of time. Termination events applicable to counterparties may occur upon a decline in the counterparty's long-term or short-term credit ratings below a specified level. In each case, upon occurrence, the other party may elect to terminate early and cause settlement of all derivative and foreign exchange contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably determined by the terminating party. Any decision by one or more of the fund's counterparties to elect early termination could impact the fund's future derivative activity.

At the close of the reporting period, the fund had a net liability position of \$1,679,799 on open derivative contracts subject to the Master Agreements. Collateral posted by the fund at period end for these agreements totaled \$2,421,247 and may include amounts related to unsettled agreements.

Interfund lending The fund, along with other Putnam funds, may participate in an interfund lending program pursuant to an exemptive order issued by the SEC. This program allows the fund to borrow from or lend to other Putnam funds that permit such transactions. Interfund lending transactions are subject to each fund's investment policies and borrowing and lending limits. Interest earned or paid on the interfund lending transaction will be based on the average of certain current market rates. During the reporting period, the fund did not utilize the program.

Lines of credit The fund participates, along with other Putnam funds, in a \$317.5 million unsecured committed line of credit and a \$235.5 million unsecured uncommitted line of credit, both provided by State Street. Borrowings may be made for temporary or emergency purposes, including the funding of shareholder redemption requests and trade settlements. Interest is charged to the fund based on the fund's borrowing at a rate equal to the higher of (1) the Federal Funds rate and (2) the overnight LIBOR plus 1.25% for the committed line of credit and the Federal Funds rate plus 1.30% for the uncommitted line of credit. A closing fee equal to 0.04% of the committed line of credit plus a \$25,000 flat fee and 0.04% of the uncommitted line of credit has been paid by the participating funds. In addition, a commitment fee of 0.21% per annum on any unutilized portion of the committed line of credit is allocated to the participating funds based on their relative net assets and paid quarterly. During the reporting period, the fund had no borrowings against these arrangements.

Federal taxes It is the policy of the fund to distribute all of its taxable income within the prescribed time period and otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable to regulated investment companies.

The fund is subject to the provisions of Accounting Standards Codification 740 *Income Taxes* (ASC 740). ASC 740 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The fund did not have a liability to record for any unrecognized tax benefits in the accompanying financial statements. No provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains. Each of the fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

The fund may also be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or capital gains are earned. In some cases, the fund may be entitled to reclaim all or a portion of such taxes, and such reclaim amounts, if any, are reflected as an asset on the fund's books. In many cases, however, the fund may not receive such amounts for an extended period of time, depending on the country of investment.

At December 31, 2016, the fund had a capital loss carryover of \$84,542,884 available to the extent allowed by the Code to offset future net capital gain, if any. For any carryover, the amount of the carryover and that carryover's expiration date is:

Loss carryover			
Short-term	Long-term	Total	Expiration
\$34,245,810	\$16,067,438	\$50,313,248	*
34,229,636	N/A	34,229,636	12/31/17

*Under the Regulated Investment Company Modernization Act of 2010, the fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred will be required to be utilized prior to the losses incurred in pre-enactment tax years. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. These differences include temporary and/or permanent differences from losses on wash sale transactions, from

foreign currency gains and losses, from the expiration of a capital loss carryover, from defaulted bond interest, from realized gains and losses on certain futures contracts, from income on swap contracts, from interest-only securities and from a receivable purchase agreement. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. At the close of the reporting period, the fund reclassified \$2,553,553 to decrease undistributed net investment income, \$19,556,850 to decrease paid-in capital and \$22,110,403 to decrease accumulated net realized loss.

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

Unrealized appreciation	\$2,875,280
Unrealized depreciation	(12,659,110)
Net unrealized depreciation	(9,783,830)
Undistributed ordinary income	11,324,362
Capital loss carryforward	(84,542,884)
Cost for federal income tax purposes	\$307,994,649

Expenses of the Trust Expenses directly charged or attributable to any fund will be paid from the assets of that fund. Generally, expenses of the Trust will be allocated among and charged to the assets of each fund on a basis that the Trustees deem fair and equitable, which may be based on the relative assets of each fund or the nature of the services performed and relative applicability to each fund.

