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Putnam Variable Trust

Semiannual report

6 | 30 | 17

Putnam VT

Global Asset Allocation Fund

Message from the Trustees

August 14, 2017

Dear Shareholder:

A fair amount of investor optimism has helped to fuel financial markets in 2017, and global stock and bond markets have generally fared well. At the same time, however, a number of macroeconomic and political risks around the world could disrupt the positive momentum.

While calm markets are generally welcome, we believe investors should continue to remember time-tested strategies: maintain a well-diversified portfolio, keep a long-term view, and speak regularly with your financial advisor. In the following pages, you will find a summary of your fund's performance for the reporting period.

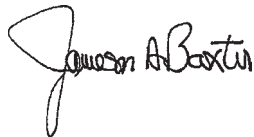
We would like to take this opportunity to announce some changes to your fund's Board of Trustees. First, we are pleased to welcome the arrival of Catharine Bond Hill and Manoj P. Singh, who bring extensive professional and directorship experience to their new roles as Putnam Trustees. In addition, we would like to extend our appreciation and best wishes to Robert J. Darretta, John A. Hill, and W. Thomas Stephens, who retired from the Board, effective June 30, 2017. We are grateful for their years of work on behalf of you and your fellow shareholders, and we wish them well in their future endeavors.

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

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: Allocation of assets among asset classes may hurt performance. Stock and bond prices may fall or fail to rise over time for several reasons, including general financial market conditions (including, in the case of bonds, perceptions about the risk of default and expectations about changes in monetary policy or interest rates), changes in government intervention in the financial markets, and factors related to a specific issuer or industry. These and other factors may also lead to increased volatility and reduced liquidity in the fund's portfolio holdings. International investing involves currency, economic, and political risks. Emerging-market securities carry illiquidity and volatility risks. Investments in small and/or midsize companies increase the risk of greater price fluctuations. Growth stocks may be more susceptible to earnings disappointments, and value stocks may fail to rebound. Funds that invest in government securities are not guaranteed. Mortgage-backed investments, unlike traditional debt investments, are also subject to prepayment risk, which means that they may increase in value less than other bonds when interest rates decline and decline in value more than other bonds 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). Default risk is generally higher for non-qualified mortgages. Interest-rate risk is greater for longer-term bonds, and credit risk is greater for below-investment-grade bonds. Unlike bonds, funds that invest in bonds have fees and expenses. The use of derivatives may increase these risks by increasing investment exposure (which may be considered leverage) or, in the case of over-the-counter instruments, because of the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. You can lose money by investing in the fund.

Performance summary (as of 6/30/17)

Investment objective

Long-term return consistent with preservation of capital

Net asset value June 30, 2017

Class IA: \$16.76

Class IB: \$16.96

Total return at net asset value

(as of 6/30/17)	Class IA shares*	Class IB shares†	Russell 3000 Index	Putnam Balanced Blended Benchmark
6 months	6.87%	6.72%	8.93%	6.84%
1 year	12.87	12.57	18.51	11.58
5 years	61.70	59.67	97.53	56.07
Annualized	10.09	9.81	14.58	9.31
10 years	76.02	71.93	101.46	79.57
Annualized	5.82	5.57	7.26	6.03
Life	800.17	756.31	1,761.33	—
Annualized	7.76	7.57	10.45	—

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

* Class inception date: February 1, 1988.

† Class inception date: April 30, 1998.

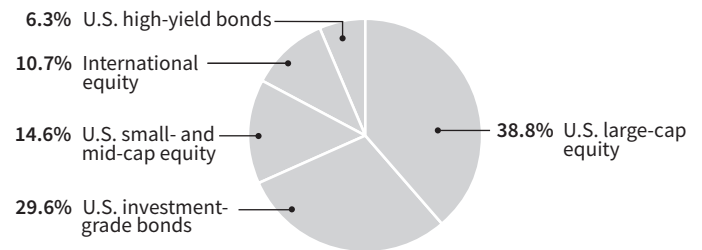
The Russell 3000 Index is an unmanaged index of the 3,000 largest U.S. companies.

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The Putnam Balanced Blended Benchmark is an unmanaged index administered by Putnam Investment Management, LLC, 50% of which is the Russell 3000 Index, 35% of which is the Bloomberg Barclays U.S. Aggregate Bond Index, 10% of which is the MSCI EAFE Index (ND), and 5% of which is the JPMorgan Developed High Yield Index.

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



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, the exclusion of as-of-trades, if any, the use of different classifications of securities for presentation purposes, and rounding. Holdings and allocations may vary over time.

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 1/1/17 to 6/30/17. 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
Net expenses for the fiscal year ended 12/31/16*	0.88%	1.13%
Total annual operating expenses for the fiscal year ended 12/31/16	0.90%	1.15%
Annualized expense ratio for the six-month period ended 6/30/17	0.85%	1.10%

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.

*Reflects Putnam Management's contractual obligation to limit certain fund expenses through 4/30/18.

Expenses per \$1,000

	Expenses and value for a \$1,000 investment, assuming actual returns for the 6 months ended 6/30/17		Expenses and value for a \$1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 6/30/17	
	Class IA	Class IB	Class IA	Class IB
Expenses paid per \$1,000*†	\$4.36	\$5.64	\$4.26	\$5.51
Ending value (after expenses)	\$1,068.70	\$1,067.20	\$1,020.58	\$1,019.34

*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 6/30/17. 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.

Your fund's managers



Portfolio Manager **James A. Fetch** is a Co-Head of Global Asset Allocation at Putnam. He has been in the investment industry since he joined Putnam in 1994.

In addition to Jim, your fund is managed by Co-Head of Global Asset Allocation Robert J. Kea, CFA; Chief Investment Officer, Global Asset Allocation,

Robert J. Schoen; and Co-Head of Global Asset Allocation Jason R. Vaillancourt, CFA.

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.

The fund's portfolio 6/30/17 (Unaudited)

COMMON STOCKS (54.7%)*	Shares	Value
Basic materials (1.8%)		
Akzo Nobel NV (Netherlands)	415	\$36,066
Albemarle Corp.	219	23,113
Alcoa Corp.	622	20,308
ArcelorMittal SA (France) †	993	22,524
Asahi Kasei Corp. (Japan)	5,000	53,679
BASF SE (Germany)	1,843	170,693
Boliden AB (Sweden)	3,137	85,605
Cabot Corp.	800	42,744
Celanese Corp. Ser. A	400	37,976
CIMIC Group, Ltd. (Australia)	3,069	91,617
Compagnie De Saint-Gobain (France)	197	10,526
Covestro AG (Germany)	504	36,386
CRH PLC (Ireland)	296	10,472
Evonik Industries AG (Germany)	2,961	94,643
Fortescue Metals Group, Ltd. (Australia)	2,928	11,747
Glencore PLC (United Kingdom)	2,333	8,727
Hitachi Chemical Co., Ltd. (Japan)	1,200	35,741
HOCHTIEF AG (Germany)	589	107,905
Iluka Resources, Ltd. (Australia)	3,155	21,048
Kajima Corp. (Japan)	3,000	25,286
Kumagai Gumi Co., Ltd. (Japan)	15,000	48,144
Kuraray Co., Ltd. (Japan)	2,100	38,051
LafargeHolcim, Ltd. (Switzerland)	703	40,249
LANXESS AG (Germany)	162	12,266
Lindab International AB (Sweden)	1,980	21,599
Mitsubishi Chemical Holdings Corp. (Japan)	6,500	53,751
Mitsubishi Gas Chemical Co., Inc. (Japan)	1,200	25,339
Mitsubishi Materials Corp. (Japan)	400	12,092
Newmont Mining Corp.	4,500	145,755
Packaging Corp. of America	2,100	233,919
Reliance Steel & Aluminum Co.	1,100	80,091
Rio Tinto PLC (United Kingdom)	1,386	58,524
Rio Tinto, Ltd. (Australia)	227	11,039
RPC Group PLC (United Kingdom)	2,321	22,733
Sherwin-Williams Co. (The)	1,200	421,152
Shin-Etsu Chemical Co., Ltd. (Japan)	300	27,166
Steel Dynamics, Inc.	7,500	268,575
Taisei Corp. (Japan)	6,000	54,732
Timken Co. (The)	1,900	87,875
UPM-Kymmene OYJ (Finland)	2,235	63,716
voestalpine AG (Austria)	574	26,748
		2,700,322
Capital goods (3.4%)		
ACS Actividades de Construccion y Servicios SA (Spain)	2,753	106,357
Airbus SE (France)	459	37,746
Allison Transmission Holdings, Inc.	8,800	330,088
Atlas Copco AB Class A (Sweden)	745	28,563
Avery Dennison Corp.	1,700	150,229
BWX Technologies, Inc.	1,800	87,750
Carlisle Cos., Inc.	1,100	104,940
Crane Co.	500	39,690
Crown Holdings, Inc. †	6,800	405,688
Cummins, Inc.	2,900	470,438
HD Supply Holdings, Inc. †	3,400	104,142

COMMON STOCKS (54.7%)* cont.	Shares	Value
Capital goods cont.		
Huntington Ingalls Industries, Inc.	800	\$148,928
Jacobs Engineering Group, Inc.	2,400	130,536
Johnson Controls International PLC	752	32,607
JTEKT Corp (Japan)	1,700	24,818
Komatsu, Ltd. (Japan)	1,200	30,455
Kyudenko Corp. (Japan)	1,000	35,786
L3 Technologies, Inc.	3,400	568,072
MTU Aero Engines AG (Germany)	84	11,849
Northrop Grumman Corp.	2,100	539,091
NSK, Ltd. (Japan)	700	8,732
Oshkosh Corp.	1,800	123,984
Parker Hannifin Corp.	2,000	319,640
Quanta Services, Inc. †	5,300	174,476
Raytheon Co.	3,310	534,499
Rheinmetall AG (Germany)	222	21,076
SMC Corp./Japan (Japan)	100	30,362
Spirit AeroSystems Holdings, Inc. Class A	2,400	139,056
Thales SA (France)	311	33,475
Vinci SA (France)	275	23,472
Waste Management, Inc.	3,200	234,720
WESCO International, Inc. †	700	40,110
		5,071,375
Communication services (1.7%)		
ACC Claims Holdings, LLC Class A (Units) † F	45,210	271
Altice NV Class A (Netherlands) †	1,192	27,501
BCE, Inc. (Canada)	214	9,637
BT Group PLC (United Kingdom)	8,751	33,595
Cable One, Inc.	100	71,090
Com Hem Holding AB (Sweden)	1,900	26,387
Eutelsat Communications SA (France)	435	11,109
Juniper Networks, Inc.	11,900	331,772
KDDI Corp. (Japan)	2,000	52,901
Nippon Telegraph & Telephone Corp. (Japan)	3,300	155,795
NTT DoCoMo, Inc. (Japan)	400	9,431
Orange SA (France)	2,691	42,691
PCCW, Ltd. (Hong Kong)	7,000	3,981
Safaricom, Ltd. (Kenya)	116,918	25,368
SFR Group SA (France) †	90	3,048
Sky PLC (United Kingdom)	9,582	124,052
Spark New Zealand, Ltd. (New Zealand)	4,898	13,567
Telecom Italia SpA RSP (Italy)	10,911	8,038
Telstra Corp., Ltd. (Australia)	31,850	105,264
Verizon Communications, Inc.	30,521	1,363,068
Vodafone Group PLC (United Kingdom)	7,951	22,550
		2,441,116
Conglomerates (0.4%)		
Bouygues SA (France)	2,662	112,252
Danaher Corp.	3,400	286,926
Marubeni Corp. (Japan)	16,000	103,248
Mitsubishi Corp. (Japan)	900	18,852
Orkla ASA (Norway)	4,153	42,208
Siemens AG (Germany)	554	76,152
		639,638
Consumer cyclicals (7.4%)		
Adecco Group AG (Switzerland)	1,542	117,230
Adidas AG (Germany)	183	35,062
Amazon.com, Inc. †	17	16,456
Aramark	4,000	163,920

COMMON STOCKS (54.7%)* cont.	Shares	Value
Consumer cyclicals cont.		
Aristocrat Leisure, Ltd. (Australia)	3,487	\$60,463
Asahi Glass Co., Ltd. (Japan)	200	8,411
Basso Industry Corp. (Taiwan)	7,000	19,560
Berkeley Group Holdings PLC (The) (United Kingdom)	154	6,473
Booz Allen Hamilton Holding Corp.	2,700	87,858
Carnival PLC (United Kingdom)	1,878	124,257
Carter's, Inc.	700	62,265
Clorox Co. (The)	2,400	319,776
Compass Group PLC (United Kingdom)	2,453	51,755
Cox & Kings, Ltd. (India)	7,293	31,254
Dai Nippon Printing Co., Ltd. (Japan)	4,000	44,383
Dalata Hotel Group PLC (Ireland) †	8,278	45,572
Discovery Communications, Inc. Class A † §	19,900	514,017
Dolby Laboratories, Inc. Class A	800	39,168
Electrolux AB Ser. B (Sweden)	1,378	45,161
Euronet Worldwide, Inc. †	400	34,948
Fiat Chrysler Automobiles NV (Italy) †	5,418	57,117
Ford Motor Co.	2,600	29,094
Hakuhodo DY Holdings, Inc. (Japan)	800	10,605
Harvey Norman Holdings, Ltd. (Australia)	15,434	45,315
Hasbro, Inc.	2,600	289,926
Home Depot, Inc. (The)	2,500	383,500
Hyatt Hotels Corp. Class A †	800	44,968
Industrivarden AB Class A (Sweden)	2,044	52,042
International Game Technology PLC	1,200	21,960
Interpublic Group of Cos., Inc. (The)	1,400	34,440
ISSA/S (Denmark)	896	35,191
John Wiley & Sons, Inc. Class A	600	31,650
KAR Auction Services, Inc.	1,900	79,743
Kimberly-Clark Corp.	4,500	580,995
Kingfisher PLC (United Kingdom)	24,097	94,375
Lagardere SCA (France)	546	17,243
Lear Corp.	1,200	170,496
Liberty SiriusXM Group Class A †	2,500	104,950
Lowe's Cos., Inc.	12,600	976,878
LSC Communications, Inc.	1,200	25,680
Magna International, Inc. (Canada)	128	5,929
Marks & Spencer Group PLC (United Kingdom)	24,157	104,867
Masco Corp.	5,200	198,692
Matahari Department Store Tbk PT (Indonesia)	5,700	6,062
Mazda Motor Corp. (Japan)	2,100	29,276
Michaels Cos., Inc. (The) †	3,600	66,672
MSC Industrial Direct Co., Inc. Class A	900	77,364
Namco Bandai Holdings, Inc. (Japan)	700	23,836
News Corp. Class A	4,600	63,020
Nintendo Co., Ltd. (Japan)	100	33,501
Nissan Motor Co., Ltd. (Japan)	2,200	21,868
NVR, Inc. †	50	120,531
Owens Corning	2,400	160,608
Panasonic Corp. (Japan)	700	9,485
Peugeot SA (France)	4,991	99,559
PVH Corp.	2,600	297,700
Ralph Lauren Corp. §	6,100	450,180
Randstad Holding NV (Netherlands)	550	32,113
RELX NV (United Kingdom)	2,326	47,820
RELX PLC (United Kingdom)	653	14,118

COMMON STOCKS (54.7%)* cont.	Shares	Value
Consumer cyclicals cont.		
Renault SA (France)	545	\$49,331
Ross Stores, Inc.	5,400	311,742
RR Donnelley & Sons Co.	1,833	22,986
RTL Group SA (Belgium)	451	34,054
Scotts Miracle-Gro Co. (The) Class A	1,300	116,298
Securitas AB Class B (Sweden)	1,684	28,384
ServiceMaster Global Holdings, Inc. †	1,500	58,785
Sony Corp. (Japan)	1,300	49,538
Square, Inc. Class A †	16,700	391,782
Suzuki Motor Corp. (Japan)	200	9,478
TABCORP Holdings, Ltd. (Australia)	19,294	64,804
Taylor Wimpey PLC (United Kingdom)	49,758	114,190
TJX Cos., Inc. (The)	10,200	736,134
Toppan Printing Co., Ltd. (Japan)	5,000	54,768
Toro Co. (The)	1,100	76,219
Toyo Tire & Rubber Co., Ltd. (Japan)	1,500	30,527
TransUnion †	2,800	121,268
TUI AG (Germany)	970	14,137
Valeo SA (France)	1,528	102,950
Vantiv, Inc. Class A †	1,100	69,674
Visteon Corp. †	1,000	102,060
Wal-Mart Stores, Inc.	7,000	529,760
Walt Disney Co. (The)	8,100	860,625
Wolters Kluwer NV (Netherlands)	1,118	47,329
WPP PLC (United Kingdom)	901	18,940
Yamaha Motor Co., Ltd. (Japan)	400	10,306
Yue Yuen Industrial Holdings, Ltd. (Hong Kong)	5,500	22,824
Zee Entertainment Enterprises, Ltd. (India)	2,276	17,301
		10,843,552
Consumer staples (5.7%)		
Altria Group, Inc.	2,900	215,963
Associated British Foods PLC (United Kingdom)	1,030	39,387
Beauty Community PCL (Foreign depository shares) (Thailand)	74,600	23,717
Beiersdorf AG (Germany)	132	13,876
British American Tobacco PLC (United Kingdom)	1,221	83,236
Bunge, Ltd.	2,700	201,420
Campbell Soup Co.	4,200	219,030
Coca-Cola Amatil, Ltd. (Australia)	14,431	102,376
ConAgra Foods, Inc.	6,400	228,864
Darden Restaurants, Inc.	2,800	253,232
Delivery Hero Holding GmbH (acquired 06/12/15, cost \$15,404) (Private) (Germany) † ΔΔ F	600	17,146
Delivery Hero Holding GmbH (Germany) †	207	6,573
Dr. Pepper Snapple Group, Inc.	1,200	109,332
Energizer Holdings, Inc.	1,400	67,228
Greencore Group PLC (Ireland)	5,341	17,113
Heineken Holding NV (Netherlands)	1,256	115,122
Heineken NV (Netherlands)	333	32,378
Henkel AG & Co. KGaA (Preference) (Germany)	62	8,533
Hershey Co. (The)	2,700	289,899
Imperial Brands PLC (United Kingdom)	342	15,361
Ingredion, Inc.	1,300	154,973
ITOCHU Corp. (Japan)	9,200	136,517
J Sainsbury PLC (United Kingdom)	16,036	52,570
Kao Corp. (Japan)	2,300	136,436
Kerry Group PLC Class A (Ireland)	658	56,613