Beneficial interest At the close of the reporting period, insurance companies or their separate accounts were record owners of all but a de minimis number of the shares of the fund. Approximately 48.9% of the fund is owned by accounts of one insurance company.

Note 2 — Management fee, administrative services and other transactions

The fund pays Putnam Management a management fee (based on the fund's average net assets and computed and paid monthly) at annual rates that may vary based on the average of the aggregate net assets of all open-end mutual funds sponsored by Putnam Management (excluding net assets of funds that are invested in, or that are invested in by, other Putnam funds to the extent necessary to avoid "double counting" of those assets). Such annual rates may vary as follows:

0.700%	of the first \$5 billion,
0.650%	of the next \$5 billion,
0.600%	of the next \$10 billion,
0.550%	of the next \$10 billion,
0.500%	of the next \$50 billion,
0.480%	of the next \$50 billion,
0.470%	of the next \$100 billion and
0.465%	of any excess thereafter.

For the reporting period, the management fee represented an effective rate (excluding the impact from any expense waivers in effect) of 0.546% of the fund's average net assets.

Putnam Management has contractually agreed, through April 30, 2018, to waive fees or reimburse the fund's expenses to the extent necessary to limit the cumulative expenses of the fund, exclusive of brokerage, interest, taxes, investment-related expenses, extraordinary expenses, acquired fund fees and expenses and payments under the fund's investor servicing contract, investment management contract and distribution plans, on a fiscal year-to-date basis to an annual rate of 0.20% of the fund's average net assets over such fiscal year-to-date period. During the reporting period, the fund's expenses were not reduced as a result of this limit.

Putnam Management may from time to time voluntarily undertake to waive fees and/or reimburse certain fund expenses. Any such waiver or reimbursement would be voluntary and may be modified or discontinued by Putnam Management at any time without notice. For the reporting period, Putnam Management voluntarily waived \$3,585.

Putnam Investments Limited (PIL), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. PIL did not manage any portion of the assets of the fund during the reporting period. If Putnam Management were to engage the services of PIL, Putnam Management would pay a quarterly sub-management fee to PIL for its services at an annual rate of 0.40% of the average net assets of the portion of the fund managed by PIL.

The fund reimburses Putnam Management an allocated amount for the compensation and related expenses of certain officers of the fund and their staff

who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees.

Custodial functions for the fund's assets are provided by State Street. Custody fees are based on the fund's asset level, the number of its security holdings and transaction volumes.

Putnam Investor Services, Inc., an affiliate of Putnam Management, provides investor servicing agent functions to the fund. Putnam Investor Services, Inc. was paid a monthly fee for investor servicing at an annual rate of 0.07% of the fund's average daily net assets. During the reporting period, the expenses for each class of shares related to investor servicing fees were as follows:

Class IA	\$54,436
Class IB	100,038
Total	\$154,474

The fund has entered into expense offset arrangements with Putnam Investor Services, Inc. and State Street whereby Putnam Investor Services, Inc.'s and State Street's fees are reduced by credits allowed on cash balances. For the reporting period, the fund's expenses were reduced by \$182 under the expense offset arrangements.

Each Independent Trustee of the fund receives an annual Trustee fee, of which \$167, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees also are reimbursed for expenses they incur relating to their services as Trustees.