COMMON STOCKS (54.7%)* cont.	Shares	Value
Consumer staples cont.		
Koninklijke Ahold Delhaize NV (Netherlands)	4,043	\$77,300
Lamb Weston Holdings, Inc.	2,300	101,292
Liberty Interactive Corp. †	700	36,603
ManpowerGroup, Inc.	1,300	145,145
McDonald's Corp.	7,100	1,087,436
METRO AG (Germany)	3,301	111,429
Nestle SA (Switzerland)	1,110	96,600
Nomad Foods, Ltd. (United Kingdom) †	1,301	18,357
PepsiCo, Inc.	8,700	1,004,763
Philip Morris International, Inc.	209	24,547
Pinnacle Foods, Inc.	2,200	130,680
Pool Corp.	300	35,271
Procter & Gamble Co. (The)	2,000	174,300
Seven & i Holdings Co., Ltd. (Japan)	200	8,229
Shiseido Co., Ltd. (Japan)	800	28,408
SMS Co., Ltd. (Japan)	1,200	36,381
Spectrum Brands Holdings, Inc. ^S	600	75,024
Sysco Corp.	7,500	377,475
Tate & Lyle PLC (United Kingdom)	12,004	103,501
Toyota Tsusho Corp. (Japan)	2,400	71,803
Tyson Foods, Inc. Class A	7,700	482,251
Ulta Salon, Cosmetics & Fragrance, Inc. †	1,000	287,340
Unilever NV ADR (Netherlands)	535	29,526
Unilever PLC (United Kingdom)	100	5,412
Walgreens Boots Alliance, Inc.	7,300	571,663
Watsco, Inc.	1,000	154,200
WH Group, Ltd. (Hong Kong)	70,000	70,650
Wilmar International, Ltd. (Singapore)	9,600	23,359
WM Morrison Supermarkets PLC (United Kingdom)	36,458	114,533
Wolseley PLC (United Kingdom)	166	10,190
X5 Retail Group NV GDR (Russia) †	646	22,384
Yum! Brands, Inc.	2,900	213,904
		8,326,851
Energy (2.8%)		
Baker Hughes, Inc.	6,400	348,864
Cenovus Energy, Inc. (Canada)	2,708	19,963
Cimarex Energy Co.	3,000	282,030
EnCana Corp. (Canada)	3,553	31,261
Exxon Mobil Corp.	10,304	831,842
Halcon Resources Corp. †	899	4,081
Milagro Oil & Gas, Inc. (Units) † ^F	15	1,215
Nabors Industries, Ltd.	3,200	26,048
ONEOK, Inc.	7,800	406,848
Parsley Energy, Inc. Class A †	17,100	474,525
QEP Resources, Inc. †	2,400	24,240
Repsol SA (Spain)	7,375	112,873
Rowan Cos. PLC Class A †	2,600	26,624
Royal Dutch Shell PLC Class A (United Kingdom)	1,242	32,919
Royal Dutch Shell PLC Class A (Amsterdam Exchange) (United Kingdom)	825	21,894
Royal Dutch Shell PLC Class B (United Kingdom)	2,923	78,521
SandRidge Energy, Inc. †	431	7,418
Suncor Energy, Inc. (Canada)	684	19,985
Superior Energy Services, Inc. †	2,000	20,860
Tervita Corp. Class A (Canada) †	16	114
Total SA (France)	4,267	210,952
Triangle USA Petroleum Corp. ^F †	89	1,225

COMMON STOCKS (54.7%)* cont.	Shares	Value
Energy cont.		
Valero Energy Corp.	9,000	\$607,140
Vestas Wind Systems A/S (Denmark)	581	53,635
Williams Cos., Inc. (The)	16,400	496,592
		4,141,669
Financials (10.5%)		
3i Group PLC (United Kingdom)	14,544	170,959
Admiral Group PLC (United Kingdom)	903	23,558
AerCap Holdings NV (Ireland) †	400	18,572
Aflac, Inc.	4,700	365,096
AGNC Investment Corp. ^R	6,100	129,869
AIA Group, Ltd. (Hong Kong)	10,600	77,456
Allianz SE (Germany)	982	193,362
Allstate Corp. (The)	4,400	389,136
Ally Financial, Inc.	7,900	165,110
American Financial Group, Inc.	500	49,685
Ameriprise Financial, Inc.	2,600	330,954
Amundi SA (France)	450	32,560
Annaly Capital Management, Inc. ^R	13,300	160,265
Apartment Investment & Management Co. Class A ^R	1,900	81,643
Apple Hospitality REIT, Inc. ^R	3,000	56,130
Aspen Insurance Holdings, Ltd.	600	29,910
Assured Guaranty, Ltd.	2,100	87,654
Australia & New Zealand Banking Group, Ltd. (Australia)	1,143	25,231
AXA SA (France)	5,616	153,623
Banco Macro SA ADR (Argentina)	264	24,338
Banco Santander SA (Spain)	10,756	71,155
Bank of Ireland (Ireland) †	34,588	9,086
Barratt Developments PLC (United Kingdom)	6,049	44,395
BNP Paribas SA (France)	1,561	112,429
Brandywine Realty Trust ^R	2,800	49,084
Brixmor Property Group, Inc. ^R	5,000	89,400
Burford Capital, Ltd. (United Kingdom)	3,281	38,503
Camden Property Trust ^R	1,400	119,714
Challenger, Ltd. (Australia)	7,631	78,242
Cheung Kong Property Holdings, Ltd. (Hong Kong)	9,500	74,407
Chimera Investment Corp. ^R	3,100	57,753
Chubb, Ltd.	116	16,864
Citigroup, Inc.	23,900	1,598,432
Colony NorthStar, Inc. Class A ^R	7,200	101,448
CoreLogic, Inc. †	800	34,704
Credicorp, Ltd. (Peru)	109	19,554
Credit Agricole SA (France)	3,977	63,979
Credit Suisse Group AG (Switzerland)	453	6,548
Daiwa Securities Group, Inc. (Japan)	3,000	17,759
Danske Bank A/S (Denmark)	331	12,731
DGB Financial Group, Inc. (South Korea)	2,903	29,940
Discover Financial Services	4,400	273,636
DNB ASA (Norway)	4,036	68,646
Duke Realty Corp. ^R	4,300	120,185
E*Trade Financial Corp. †	9,600	365,088
EastWest Bancorp, Inc.	1,400	82,012
Equity Commonwealth † ^R	1,100	34,760
Equity Lifestyle Properties, Inc. ^R	700	60,438
Equity Residential Trust ^R	4,000	263,320
Eurazeo SA (France)	151	11,329
First Hawaiian, Inc.	3,500	107,170

COMMON STOCKS (54.7%)* cont.	Shares	Value
Financials cont.		
Forest City Realty Trust, Inc. Class A ^R	3,700	\$89,429
Foxtons Group PLC (United Kingdom)	7,116	8,782
Gaming and Leisure Properties, Inc. ^R	1,200	45,204
Goldman Sachs Group, Inc. (The)	5,000	1,109,500
Hamilton Lane, Inc. Class A †	592	13,018
Hartford Financial Services Group, Inc. (The)	5,700	299,649
HCP, Inc. ^R	6,600	210,936
HDFC Bank, Ltd. (India)	1,678	42,887
Hibernia REIT PLC (Ireland) ^R	29,132	45,751
Highwoods Properties, Inc. ^R	1,600	81,136
HSBC Holdings PLC (United Kingdom)	3,148	29,181
Industrial Bank of Korea (South Korea)	5,270	65,636
ING Groep NV GDR (Netherlands)	4,976	85,818
Insurance Australia Group, Ltd. (Australia)	2,600	13,549
Investor AB Class B (Sweden)	3,069	147,900
JPMorgan Chase & Co.	20,943	1,914,190
Kennedy-Wilson Holdings, Inc.	882	16,802
Kerry Properties, Ltd. (Hong Kong)	11,000	37,336
KKR & Co. LP	642	11,941
Liberty Property Trust ^R	1,700	69,207
Lincoln National Corp.	2,800	189,224
Lloyds Banking Group PLC (United Kingdom)	6,044	5,207
Mapfre SA (Spain)	9,004	31,448
MFA Financial, Inc. ^R	4,100	34,399
Mid-America Apartment Communities, Inc. ^R	300	31,614
Mitsubishi UFJ Financial Group, Inc. (Japan)	22,900	153,678
Mitsubishi UFJ Lease & Finance Co., Ltd. (Japan)	9,500	51,860
Mitsui Fudosan Co., Ltd. (Japan)	500	11,916
Mizuho Financial Group, Inc. (Japan)	81,700	149,199
Morgan Stanley	4,000	178,240
Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen (Germany)	599	120,786
Natixis SA (France)	1,482	9,948
New World Development Co., Ltd. (Hong Kong)	46,000	58,388
NN Group NV (Netherlands)	2,878	102,295
Nomura Real Estate Holdings, Inc. (Japan)	1,100	21,555
ORIX Corp. (Japan)	10,700	165,530
Outfront Media, Inc. ^R	1,700	39,304
Park Hotels & Resorts, Inc. ^R	3,900	105,144
Persimmon PLC (United Kingdom)	1,422	41,524
Popular, Inc. (Puerto Rico)	2,500	104,275
Prudential Financial, Inc.	4,485	485,008
Prudential PLC (United Kingdom)	1,050	24,083
Quality Care Properties, Inc. † ^R	2,100	38,451
Raymond James Financial, Inc.	600	48,132
Reinsurance Group of America, Inc.	700	89,873
Resona Holdings, Inc. (Japan)	15,900	87,434
Sberbank of Russia PJSC ADR (Russia)	2,415	24,995
SCOR SE (France)	344	13,638
Sekisui Chemical Co., Ltd. (Japan)	2,000	35,759
Senior Housing Properties Trust ^R	1,600	32,704
Skandinaviska Enskilda Banken AB (Sweden)	898	10,862
Societe Generale SA (France)	3,367	181,167
Spirit Realty Capital, Inc. ^R	12,200	90,402
Starwood Property Trust, Inc. ^R	3,800	85,082
Sumitomo Mitsui Financial Group, Inc. (Japan)	4,400	171,306
Sumitomo Mitsui Trust Holdings, Inc. (Japan)	900	32,159

COMMON STOCKS (54.7%)* cont.	Shares	Value
Financials cont.		
Sumitomo Warehouse Co., Ltd. (The) (Japan)	1,000	\$6,330
Sun Hung Kai Properties, Ltd. (Hong Kong)	3,000	44,073
SunTrust Banks, Inc.	4,600	260,912
Swedbank AB Class A (Sweden)	403	9,821
Swiss Life Holding AG (Switzerland)	339	114,402
Swiss Re AG (Switzerland)	1,459	133,363
TCF Financial Corp.	3,400	54,196
Travelers Cos., Inc. (The)	1,200	151,836
Two Harbors Investment Corp. ^R	5,000	49,550
UBS Group AG (Switzerland)	515	8,722
UniCredit SpA (Italy) †	1,814	33,875
Unum Group	3,000	139,890
Validus Holdings, Ltd.	1,100	57,167
VEREIT, Inc. ^R	14,900	121,286
Viva Energy REIT (Australia) ^R	687	1,199
Voya Financial, Inc.	2,700	99,603
Wharf Holdings, Ltd. (The) (Hong Kong)	3,000	24,861
Wheelock and Co., Ltd. (Hong Kong)	10,000	75,441
Woori Bank (South Korea)	1,638	26,414
WP Carey, Inc. ^R	500	33,005
		15,438,209
Health care (7.2%)		
AIN Holdings, Inc. (Japan)	300	21,658
Alfresa Holdings Corp. (Japan)	400	7,707
AmerisourceBergen Corp.	4,500	425,385
Astellas Pharma, Inc. (Japan)	4,000	48,882
AstraZeneca PLC (United Kingdom)	1,169	78,184
Baxter International, Inc.	5,600	339,024
Bayer AG (Germany)	2,075	268,280
Bruker Corp.	1,400	40,376
C.R. Bard, Inc.	1,000	316,110
Celgene Corp. †	8,000	1,038,960
Charles River Laboratories International, Inc. †	1,000	101,150
Clinigen Group PLC (United Kingdom)	3,294	36,939
Eli Lilly & Co.	7,100	584,330
Fresenius SE & Co. KGaA (Germany)	256	21,947
Gilead Sciences, Inc.	17,500	1,238,650
GlaxoSmithKline PLC (United Kingdom)	9,055	192,886
Hologic, Inc. †	1,100	49,918
Jazz Pharmaceuticals PLC †	106	16,483
Johnson & Johnson	14,100	1,865,289
McKesson Corp.	3,900	641,706
Medipal Holdings Corp. (Japan)	2,100	38,798
Merck & Co., Inc.	11,000	704,990
Mitsubishi Tanabe Pharma Corp. (Japan)	2,800	64,626
Novartis AG (Switzerland)	1,499	124,747
Premier, Inc. Class A †	1,300	46,800
Roche Holding AG (Switzerland)	953	242,697
Sanofi (France)	2,447	234,096
Shanghai Fosun Pharmaceutical Group Co., Ltd. (China)	5,500	21,310
Shionogi & Co., Ltd. (Japan)	1,800	100,166
Shire PLC (United Kingdom)	691	38,142
Taro Pharmaceutical Industries, Ltd. (Israel) †	108	12,102
UnitedHealth Group, Inc.	7,600	1,409,192
WellCare Health Plans, Inc. †	1,100	197,516
		10,569,046

COMMON STOCKS (54.7%)* cont.	Shares	Value
Technology (10.3%)		
Adobe Systems, Inc. †	1,200	\$169,728
Agilent Technologies, Inc.	4,600	272,826
AIXTRON SE (Germany) † ^S	2,982	20,963
Alibaba Group Holding, Ltd. ADR (China) † ^S	329	46,356
Alphabet, Inc. Class A †	2,791	2,594,737
Alphabet, Inc. Class C †	14	12,722
Amadeus IT Holding SA Class A (Spain)	2,464	147,326
Amdocs, Ltd.	3,500	225,610
Apple, Inc.	18,304	2,636,142
Applied Materials, Inc.	21,300	879,903
ASML Holding NV (Netherlands)	127	16,551
AtoS SE (France)	964	135,317
Citrix Systems, Inc. †	3,600	286,488
CompuGroup Medical SE (Germany)	590	33,107
Dell Technologies, Inc. Class V †	2,400	146,664
DST Systems, Inc.	600	37,020
Dun & Bradstreet Corp. (The)	1,200	129,780
DXC Technology Co. †	4,377	335,803
eBay, Inc. †	8,410	293,677
F5 Networks, Inc. †	1,500	190,590
Facebook, Inc. Class A †	3,711	560,287
FLIR Systems, Inc.	2,000	69,320
Fortinet, Inc. †	5,400	202,176
Fujitsu, Ltd. (Japan)	1,000	7,360
Hoya Corp. (Japan)	1,000	51,860
HP, Inc.	29,000	506,920
Instructure, Inc. †	361	10,650
Intuit, Inc.	3,200	424,992
Maxim Integrated Products, Inc.	4,900	220,010
Microsoft Corp.	36,811	2,537,382
Mixi, Inc. (Japan)	400	22,227
Murata Manufacturing Co., Ltd. (Japan)	100	15,177
NCR Corp. †	2,400	98,016
NCSOFT Corp. (South Korea)	48	15,921
Nokia OYJ (Finland)	8,557	52,454
Otsuka Corp. (Japan)	500	30,985
RIB Software AG (Germany) ^S	1,261	21,301
Rohm Co., Ltd. (Japan)	300	23,018
Samsung Electronics Co., Ltd. (South Korea)	57	118,419
Sartorius AG (Preference) (Germany)	281	27,113
SCREEN Holdings Co., Ltd. (Japan)	400	26,673
SK Hynix, Inc. (South Korea)	528	31,104
Sodick Co., Ltd. (Japan)	1,400	16,244
SoftBank Corp. (Japan)	400	32,352
Synopsys, Inc. †	2,000	145,860
TDK Corp. (Japan)	700	45,992
Tencent Holdings, Ltd. (China)	1,400	50,065
Teradyne, Inc.	4,400	132,132
Texas Instruments, Inc.	10,100	776,993
Ubisoft Entertainment SA (France) †	276	15,661
VMware, Inc. Class A † ^S	2,300	201,089
Xerox Corp.	1,350	38,786
		15,139,849
Transportation (1.6%)		
Aena SA (Spain)	147	28,685
ANA Holdings, Inc. (Japan)	19,000	65,949
Central Japan Railway Co. (Japan)	700	113,954

COMMON STOCKS (54.7%)* cont.	Shares	Value
Transportation cont.		
Dart Group PLC (United Kingdom)	2,464	\$19,753
Delta Air Lines, Inc.	10,700	575,018
Deutsche Lufthansa AG (Germany)	504	11,470
Deutsche Post AG (Germany)	3,768	141,245
easyJet PLC (United Kingdom)	477	8,443
International Consolidated Airlines Group SA (Spain)	2,805	22,263
Japan Airlines Co., Ltd. (Japan)	800	24,710
Landstar System, Inc.	700	59,920
Norfolk Southern Corp.	3,100	377,270
Qantas Airways, Ltd. (Australia)	17,358	76,313
Royal Mail PLC (United Kingdom)	12,600	69,123
Union Pacific Corp.	7,600	827,716
		2,421,832
Utilities and power (1.9%)		
American Electric Power Co., Inc.	4,900	340,403
CenterPoint Energy, Inc.	5,700	156,066
Centrica PLC (United Kingdom)	43,508	113,447
China Water Affairs Group, Ltd. (China)	38,000	22,827
Edison International	400	31,276
Endesa SA (Spain)	2,395	55,174
Enel SpA (Italy)	28,608	153,375
Entergy Corp.	7,400	568,098
Exelon Corp.	7,600	274,132
FirstEnergy Corp.	9,400	274,104
Gas Natural SDG SA (Spain)	399	9,338
Iberdrola SA (Spain)	2,250	17,817
Innogy SE (Germany)	581	22,871
NiSource, Inc.	7,100	180,056
PPL Corp.	2,200	85,052
RWE AG (Germany) †	475	9,464
SSE PLC (United Kingdom)	714	13,512
Texas Competitive Electric Holdings Co., LLC/TCEH Finance, Inc. (Rights) † ^F	1,923	2,019
Tohoku Electric Power Co., Inc. (Japan)	2,200	30,416
UGI Corp.	7,400	358,234
Vectren Corp.	800	46,752
Veolia Environnement SA (France)	1,735	36,660
		2,801,093
Total common stocks (cost \$69,437,126)		\$80,534,552
CORPORATE BONDS AND NOTES (16.0%)*		
	Principal amount	Value
Basic materials (1.2%)		
A Schulman, Inc. company guaranty sr. unsec. unsub. notes 6.875%, 6/1/23	\$15,000	\$15,863
Agrium, Inc. sr. unsec. unsub. notes 5.25%, 1/15/45 (Canada)	20,000	22,705
Allegheny Technologies, Inc. sr. unsec. unsub. notes 9.375%, 6/1/19	15,000	16,256
Allegheny Technologies, Inc. sr. unsec. unsub. notes 5.95%, 1/15/21	5,000	5,013
ArcelorMittal SA sr. unsec. unsub. bonds 6.125%, 6/1/25 (France)	10,000	11,200
ArcelorMittal SA sr. unsec. unsub. notes 7.50%, 10/15/39 (France)	10,000	11,213
Archer-Daniels-Midland Co. sr. unsec. notes 5.45%, 3/15/18	102,000	104,744