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

The fund has adopted an unfunded noncontributory defined benefit pension plan (the Pension Plan) covering all Trustees of the fund who have served as a Trustee for at least five years and were first elected prior to 2004. Benefits under the Pension Plan are equal to 50% of the Trustee's average annual attendance and retainer fees for the three years ended December 31, 2005. The retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for the number of years of service through December 31, 2006. Pension expense for

Written option transactions during the reporting period are summarized as follows:

		Written swap option contract amounts	Written swap option premiums	Written option contract amounts	Written option premiums
Written options outstanding at the beginning of the reporting period	USD	\$390,773,100	\$3,132,262	\$63,000,000	\$286,172
	EUR	8,311,100	\$318,730	—	\$—
Options opened	USD	1,577,633,000	8,174,372	1,020,651,850	4,321,891
	EUR	—	—	—	—
Options exercised	USD	(138,170,200)	(1,020,310)	—	—
	EUR	—	—	—	—
Options expired	USD	(597,830,400)	(1,681,353)	(82,000,000)	(339,063)
	EUR	(8,311,100)	(318,730)	—	—
Options closed	USD	(1,029,537,400)	(6,592,708)	(914,325,950)	(3,714,751)
	EUR	—	—	—	—
Written options outstanding at the end of the reporting period	USD	\$202,868,100	\$2,012,263	\$87,325,900	\$554,249
	EUR	—	\$—	—	\$—

Note 4 — Capital shares

At the close of the reporting period, there were an unlimited number of shares of beneficial interest authorized. Subscriptions and redemptions are presented at the omnibus level. Transactions in capital shares were as follows:

	Class IA shares				Class IB shares			
	Year ended 12/31/16		Year ended 12/31/15		Year ended 12/31/16		Year ended 12/31/15	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Shares sold	167,719	\$983,623	106,520	\$702,177	1,678,564	\$9,492,831	3,051,843	\$19,867,129
Shares issued in connection with reinvestment of distributions	1,100,852	6,054,685	1,471,473	9,358,571	1,904,306	10,511,769	2,607,012	16,632,738
	1,268,571	7,038,308	1,577,993	10,060,748	3,582,870	20,004,600	5,658,855	36,499,867
Shares repurchased	(2,165,628)	(12,530,992)	(2,629,952)	(17,015,728)	(5,859,238)	(34,063,686)	(7,434,152)	(48,134,535)
Net decrease	(897,057)	\$(5,492,684)	(1,051,959)	\$(6,954,980)	(2,276,368)	\$(14,059,086)	(1,775,297)	\$(11,634,668)

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

The fund has adopted a distribution plan (the Plan) with respect to its class IB shares pursuant to Rule 12b-1 under the Investment Company Act of 1940. The purpose of the Plan is to compensate Putnam Retail Management Limited Partnership, an indirect wholly-owned subsidiary of Putnam Investments, LLC, for services provided and expenses incurred in distributing shares of the fund. The Plan provides for payment by the fund to Putnam Retail Management Limited Partnership at an annual rate of up to 0.35% of the average net assets attributable to the fund's class IB shares. The Trustees have approved payment by the fund at an annual rate of 0.25% of the average net assets attributable to the fund's class IB shares. The expenses related to distribution fees during the reporting period are included in Distribution fees in the Statement of operations.

Note 3 — Purchases and sales of securities

During the reporting period, the cost of purchases and the proceeds from sales, excluding short-term investments, were as follows:

	Cost of purchases	Proceeds from sales
Investments in securities, including TBA commitments (Long-term)	\$2,368,244,886	\$2,395,952,311
U.S. government securities (Long-term)	—	—
Total	\$2,368,244,886	\$2,395,952,311

The fund may purchase or sell investments from or to other Putnam funds in the ordinary course of business, which can reduce the fund's transaction costs, at prices determined in accordance with SEC requirements and policies approved by the Trustees. During the reporting period, purchases or sales of long-term securities from or to other Putnam funds, if any, did not represent more than 5% of the fund's total cost of purchases and/or total proceeds from sales.

Note 5 — Affiliated transactions

Transactions during the reporting period with any company which is under common ownership or control were as follows:

Name of affiliate	Fair value at the beginning of the reporting period	Purchase cost	Sale proceeds	Investment income	Fair value at the end of the reporting period
Putnam Short Term Investment Fund*	\$16,506,406	\$82,130,116	\$92,130,315	\$50,491	\$6,506,207
Totals	\$16,506,406	\$82,130,116	\$92,130,315	\$50,491	\$6,506,207

* Management fees charged to Putnam Short Term Investment Fund have been waived by Putnam Management.

Note 6 — Market, credit and other risks

In the normal course of business, the fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the contracting party to the transaction to perform (credit risk). The fund may be exposed to additional credit risk that an institution or other entity with which the fund has unsettled or open transactions will default. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations. The fund may invest in higher-yielding, lower-rated bonds that may have a higher rate of default. The fund may invest a significant portion of its assets in securitized debt instruments, including mortgage-backed and asset-backed investments. The yields and values of these investments are sensitive to changes in interest rates, the rate of principal payments on the underlying assets and the

market's perception of the issuers. The market for these investments may be volatile and limited, which may make them difficult to buy or sell.

Note 7 — Senior loan commitments

Senior loans are purchased or sold on a when-issued or delayed delivery basis and may be settled a month or more after the trade date, which from time to time can delay the actual investment of available cash balances; interest income is accrued based on the terms of the securities. Senior loans can be acquired through an agent, by assignment from another holder of the loan, or as a participation interest in another holder's portion of the loan. When the fund invests in a loan or participation, the fund is subject to the risk that an intermediate participant between the fund and the borrower will fail to meet its obligations to the fund, in addition to the risk that the borrower under the loan may default on its obligations.

Note 8 — Summary of derivative activity

The volume of activity for the reporting period for any derivative type that was held during the period is listed below and was based on an average of the holdings at the end of each fiscal quarter:

Purchased TBA commitment option contracts (contract amount)	\$78,000,000
Purchased currency options (contract amount)	\$4,000,000
Purchased swap option contracts (contract amount)	\$253,200,000
Written currency option contracts (contract amount) (Note 3)	\$1,000,000
Written TBA commitment option contracts (contract amount) (Note 3)	\$132,200,000
Written swap option contracts (contract amount) (Note 3)	\$379,600,000
Futures contracts (number of contracts)	100
Forward currency contracts (contract amount)	\$206,200,000
OTC interest rate swap contracts (notional)	\$6,200,000
Centrally cleared interest rate swap contracts (notional)	\$739,700,000
OTC total return swap contracts (notional)	\$128,400,000
OTC credit default contracts (notional)	\$32,200,000
Warrants (number of warrants)	2,000

The following is a summary of the fair value of derivative instruments as of the close of the reporting period:

Fair value of derivative instruments as of the close of the reporting period

Derivatives not accounted for as hedging instruments under ASC 815	Asset derivatives		Liability derivatives	
	Statement of assets and liabilities location	Fair value	Statement of assets and liabilities location	Fair value
Credit contracts	Receivables	\$995,633	Payables	\$1,311,784
Foreign exchange contracts	Investments, Receivables	1,326,601	Payables	779,242
Equity contracts	Investments	10,656	Payables	—
Interest rate contracts	Investments, Receivables, Net assets — Unrealized appreciation	2,292,487*	Payables, Net assets — Unrealized depreciation	5,251,117*
Total		\$4,625,377		\$7,342,143

* Includes cumulative appreciation/depreciation of centrally cleared swaps as reported in the fund's portfolio. Only current day's variation margin is reported within the Statement of assets and liabilities.

The following is a summary of realized and change in unrealized gains or losses of derivative instruments in the Statement of operations for the reporting period (see Note 1):

Amount of realized gain or (loss) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Options	Futures	Forward currency contracts	Swaps	Total
Credit contracts	\$—	\$—	\$—	\$(693,919)	\$(693,919)
Foreign exchange contracts	(20,373)	—	(747,849)	—	\$(768,222)
Interest rate contracts	(3,753,658)	732,086	—	(489,662)	\$(3,511,234)
Total	\$(3,774,031)	\$732,086	\$(747,849)	\$(1,183,581)	\$(4,973,375)