CORPORATE BONDS**AND NOTES (16.0%)* cont.**

	Principal amount	Value
Basic materials cont.		
Beacon Roofing Supply, Inc. company guaranty sr. unsec. unsub. notes 6.375%, 10/1/23	\$20,000	\$21,500
Blue Cube Spinco, Inc. company guaranty sr. unsec. unsub. notes 9.75%, 10/15/23	20,000	24,200
BMC East, LLC 144A company guaranty sr. notes 5.50%, 10/1/24	25,000	26,125
Boise Cascade Co. 144A company guaranty sr. unsec. notes 5.625%, 9/1/24	25,000	25,750
Builders FirstSource, Inc. 144A company guaranty sr. unsec. notes 10.75%, 8/15/23	20,000	23,200
Builders FirstSource, Inc. 144A company guaranty sr. unsub. notes 5.625%, 9/1/24	25,000	26,031
BWAY Holding Co. 144A sr. notes 5.50%, 4/15/24	15,000	15,319
BWAY Holding Co. 144A sr. unsec. notes 7.25%, 4/15/25	30,000	30,450
Celanese US Holdings, LLC company guaranty sr. unsec. unsub. notes 4.625%, 11/15/22 (Germany)	22,000	23,705
Chemours Co. (The) company guaranty sr. unsec. notes 5.375%, 5/15/27	10,000	10,324
Chemours Co. (The) company guaranty sr. unsec. unsub. notes 7.00%, 5/15/25	15,000	16,350
Chemours Co. (The) company guaranty sr. unsec. unsub. notes 6.625%, 5/15/23	10,000	10,575
Compass Minerals International, Inc. 144A company guaranty sr. unsec. notes 4.875%, 7/15/24	25,000	24,688
CPG Merger Sub, LLC 144A company guaranty sr. unsec. notes 8.00%, 10/1/21	7,000	7,298
E. I. du Pont de Nemours & Co. sr. unsec. notes 3.625%, 1/15/21	95,000	99,445
E. I. du Pont de Nemours & Co. sr. unsec. unsub. FRN 1.70%, 5/1/20	5,000	5,030
Eastman Chemical Co. sr. unsec. notes 3.80%, 3/15/25	35,000	35,959
First Quantum Minerals, Ltd. 144A company guaranty sr. unsec. notes 7.00%, 2/15/21 (Canada)	40,000	41,000
Flex Acquisition Co., Inc. 144A sr. unsec. notes 6.875%, 1/15/25	20,000	20,800
Freeport-McMoRan, Inc. company guaranty sr. unsec. notes 6.875%, 2/15/23 (Indonesia)	20,000	21,112
Freeport-McMoRan, Inc. company guaranty sr. unsec. sub. notes 6.75%, 2/1/22 (Indonesia)	5,000	5,175
GCP Applied Technologies, Inc. 144A company guaranty sr. unsec. notes 9.50%, 2/1/23	30,000	34,125
Glencore Funding, LLC 144A company guaranty sr. unsec. unsub. notes 4.625%, 4/29/24	87,000	90,950
Glencore Funding, LLC 144A company guaranty sr. unsec. unsub. notes 4.00%, 4/16/25	59,000	59,023
Grinding Media, Inc./MC Grinding Media Canada, Inc. 144A sr. sub. notes 7.375%, 12/15/23	5,000	5,438
HudBay Minerals, Inc. 144A company guaranty sr. unsec. notes 7.625%, 1/15/25 (Canada)	15,000	15,713
Huntsman International, LLC company guaranty sr. unsec. unsub. notes 4.875%, 11/15/20	20,000	21,050
Joseph T Ryerson & Son, Inc. 144A sr. notes 11.00%, 5/15/22	15,000	16,969

CORPORATE BONDS**AND NOTES (16.0%)* cont.**

	Principal amount	Value
Basic materials cont.		
Kraton Polymers, LLC/Kraton Polymers Capital Corp. 144A company guaranty sr. unsec. notes 10.50%, 4/15/23	\$20,000	\$23,100
Kraton Polymers, LLC/Kraton Polymers Capital Corp. 144A company guaranty sr. unsec. notes 7.00%, 4/15/25	10,000	10,500
Louisiana-Pacific Corp. company guaranty sr. unsec. unsub. notes 4.875%, 9/15/24	25,000	25,531
Lubrizol Corp. (The) sr. unsec. notes 8.875%, 2/1/19	50,000	55,203
Mercer International, Inc. company guaranty sr. unsec. notes 7.75%, 12/1/22 (Canada)	15,000	16,069
Mercer International, Inc. 144A sr. unsec. notes 6.50%, 2/1/24 (Canada)	15,000	15,663
Methanex Corp. sr. unsec. unsub. notes 5.65%, 12/1/44 (Canada)	45,000	42,562
Methanex Corp. sr. unsec. unsub. notes 3.25%, 12/15/19 (Canada)	6,000	6,033
New Gold, Inc. 144A company guaranty sr. unsec. unsub. notes 6.25%, 11/15/22 (Canada)	10,000	10,275
New Gold, Inc. 144A sr. unsec. notes 6.375%, 5/15/25 (Canada)	5,000	5,156
Norbord, Inc. 144A company guaranty sr. notes 6.25%, 4/15/23 (Canada)	25,000	26,780
NOVA Chemicals Corp. 144A sr. unsec. bonds 5.25%, 6/1/27 (Canada)	16,000	15,920
NOVA Chemicals Corp. 144A sr. unsec. notes 4.875%, 6/1/24 (Canada)	9,000	8,966
Novelis Corp. 144A company guaranty sr. unsec. bonds 5.875%, 9/30/26	35,000	36,050
Novelis Corp. 144A company guaranty sr. unsec. notes 6.25%, 8/15/24	10,000	10,463
Packaging Corp. of America sr. unsec. unsub. notes 4.50%, 11/1/23	45,000	48,459
Park-Ohio Industries, Inc. 144A company guaranty sr. unsec. notes 6.625%, 4/15/27	20,000	21,000
Platform Specialty Products Corp. 144A sr. unsec. notes 10.375%, 5/1/21	5,000	5,531
Platform Specialty Products Corp. 144A sr. unsec. notes 6.50%, 2/1/22	5,000	5,163
Sealed Air Corp. 144A company guaranty sr. unsec. notes 6.875%, 7/15/33	10,000	11,500
Sealed Air Corp. 144A company guaranty sr. unsec. notes 5.125%, 12/1/24	5,000	5,363
Sealed Air Corp. 144A sr. unsec. bonds 5.50%, 9/15/25	5,000	5,463
Sherwin-Williams Co. (The) sr. unsec. unsub. bonds 3.45%, 6/1/27	35,000	35,231
Smurfit Kappa Treasury Funding, Ltd. company guaranty sr. unsec. unsub. notes 7.50%, 11/20/25 (Ireland)	15,000	17,925
Steel Dynamics, Inc. company guaranty sr. unsec. notes 5.00%, 12/15/26	5,000	5,131
Steel Dynamics, Inc. company guaranty sr. unsec. unsub. notes 6.375%, 8/15/22	18,000	18,653
Steel Dynamics, Inc. company guaranty sr. unsec. unsub. notes 5.50%, 10/1/24	20,000	21,250
Steel Dynamics, Inc. company guaranty sr. unsec. unsub. notes 5.25%, 4/15/23	3,000	3,116
Teck Resources, Ltd. company guaranty sr. unsec. unsub. notes 4.75%, 1/15/22 (Canada)	5,000	5,175

CORPORATE BONDS AND NOTES (16.0%)* cont.	Principal amount	Value
Basic materials cont.		
Teck Resources, Ltd. company guaranty sr. unsec. unsub. notes 3.75%, 2/1/23 (Canada)	\$5,000	\$4,869
Teck Resources, Ltd. 144A company guaranty sr. unsec. notes 8.50%, 6/1/24 (Canada)	5,000	5,769
TMS International Corp. 144A company guaranty sr. unsec. sub. notes 7.625%, 10/15/21	15,000	15,188
Tronox Finance, LLC company guaranty sr. unsec. notes 6.375%, 8/15/20	10,000	10,025
Tronox Finance, LLC 144A company guaranty sr. unsec. notes 7.50%, 3/15/22	10,000	10,300
U.S. Concrete, Inc. company guaranty sr. unsec. unsub. notes 6.375%, 6/1/24	15,000	15,825
U.S. Concrete, Inc. 144A company guaranty sr. unsec. unsub. notes 6.375%, 6/1/24	5,000	5,275
Univar USA, Inc. 144A company guaranty sr. unsec. notes 6.75%, 7/15/23	15,000	15,638
USG Corp. 144A company guaranty sr. unsec. bonds 4.875%, 6/1/27	15,000	15,431
USG Corp. 144A company guaranty sr. unsec. notes 5.50%, 3/1/25	10,000	10,625
Venator Finance Sarl/Venator Materials Corp. 144A sr. unsec. notes 5.75%, 7/15/25 (Luxembourg)	10,000	10,100
Weekley Homes, LLC/Weekley Finance Corp. sr. unsec. notes 6.00%, 2/1/23	10,000	9,725
Westlake Chemical Corp. company guaranty sr. unsec. unsub. notes 3.60%, 8/15/26	36,000	35,730
WestRock MWV, LLC company guaranty sr. unsec. unsub. notes 8.20%, 1/15/30	35,000	49,274
WestRock MWV, LLC company guaranty sr. unsec. unsub. notes 7.95%, 2/15/31	10,000	13,945
Weyerhaeuser Co. sr. unsec. unsub. notes 7.375%, 3/15/32 R	48,000	66,091
WR Grace & Co. - Conn. 144A company guaranty sr. unsec. notes 5.625%, 10/1/24	25,000	26,719
Zekelman Industries, Inc. 144A company guaranty sr. notes 9.875%, 6/15/23	15,000	16,856
		1,798,914
Capital goods (0.9%)		
Advanced Disposal Services, Inc. 144A sr. unsec. notes 5.625%, 11/15/24	30,000	30,900
Allison Transmission, Inc. 144A company guaranty sr. unsec. notes 5.00%, 10/1/24	20,000	20,425
American Axle & Manufacturing, Inc. company guaranty sr. unsec. notes 7.75%, 11/15/19	17,000	18,658
ATS Automation Tooling Systems, Inc. 144A sr. unsec. notes 6.50%, 6/15/23 (Canada)	10,000	10,425
Belden, Inc. 144A company guaranty sr. unsec. sub. notes 5.50%, 9/1/22	10,000	10,300
Belden, Inc. 144A company guaranty sr. unsec. sub. notes 5.25%, 7/15/24	35,000	36,225
Berry Plastics Corp. company guaranty notes 6.00%, 10/15/22	5,000	5,331
Berry Plastics Corp. company guaranty notes 5.50%, 5/15/22	10,000	10,413
Berry Plastics Corp. company guaranty unsub. notes 5.125%, 7/15/23	10,000	10,413
Bombardier, Inc. 144A sr. unsec. notes 8.75%, 12/1/21 (Canada)	20,000	22,200
Briggs & Stratton Corp. company guaranty sr. unsec. notes 6.875%, 12/15/20	45,000	49,613