Change in unrealized appreciation or (depreciation) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Warrants	Options	Futures	Forward currency contracts	Swaps	Total
Credit contracts	\$—	\$—	\$—	\$—	\$1,055,594	\$1,055,594
Foreign exchange contracts	—	(11,737)	—	955,769	—	\$944,032
Equity contracts	9,968	—	—	—	—	\$9,968
Interest rate contracts	—	251,481	(92,083)	—	(1,821,141)	\$(1,661,743)
Total	\$9,968	\$239,744	\$(92,083)	\$955,769	\$(765,547)	\$347,851

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Note 9 — Offsetting of financial and derivative assets and liabilities

The following table summarizes any derivatives, repurchase agreements and reverse repurchase agreements, at the end of the reporting period, that are subject to an enforceable master netting agreement or similar agreement. For securities lending transactions or borrowing transactions associated with securities sold short, if any, see Note 1. For financial reporting purposes, the fund does not offset financial assets and financial liabilities that are subject to the master netting agreements in the Statement of assets and liabilities.

	Bank of America N.A.	Barclays Bank PLC	Barclays Capital Inc. (clearing broker)	Citibank, N.A.	Credit Suisse International	Deutsche Bank AG	Goldman Sachs International	HSBC Bank USA, National Association	JPMorgan Chase Bank N.A.	JPMorgan Securities LLC	Merrill Lynch, Pierce, Fenner & Smith, Inc.	Royal Bank of Scotland PLC (The)	State Street Bank and Trust Co.	UBS AG	WestPac Banking Corp.	Total
Assets:																
OTC Interest rate swap contracts*#	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Centrally cleared interest rate swap contracts [§]	—	—	4,651,662	—	—	—	—	—	—	—	—	—	—	—	—	4,651,662
OTC Total return swap contracts*#	—	65,888	—	—	6,538	2,866	88,098	—	55,820	51	—	—	—	—	—	219,261
OTC Credit default contracts*#	—	—	—	—	479,392	—	279,444	—	—	236,797	—	—	—	—	—	995,633
Futures contracts [§]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Forward currency contracts [†]	178,089	60,162	—	110,818	9,407	—	380,933	592	186,088	—	—	69,460	175,335	34,232	13,078	1,218,194
Forward premium swap option contracts [#]	—	60,023	—	—	—	—	—	—	—	—	—	—	—	—	—	60,023
Purchased swap options**#	2,586	—	—	34,022	298	—	404,975	—	24,372	—	—	—	—	—	—	466,253
Purchased options**#	—	—	—	—	—	—	—	—	1,065,458	—	—	—	—	—	—	1,065,458
Total Assets	\$180,675	\$186,073	\$4,651,662	\$144,840	\$495,635	\$2,866	\$1,153,450	\$592	\$1,331,738	\$236,848	\$—	\$69,460	\$175,335	\$34,232	\$13,078	\$8,676,484
Liabilities:																
OTC Interest rate swap contracts*#	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$378,823	\$—	\$—	\$—	\$—	\$—	\$—	\$378,823
Centrally cleared interest rate swap contracts [§]	—	—	5,079,997	—	—	—	—	—	—	—	—	—	—	—	—	5,079,997
OTC Total return swap contracts*#	—	48,983	—	3,168	6,125	—	59,931	—	1,512	805	—	—	—	—	—	120,524
OTC Credit default contracts*#	54,344	—	—	—	912,781	—	303,886	—	—	40,773	—	—	—	—	—	1,311,784
Futures contracts [§]	—	—	—	—	—	—	—	—	—	—	3,566	—	—	—	—	3,566
Forward currency contracts [†]	46,790	70,139	—	77,160	16,404	—	80,499	19,211	163,991	—	—	80,269	125,035	47,670	15,434	742,602
Forward premium swap option contracts [#]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Written swap options [#]	1,194	—	—	79,582	696	—	327,432	—	537,841	—	—	—	—	—	—	946,745
Written options [#]	—	—	—	—	—	—	—	—	1,428,707	—	—	—	—	—	—	1,428,707
Total Liabilities	\$102,328	\$119,122	\$5,079,997	\$159,910	\$936,006	\$—	\$771,748	\$19,211	\$2,510,874	\$41,578	\$3,566	\$80,269	\$125,035	\$47,670	\$15,434	\$10,012,748
Total Financial and Derivative Net Assets	\$78,347	\$66,951	\$(428,335)	\$(15,070)	\$(440,371)	\$2,866	\$381,702	\$(18,619)	\$(1,179,136)	\$195,270	\$(3,566)	\$(10,809)	\$50,300	\$(13,438)	\$(2,356)	\$(1,336,264)
Total collateral received (pledged)†##	\$—	\$—	\$—	\$(15,070)	\$(439,836)	\$—	\$375,563	\$—	\$(1,179,136)	\$195,270	\$—	\$—	\$—	\$—	\$—	\$—
Net amount	\$78,347	\$66,951	\$(428,335)	\$—	\$(535)	\$2,866	\$6,139	\$(18,619)	\$—	\$—	\$(3,566)	\$(10,809)	\$50,300	\$(13,438)	\$(2,356)	\$—