CORPORATE BONDS AND NOTES (16.0%)* cont.	Principal amount	Value
Capital goods cont.		
Covidien International Finance SA company guaranty sr. unsec. unsub. notes 6.00%, 10/15/17 (Luxembourg)	\$130,000	\$131,615
Crown Cork & Seal Co., Inc. company guaranty sr. unsec. bonds 7.375%, 12/15/26	10,000	11,575
Gates Global, LLC/Gates Global Co. 144A company guaranty sr. unsec. notes 6.00%, 7/15/22	30,000	30,000
General Dynamics Corp. company guaranty sr. unsec. unsub. notes 2.25%, 11/15/22	30,000	29,762
Great Lakes Dredge & Dock Corp. 144A company guaranty sr. unsec. notes 8.00%, 5/15/22	20,000	20,375
Honeywell International, Inc. sr. unsec. unsub. notes 5.375%, 3/1/41	55,000	68,328
Honeywell International, Inc. sr. unsec. unsub. notes 4.25%, 3/1/21	40,000	42,996
Johnson Controls International PLC sr. unsec. bonds 4.95%, 7/2/64	65,000	69,612
Johnson Controls International PLC sr. unsec. unsub. bonds 4.50%, 2/15/47	20,000	21,258
KLX, Inc. 144A company guaranty sr. unsec. notes 5.875%, 12/1/22	20,000	21,000
L3 Technologies, Inc. company guaranty sr. unsec. bonds 3.85%, 12/15/26	8,000	8,247
Legrand France SA sr. unsec. unsub. notes 8.50%, 2/15/25 (France)	99,000	128,181
Manitowoc Foodservice, Inc. sr. unsec. notes 9.50%, 2/15/24	30,000	34,800
MasTec, Inc. company guaranty sr. unsec. unsub. notes 4.875%, 3/15/23	30,000	29,925
Medtronic, Inc. company guaranty sr. unsec. sub. notes 4.375%, 3/15/35	27,000	29,491
Medtronic, Inc. company guaranty sr. unsec. sub. notes 3.50%, 3/15/25	27,000	28,087
Moog, Inc. 144A company guaranty sr. unsec. notes 5.25%, 12/1/22	15,000	15,600
Oshkosh Corp. company guaranty sr. unsec. sub. notes 5.375%, 3/1/25	25,000	26,250
Oshkosh Corp. company guaranty sr. unsec. sub. notes 5.375%, 3/1/22	15,000	15,563
Raytheon Co. sr. unsec. notes 4.875%, 10/15/40	20,000	23,264
Reynolds Group Issuer, Inc./Reynolds Group Issuer, LLC/Reynolds Group Issuer Lu 144A company guaranty sr. FRN 4.658%, 7/15/21	30,000	30,488
Reynolds Group Issuer, Inc./Reynolds Group Issuer, LLC/Reynolds Group Issuer Lu 144A company guaranty sr. unsec. unsub. notes 7.00%, 7/15/24	15,000	16,091
Rockwell Collins, Inc. sr. unsec. bonds 4.35%, 4/15/47	55,000	57,520
Tennant Co. 144A company guaranty sr. unsec. notes 5.625%, 5/1/25	5,000	5,225
Tenneco, Inc. company guaranty sr. unsec. unsub. notes 5.375%, 12/15/24	20,000	20,650
Tenneco, Inc. company guaranty sr. unsec. unsub. notes 5.00%, 7/15/26	5,000	5,056
TI Group Automotive Systems, LLC 144A sr. unsec. notes 8.75%, 7/15/23 (United Kingdom)	40,000	42,300
TransDigm, Inc. company guaranty sr. unsec. sub. notes 6.50%, 5/15/25	5,000	5,088
TransDigm, Inc. company guaranty sr. unsec. sub. notes 6.375%, 6/15/26	10,000	10,150

CORPORATE BONDS**AND NOTES (16.0%)* cont.**

	Principal amount	Value
Capital goods cont.		
TransDigm, Inc. company guaranty sr. unsec. unsub. notes 6.50%, 7/15/24	\$8,000	\$8,260
United Technologies Corp. sr. unsec. unsub. notes 1.90%, 5/4/20	105,000	105,180
		1,316,840
Communication services (1.4%)		
American Tower Corp. sr. unsec. bonds 3.125%, 1/15/27 R	16,000	15,357
American Tower Corp. sr. unsec. notes 4.00%, 6/1/25 R	100,000	103,580
AT&T, Inc. sr. unsec. unsub. notes 4.75%, 5/15/46	77,000	75,507
Cablevision Systems Corp. sr. unsec. unsub. notes 8.00%, 4/15/20	7,000	7,796
CCO Holdings, LLC/CCO Holdings Capital Corp. company guaranty sr. unsec. notes 5.25%, 9/30/22	7,000	7,210
CCO Holdings, LLC/CCO Holdings Capital Corp. 144A company guaranty sr. unsec. bonds 5.50%, 5/1/26	15,000	15,919
CCO Holdings, LLC/CCO Holdings Capital Corp. 144A company guaranty sr. unsec. notes 5.875%, 4/1/24	25,000	26,656
CCO Holdings, LLC/CCO Holdings Capital Corp. 144A sr. unsec. notes 5.75%, 2/15/26	5,000	5,350
CCO Holdings, LLC/CCO Holdings Capital Corp. 144A sr. unsec. unsub. notes 5.125%, 5/1/23	5,000	5,250
CenturyLink, Inc. sr. unsec. unsub. notes 6.75%, 12/1/23	14,000	15,076
CenturyLink, Inc. sr. unsec. unsub. notes 5.625%, 4/1/20	4,000	4,231
Cequel Communications Holdings I, LLC/Cequel Capital Corp. 144A sr. unsec. unsub. notes 5.125%, 12/15/21	35,000	35,613
Cequel Communications Holdings I, LLC/Cequel Capital Corp. 144A sr. unsec. unsub. notes 5.125%, 12/15/21	15,000	15,276
Charter Communications Operating, LLC/Charter Communications Operating Capital Corp. company guaranty sr. sub. bonds 6.484%, 10/23/45	14,000	16,803
Charter Communications Operating, LLC/Charter Communications Operating Capital Corp. company guaranty sr. sub. notes 4.908%, 7/23/25	6,000	6,482
Charter Communications Operating, LLC/Charter Communications Operating Capital Corp. 144A company guaranty sr. bonds 5.375%, 5/1/47	40,000	42,318
Comcast Corp. company guaranty sr. unsec. unsub. notes 6.95%, 8/15/37	64,000	90,288
Comcast Corp. company guaranty sr. unsec. unsub. notes 6.50%, 11/15/35	17,000	22,460
Comcast Corp. company guaranty sr. unsec. unsub. notes 3.375%, 2/15/25	35,000	36,022
CommScope Technologies Finance, LLC 144A sr. unsec. notes 6.00%, 6/15/25	25,000	26,688
Crown Castle International Corp. sr. unsec. notes 5.25%, 1/15/23 R	36,000	39,990
Crown Castle International Corp. sr. unsec. notes 4.875%, 4/15/22 R	7,000	7,649
Crown Castle International Corp. sr. unsec. unsub. bonds 3.70%, 6/15/26 R	35,000	35,153
Crown Castle Towers, LLC 144A company guaranty sr. notes 4.883%, 8/15/20	15,000	16,007
CSC Holdings, LLC sr. unsec. unsub. bonds 5.25%, 6/1/24	98,000	99,970
CSC Holdings, LLC sr. unsec. unsub. notes 6.75%, 11/15/21	26,000	28,795

CORPORATE BONDS**AND NOTES (16.0%)* cont.**

	Principal amount	Value
Communication services cont.		
Deutsche Telekom International Finance BV company guaranty sr. unsec. unsub. bonds 8.75%, 6/15/30 (Netherlands)	\$73,000	\$108,265
DISH DBS Corp. company guaranty sr. unsec. unsub. notes 5.875%, 11/15/24	25,000	26,674
Frontier Communications Corp. sr. unsec. notes 11.00%, 9/15/25	10,000	9,275
Frontier Communications Corp. sr. unsec. notes 10.50%, 9/15/22	20,000	19,125
Frontier Communications Corp. sr. unsec. unsub. notes 7.625%, 4/15/24	4,000	3,295
Intelsat Jackson Holdings SA company guaranty sr. unsec. notes 7.50%, 4/1/21 (Bermuda)	2,000	1,845
Intelsat Jackson Holdings SA 144A sr. unsec. notes 9.75%, 7/15/25 (Bermuda) ##	15,000	14,981
Intelsat Luxembourg SA company guaranty sr. unsec. bonds 7.75%, 6/1/21 (Luxembourg)	10,000	5,500
Intelsat Luxembourg SA company guaranty sr. unsec. sub. bonds 8.125%, 6/1/23 (Luxembourg)	23,000	12,133
Koninklijke KPN NV sr. unsec. unsub. bonds 8.375%, 10/1/30 (Netherlands)	30,000	41,194
Orange SA sr. unsec. unsub. notes 4.125%, 9/14/21 (France)	46,000	48,906
Quebecor Media, Inc. sr. unsec. unsub. notes 5.75%, 1/15/23 (Canada)	3,000	3,180
Rogers Communications, Inc. company guaranty sr. unsec. unsub. notes 4.50%, 3/15/43 (Canada)	85,000	88,443
Sprint Capital Corp. company guaranty sr. unsec. unsub. notes 6.875%, 11/15/28	55,000	61,136
Sprint Communications, Inc. sr. unsec. notes 7.00%, 8/15/20	5,000	5,500
Sprint Communications, Inc. 144A company guaranty sr. unsec. notes 9.00%, 11/15/18	6,000	6,512
Sprint Corp. company guaranty sr. unsec. sub. notes 7.875%, 9/15/23	48,000	55,200
Sprint Corp. company guaranty sr. unsec. sub. notes 7.25%, 9/15/21	17,000	18,891
T-Mobile USA, Inc. company guaranty sr. unsec. notes 6.625%, 4/1/23	13,000	13,731
T-Mobile USA, Inc. company guaranty sr. unsec. notes 6.375%, 3/1/25	10,000	10,813
T-Mobile USA, Inc. company guaranty sr. unsec. notes 6.00%, 3/1/23	5,000	5,292
T-Mobile USA, Inc. company guaranty sr. unsec. notes 5.375%, 4/15/27	25,000	26,813
T-Mobile USA, Inc. company guaranty sr. unsec. notes 4.00%, 4/15/22	5,000	5,204
T-Mobile USA, Inc. company guaranty sr. unsec. unsub. notes 6.836%, 4/28/23	3,000	3,203
T-Mobile USA, Inc. company guaranty sr. unsec. unsub. notes 6.125%, 1/15/22	17,000	17,850
TCI Communications, Inc. sr. unsec. unsub. notes 7.125%, 2/15/28	65,000	85,905
Verizon Communications, Inc. sr. unsec. unsub. notes 4.522%, 9/15/48	55,000	52,035
Verizon Communications, Inc. sr. unsec. unsub. notes 4.40%, 11/1/34	65,000	64,406

CORPORATE BONDS AND NOTES (16.0%)* cont.	Principal amount	Value
Communication services cont.		
Verizon Communications, Inc. sr. unsec. unsub. notes 4.125%, 3/16/27	\$90,000	\$92,950
Videotron, Ltd./Videotron Ltee. 144A sr. unsec. notes 5.125%, 4/15/27 (Canada)	40,000	41,100
Videotron, Ltd. company guaranty sr. unsec. unsub. notes 5.00%, 7/15/22 (Canada)	20,000	21,250
Vodafone Group PLC sr. unsec. unsub. notes 1.25%, 9/26/17 (United Kingdom)	225,000	224,777
West Corp. 144A company guaranty sr. unsec. sub. notes 5.375%, 7/15/22	25,000	25,156
WideOpenWest Finance, LLC/WideOpenWest Capital Corp. company guaranty sr. unsec. sub. notes 10.25%, 7/15/19	9,000	9,270
Windstream Services, LLC company guaranty sr. unsec. notes 6.375%, 8/1/23	20,000	16,513
		2,047,769
Consumer cyclicals (2.2%)		
21st Century Fox America, Inc. company guaranty sr. unsec. notes 7.75%, 1/20/24	40,000	49,565
21st Century Fox America, Inc. company guaranty sr. unsec. unsub. notes 7.75%, 12/1/45	150,000	217,370
Alpine Finance Merger Sub, LLC 144A sr. unsec. notes 6.875%, 8/1/25	5,000	5,088
Amazon.com, Inc. sr. unsec. notes 1.20%, 11/29/17	128,000	127,956
AMC Entertainment Holdings, Inc. company guaranty sr. unsec. sub. notes 5.875%, 2/15/22	10,000	10,450
AMC Entertainment Holdings, Inc. company guaranty sr. unsec. sub. notes 5.75%, 6/15/25	10,000	10,400
AMC Entertainment Holdings, Inc. 144A company guaranty sr. unsec. sub. bonds 6.125%, 5/15/27	5,000	5,277
AMC Entertainment Holdings, Inc. 144A sr. unsec. sub. bonds 5.875%, 11/15/26	10,000	10,425
American Builders & Contractors Supply Co., Inc. 144A sr. unsec. notes 5.75%, 12/15/23	15,000	15,863
American Tire Distributors, Inc. 144A sr. unsec. sub. notes 10.25%, 3/1/22	25,000	25,875
Autonation, Inc. company guaranty sr. unsec. unsub. notes 5.50%, 2/1/20	64,000	68,660
Bon-Ton Department Stores, Inc. (The) company guaranty notes 8.00%, 6/15/21	14,000	5,635
Boyd Gaming Corp. company guaranty sr. unsec. sub. notes 6.875%, 5/15/23	10,000	10,700
Boyd Gaming Corp. company guaranty sr. unsec. unsub. notes 6.375%, 4/1/26	10,000	10,813
Brookfield Residential Properties, Inc. 144A company guaranty sr. unsec. notes 6.50%, 12/15/20 (Canada)	33,000	34,073
Brookfield Residential Properties, Inc./Brookfield Residential US Corp. 144A company guaranty sr. unsec. notes 6.125%, 7/1/22 (Canada)	10,000	10,400
Caesars Growth Properties Holdings, LLC/Caesars Growth Properties Finance, Inc. company guaranty notes 9.375%, 5/1/22	20,000	21,700
CalAtlantic Group, Inc. company guaranty sr. unsec. sub. notes 6.25%, 12/15/21	4,000	4,480
CalAtlantic Group, Inc. company guaranty sr. unsec. sub. notes 5.875%, 11/15/24	5,000	5,419
CBS Corp. company guaranty sr. unsec. unsub. bonds 2.90%, 1/15/27	15,000	14,207
CBS Corp. company guaranty sr. unsec. unsub. notes 4.60%, 1/15/45	40,000	41,034

CORPORATE BONDS AND NOTES (16.0%)* cont.	Principal amount	Value
Consumer cyclicals cont.		
CBS Corp. company guaranty sr. unsec. unsub. notes 3.50%, 1/15/25	\$19,000	\$19,255
CBS Radio, Inc. 144A company guaranty sr. unsec. notes 7.25%, 11/1/24	5,000	5,150
CCM Merger, Inc. 144A sr. unsec. notes 6.00%, 3/15/22	5,000	5,125
CDK Global, Inc. 144A sr. unsec. bonds 4.875%, 6/1/27	5,000	5,138
Cinemark USA, Inc. company guaranty sr. unsec. notes 5.125%, 12/15/22	3,000	3,090
Cinemark USA, Inc. company guaranty sr. unsec. sub. notes 4.875%, 6/1/23	4,000	4,086
Clear Channel Worldwide Holdings, Inc. company guaranty sr. unsec. sub. notes 7.625%, 3/15/20	10,000	9,938
Clear Channel Worldwide Holdings, Inc. company guaranty sr. unsec. unsub. notes 6.50%, 11/15/22	29,000	29,803
Diamond Resorts International, Inc. 144A sr. notes 7.75%, 9/1/23	30,000	31,725
Diamond Resorts International, Inc. 144A sr. unsec. notes 10.75%, 9/1/24	10,000	10,600
Dollar General Corp. sr. unsec. sub. notes 3.25%, 4/15/23	65,000	66,205
Eldorado Resorts, Inc. company guaranty sr. unsec. unsub. notes 7.00%, 8/1/23	15,000	16,219
Eldorado Resorts, Inc. 144A sr. unsec. unsub. notes 6.00%, 4/1/25	5,000	5,300
EW Scripps Co. (The) 144A company guaranty sr. unsec. notes 5.125%, 5/15/25	5,000	5,150
Expedia, Inc. company guaranty sr. unsec. unsub. notes 5.95%, 8/15/20	79,000	86,331
Expedia, Inc. company guaranty sr. unsec. unsub. notes 5.00%, 2/15/26	12,000	13,139
Ford Motor Co. sr. unsec. unsub. notes 4.346%, 12/8/26	105,000	108,091
Gartner, Inc. 144A company guaranty sr. unsec. notes 5.125%, 4/1/25	10,000	10,504
General Motors Financial Co., Inc. company guaranty sr. unsec. notes 4.00%, 10/6/26	76,000	75,560
General Motors Financial Co., Inc. company guaranty sr. unsec. unsub. notes 4.30%, 7/13/25	22,000	22,439
General Motors Financial Co., Inc. company guaranty sr. unsec. unsub. notes 4.00%, 1/15/25	10,000	10,043
GLP Capital LP/GLP Financing II, Inc. company guaranty sr. unsec. sub. notes 4.875%, 11/1/20	17,000	18,126
GLP Capital LP/GLP Financing II, Inc. company guaranty sr. unsec. unsub. notes 5.375%, 4/15/26	20,000	21,846
Gray Television, Inc. 144A company guaranty sr. unsec. notes 5.875%, 7/15/26	15,000	15,300
Great Canadian Gaming Corp. 144A company guaranty sr. unsec. notes 6.625%, 7/25/22 (Canada) CAD	27,000	21,549
GW Honos Security Corp. 144A company guaranty sr. unsec. notes 8.75%, 5/15/25 (Canada)	\$20,000	20,900
Hanesbrands, Inc. 144A company guaranty sr. unsec. unsub. notes 4.625%, 5/15/24	10,000	10,150
Hilton Worldwide Finance, LLC/Hilton Worldwide Finance Corp. 144A sr. unsec. bonds 4.875%, 4/1/27	75,000	78,469
Historic TW, Inc. company guaranty sr. unsec. unsub. bonds 9.15%, 2/1/23	32,000	41,047