* Excludes premiums, if any. Included in unrealized appreciation and depreciation on OTC swap contracts on the Statement of assets and liabilities.

** Included with Investments in securities on the Statement of assets and liabilities.

† Additional collateral may be required from certain brokers based on individual agreements.

Covered by master netting agreement (Note 1).

Any over-collateralization of total financial and derivative net assets is not shown. Collateral may include amounts related to unsettled agreements.










§ Includes current day's variation margin only as reported on the Statement of assets and liabilities, which is not collateralized. Cumulative appreciation/(depreciation) for futures contracts and centrally cleared swap contracts is represented in the tables listed after the fund's portfolio.




Note 10 — New pronouncements

In October 2016, the SEC adopted amendments to rules under the Investment Company Act of 1940 ("final rules") intended to modernize the reporting and disclosure of information by registered investment companies. The final rules amend Regulation S-X and require funds to provide standardized, enhanced derivative disclosure in fund financial statements in a format designed for

individual investors. The amendments to Regulation S-X also update the disclosures for other investments and investments in and advances to affiliates and amend the rules regarding the general form and content of fund financial statements. The compliance date for the amendments to Regulation S-X is August 1, 2017. Putnam Management is currently evaluating the amendments and their impact, if any, on the fund's financial statements.

About the Trustees

Name Year of birth Position held	Principal occupations during past five years	Other directorships	
Independent Trustees			
Liaquat Ahamed Born 1952 Trustee since 2012	Pulitzer Prize-winning author of <i>Lords of Finance: The Bankers Who Broke the World</i> , whose articles on economics have appeared in such publications as the <i>New York Times</i> , <i>Foreign Affairs</i> , and the <i>Financial Times</i> . Director of Aspen Insurance Co., a New York Stock Exchange company, and Chair of the Aspen Board's Investment Committee. Trustee of the Brookings Institution.	The Rohatyn Group, an emerging-market fund complex that manages money for institutions	
Ravi Akhoury Born 1947 Trustee since 2009	Trustee of American India Foundation and of the Rubin Museum. From 1992 to 2007, was Chairman and CEO of MacKay Shields, a multi-product investment management firm.	RAGE Frameworks, Inc., a private software company; English Helper, Inc., a private software company	
Barbara M. Baumann Born 1955 Trustee since 2010	President and Owner of Cross Creek Energy Corporation, a strategic consultant to domestic energy firms and direct investor in energy projects. Current Board member of The Denver Foundation. Former Chair and current Board member of Girls Incorporated of Metro Denver. Member of the Finance Committee, the Children's Hospital of Colorado.	Buckeye Partners, L.P., a publicly traded master limited partnership focused on pipeline transport, storage, and distribution of petroleum products; Devon Energy Corporation, a leading independent natural gas and oil exploration and production company	
Jameson A. Baxter Born 1943 Trustee since 1994, Vice Chair from 2005 to 2011, and Chair since 2011	President of Baxter Associates, Inc., a private investment firm. Chair of Mutual Fund Directors Forum. Chair Emeritus of the Board of Trustees of Mount Holyoke College. Director of the Adirondack Land Trust and Trustee of the Nature Conservancy's Adirondack Chapter.	None	
Robert J. Darretta Born 1946 Trustee since 2007	From 2009 until 2012, served as Health Care Industry Advisor to Permira, a global private equity firm. Until April 2007, was Vice Chairman of the Board of Directors of Johnson & Johnson. Served as Johnson & Johnson's Chief Financial Officer for a decade.	UnitedHealth Group, a diversified health-care company	
Katinka Domotorffy Born 1975 Trustee since 2012	Voting member of the Investment Committees of the Anne Ray Charitable Trust and Margaret A. Cargill Foundation, part of the Margaret A. Cargill Philanthropies. Until 2011, Partner, Chief Investment Officer, and Global Head of Quantitative Investment Strategies at Goldman Sachs Asset Management.	Reach Out and Read of Greater New York, an organization dedicated to promoting childhood literacy; Great Lakes Science Center; College Now Greater Cleveland	
John A. Hill Born 1942 Trustee since 1985 and Chairman from 2000 to 2011	Founder and Vice-Chairman of First Reserve Corporation, the leading private equity buyout firm focused on the worldwide energy industry. Trustee and Chairman of the Board of Trustees of Sarah Lawrence College. Member of the Advisory Board of the Millstein Center for Global Markets and Corporate Ownership at The Columbia University Law School.	None	
Paul L. Joskow Born 1947 Trustee since 1997	Economist and President of the Alfred P. Sloan Foundation, a philanthropic institution focused primarily on research and education on issues related to science, technology, and economic performance. Elizabeth and James Killian Professor of Economics, Emeritus at the Massachusetts Institute of Technology (MIT). Prior to 2007, served as the Director of the Center for Energy and Environmental Policy Research at MIT.	Yale University; Exelon Corporation, an energy company focused on power services; Boston Symphony Orchestra; Prior to April 2013, served as Director of TransCanada Corporation and TransCanada Pipelines Ltd., energy companies focused on natural gas transmission, oil pipelines and power services	
Kenneth R. Leibler Born 1949 Trustee since 2006 and Vice Chair since 2016	Founder and former Chairman of Boston Options Exchange, an electronic marketplace for the trading of derivative securities. Vice Chairman Emeritus of the Board of Trustees of Beth Israel Deaconess Hospital in Boston, Massachusetts. Director of Beth Israel Deaconess Care Organization. Until November 2010, director of Ruder Finn Group, a global communications and advertising firm.	Eversource Corporation, which operates New England's largest energy delivery system	

Name Year of birth Position held	Principal occupations during past five years	Other directorships	
Robert E. Patterson Born 1945 Trustee since 1984	Co-Chairman of Cabot Properties, Inc., a private equity firm investing in commercial real estate, and Chairman or Co-Chairman of the Investment Committees for various Cabot Funds. Past Chairman and Trustee of the Joslin Diabetes Center.	None	
George Putnam, III Born 1951 Trustee since 1984	Chairman of New Generation Research, Inc., a publisher of financial advisory and other research services. Founder and President of New Generation Advisors, LLC, a registered investment advisor to private funds. Director of The Boston Family Office, LLC, a registered investment advisor.	None	
W. Thomas Stephens Born 1942 Trustee from 1997 to 2008 and since 2009	Retired as Chairman and Chief Executive Officer of Boise Cascade, LLC, a paper, forest products, and timberland assets company, in December 2008. Prior to 2010, Director of Boise Inc., a manufacturer of paper and packaging products.	Prior to April 2014, served as Director of TransCanada Pipelines Ltd., an energy infrastructure company	

Interested Trustee

Robert L. Reynolds* Born 1952 Trustee since 2008 and President of the Putnam Funds since 2009	President and Chief Executive Officer of Putnam Investments since 2008 and, since 2014, President and Chief Executive Officer of Great-West Financial, a financial services company that provides retirement savings plans, life insurance, and annuity and executive benefits products, and of Great-West Lifeco U.S. Inc., a holding company that owns Putnam Investments and Great-West Financial. Prior to joining Putnam Investments, served as Vice Chairman and Chief Operating Officer of Fidelity Investments from 2000 to 2007.	None	
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*Mr. Reynolds is an "interested person" (as defined in the Investment Company Act of 1940) of the fund and Putnam Investments. He is President and Chief Executive Officer of Putnam Investments, as well as the President of your fund and each of the other Putnam funds.

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

As of December 31, 2016, there were 114 Putnam funds. All Trustees serve as Trustees of all Putnam funds.

Each Trustee serves for an indefinite term, until his or her resignation, retirement at age 75, removal, or death.

Officers

In addition to Robert L. Reynolds, the other officers of the fund are shown below:

Jonathan S. Horwitz (Born 1955)
Executive Vice President, Principal Executive Officer, and Compliance Liaison
Since 2004

Robert T. Burns (Born 1961)
Vice President and Chief Legal Officer
Since 2011
General Counsel, Putnam Investments, Putnam Management, and Putnam Retail Management

James F. Clark (Born 1974)
Vice President and Chief Compliance Officer
Since 2016
Chief Compliance Officer, Putnam Investments and Putnam Management

Michael J. Higgins (Born 1976)
Vice President, Treasurer, and Clerk
Since 2010

Janet C. Smith (Born 1965)
Vice President, Principal Financial Officer, Principal Accounting Officer, and Assistant Treasurer
Since 2007
Director of Fund Administration Services, Putnam Investments and Putnam Management

Susan G. Malloy (Born 1957)
Vice President and Assistant Treasurer
Since 2007
Director of Accounting & Control Services, Putnam Investments and Putnam Management

Mark C. Trenchard (Born 1962)
Vice President and BSA Compliance Officer
Since 2002

Director of Operational Compliance, Putnam Investments and Putnam Retail Management

Nancy E. Florek (Born 1957)
Vice President, Director of Proxy Voting and Corporate Governance, Assistant Clerk, and Associate Treasurer
Since 2000

The principal occupations of the officers for the past five years have been with the employers as shown above, although in some cases they have held different positions with such employers. The address of each officer is One Post Office Square, Boston, MA 02109.

Other important information

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, 2016, are available in the Individual Investors section of putnam.com and on the Securities and Exchange Commission's [SEC] website, www.sec.gov. If you have questions about finding forms on the SEC's website, 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

Each Putnam VT 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 Form N-Q on the SEC's website at www.sec.gov. In addition, the fund's Form 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 website or the operation of the Public Reference Room.

Fund information

Investment Manager

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

Investment Sub-Advisor

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

Marketing Services

Putnam Retail Management
One Post Office Square
Boston, MA 02109

Investor Servicing Agent

Putnam Investor Services, Inc.
Mailing address:
P.O. Box 8383
Boston, MA 02266-8383
1-800-225-1581

Custodian

State Street Bank and Trust Company

Legal Counsel

Ropes & Gray LLP

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

Trustees

Jameson A. Baxter, *Chair*
Kenneth R. Leibler, *Vice Chair*
Liaquat Ahamed
Ravi Akhoury
Barbara M. Baumann
Robert J. Darretta
Katinka Domotorffy
John A. Hill
Paul L. Joskow
Robert E. Patterson
George Putnam, III
Robert L. Reynolds
W. Thomas Stephens

The fund's Statement of Additional Information contains additional information about the fund's Trustees and is available without charge upon request by calling 1-800-225-1581.