CORPORATE BONDS**AND NOTES (16.0%)* cont.**

	Principal amount	Value
Consumer cyclicals cont.		
Host Hotels & Resorts LP sr. unsec. unsub. notes 6.00%, 10/1/21 R	\$31,000	\$34,574
Host Hotels & Resorts LP sr. unsec. unsub. notes 5.25%, 3/15/22 R	44,000	47,849
Howard Hughes Corp. (The) 144A sr. unsec. notes 5.375%, 3/15/25	25,000	25,563
Hyatt Hotels Corp. sr. unsec. unsub. notes 4.85%, 3/15/26	55,000	60,072
Hyatt Hotels Corp. sr. unsec. unsub. notes 3.375%, 7/15/23	15,000	15,243
iHeart Communications, Inc. company guaranty sr. notes 9.00%, 12/15/19	20,000	15,700
IHS Markit Ltd. 144A company guaranty notes 4.75%, 2/15/25 (United Kingdom)	15,000	16,106
Jack Ohio Finance, LLC/Jack Ohio Finance 1 Corp. 144A company guaranty notes 10.25%, 11/15/22	30,000	32,925
Jack Ohio Finance, LLC/Jack Ohio Finance 1 Corp. 144A company guaranty sr. notes 6.75%, 11/15/21	25,000	26,125
Jacobs Entertainment, Inc. 144A notes 7.875%, 2/1/24	5,000	5,425
JC Penney Corp., Inc. company guaranty sr. unsec. unsub. notes 5.65%, 6/1/20	10,000	9,838
Jo-Ann Stores Holdings, Inc. 144A sr. unsec. notes 9.75%, 10/15/19 ††	15,000	14,775
Lamar Media Corp. company guaranty sr. unsec. sub. notes 5.875%, 2/1/22	14,000	14,455
Lamar Media Corp. company guaranty sr. unsec. sub. notes 5.375%, 1/15/24	15,000	15,675
Lear Corp. company guaranty sr. unsec. unsub. notes 5.375%, 3/15/24	12,000	12,746
Lennar Corp. company guaranty sr. unsec. unsub. notes 4.75%, 11/15/22	7,000	7,438
Lions Gate Entertainment Corp. 144A sr. unsec. unsub. notes 5.875%, 11/1/24	15,000	15,713
Live Nation Entertainment, Inc. 144A company guaranty sr. unsec. notes 4.875%, 11/1/24	5,000	5,075
Masonite International Corp. 144A company guaranty sr. unsec. notes 5.625%, 3/15/23	45,000	47,025
Mattamy Group Corp. 144A sr. unsec. notes 6.875%, 12/15/23 (Canada)	5,000	5,106
Mattamy Group Corp. 144A sr. unsec. notes 6.50%, 11/15/20 (Canada)	20,000	20,546
MGM Resorts International company guaranty sr. unsec. notes 6.75%, 10/1/20	35,000	38,777
MGM Resorts International company guaranty sr. unsec. notes 5.25%, 3/31/20	5,000	5,294
MGM Resorts International company guaranty sr. unsec. unsub. notes 8.625%, 2/1/19	10,000	11,000
MGM Resorts International company guaranty sr. unsec. unsub. notes 6.625%, 12/15/21	15,000	16,800
Moody's Corp. 144A sr. unsec. bonds 3.25%, 1/15/28	25,000	24,616
Navistar International Corp. company guaranty sr. unsec. notes 8.25%, 11/1/21	54,000	54,540
Neiman Marcus Group, LLC (The) company guaranty sr. notes 7.125%, 6/1/28	20,000	13,400
Neiman Marcus Group, Ltd. 144A company guaranty sr. unsec. sub. notes 8.75%, 10/15/21 ††	10,000	4,800
Neiman Marcus Group, Ltd. 144A company guaranty sr. unsec. sub. notes 8.00%, 10/15/21	10,000	5,525

CORPORATE BONDS**AND NOTES (16.0%)* cont.**

	Principal amount	Value
Consumer cyclicals cont.		
Nexstar Broadcasting, Inc. 144A company guaranty sr. unsec. notes 5.625%, 8/1/24	\$25,000	\$25,313
Nielsen Co. Luxembourg Sarl (The) 144A company guaranty sr. unsec. notes 5.00%, 2/1/25 (Luxembourg)	10,000	10,250
Nielsen Co. Luxembourg Sarl (The) 144A company guaranty sr. unsec. sub. notes 5.50%, 10/1/21 (Luxembourg)	5,000	5,175
Nielsen Finance, LLC/Nielsen Finance Co. 144A company guaranty sr. unsec. sub. notes 5.00%, 4/15/22	10,000	10,375
O'Reilly Automotive, Inc. company guaranty sr. unsec. notes 3.85%, 6/15/23	20,000	20,832
O'Reilly Automotive, Inc. company guaranty sr. unsec. sub. notes 3.55%, 3/15/26	20,000	20,137
Omnicom Group, Inc. company guaranty sr. unsec. unsub. notes 3.60%, 4/15/26	81,000	81,498
Outfront Media Capital, LLC/Outfront Media Capital Corp. company guaranty sr. unsec. sub. notes 5.875%, 3/15/25	15,000	15,713
Outfront Media Capital, LLC/Outfront Media Capital Corp. company guaranty sr. unsec. sub. notes 5.625%, 2/15/24	7,000	7,324
Penn National Gaming, Inc. 144A sr. unsec. notes 5.625%, 1/15/27	10,000	10,188
Penske Automotive Group, Inc. company guaranty sr. unsec. sub. notes 5.75%, 10/1/22	14,000	14,455
Penske Automotive Group, Inc. company guaranty sr. unsec. sub. notes 5.50%, 5/15/26	15,000	14,925
Penske Automotive Group, Inc. company guaranty sr. unsec. sub. notes 5.375%, 12/1/24	10,000	10,063
PetSmart, Inc. 144A sr. unsec. notes 7.125%, 3/15/23	5,000	4,450
Priceline Group, Inc. (The) sr. unsec. notes 3.65%, 3/15/25	46,000	47,204
PulteGroup, Inc. company guaranty sr. unsec. unsub. notes 7.875%, 6/15/32	20,000	23,300
PulteGroup, Inc. company guaranty sr. unsec. unsub. notes 5.50%, 3/1/26	25,000	26,625
Realogy Group, LLC/Realogy Co-Issuer Corp. 144A company guaranty sr. unsec. notes 4.875%, 6/1/23	10,000	10,075
Regal Entertainment Group sr. unsec. sub. notes 5.75%, 6/15/23	24,000	24,960
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp. 144A sr. notes 6.125%, 8/15/21	25,000	25,250
S&P Global, Inc. company guaranty sr. unsec. unsub. notes 2.95%, 1/22/27	32,000	30,805
Sabre GLBL, Inc. 144A company guaranty sr. notes 5.375%, 4/15/23	20,000	20,850
Scientific Games International, Inc. company guaranty sr. unsec. notes 10.00%, 12/1/22	55,000	60,294
Scientific Games International, Inc. company guaranty sr. unsec. sub. notes 6.25%, 9/1/20	5,000	4,956
Scientific Games International, Inc. 144A company guaranty sr. notes 7.00%, 1/1/22	25,000	26,625
Sinclair Television Group, Inc. 144A company guaranty sr. unsec. sub. notes 5.625%, 8/1/24	35,000	35,919
Sirius XM Radio, Inc. 144A company guaranty sr. unsec. sub. notes 6.00%, 7/15/24	10,000	10,625
Sirius XM Radio, Inc. 144A sr. unsec. bonds 5.00%, 8/1/27	55,000	55,344

CORPORATE BONDS AND NOTES (16.0%)* cont.	Principal amount	Value
Consumer cyclicals cont.		
Six Flags Entertainment Corp. 144A company guaranty sr. unsec. bonds 5.50%, 4/15/27	\$20,000	\$20,600
Six Flags Entertainment Corp. 144A company guaranty sr. unsec. unsub. notes 4.875%, 7/31/24	25,000	25,153
Spectrum Brands, Inc. company guaranty sr. unsec. notes 5.75%, 7/15/25	10,000	10,726
Spectrum Brands, Inc. company guaranty sr. unsec. unsub. notes 6.125%, 12/15/24	10,000	10,713
Standard Industries, Inc. 144A sr. unsec. notes 5.375%, 11/15/24	25,000	26,344
Standard Industries, Inc. 144A sr. unsec. notes 5.00%, 2/15/27	35,000	35,700
SugarHouse HSP Gaming Prop. Mezz LP/SugarHouse HSP Gaming Finance Corp. 144A company guaranty sr. unsub. notes 5.875%, 5/15/25	10,000	9,750
Time Warner, Inc. company guaranty sr. unsec. unsub. bonds 2.95%, 7/15/26	41,000	38,680
Townsquare Media, Inc. 144A company guaranty sr. unsec. notes 6.50%, 4/1/23	5,000	5,025
Tribune Media Co. company guaranty sr. unsec. notes 5.875%, 7/15/22	10,000	10,475
TRW Automotive, Inc. 144A company guaranty sr. unsec. notes 4.50%, 3/1/21	4,000	4,170
Univision Communications, Inc. 144A company guaranty sr. sub. notes 5.125%, 2/15/25	15,000	14,869
Viacom, Inc. sr. unsec. unsub. notes 4.50%, 3/1/21	70,000	74,282
Vulcan Materials Co. sr. unsec. unsub. notes 4.50%, 4/1/25	8,000	8,542
Wal-Mart Stores, Inc. sr. unsec. unsub. notes 6.50%, 8/15/37	67,000	94,373
Wal-Mart Stores, Inc. sr. unsec. unsub. notes 5.00%, 10/25/40	10,000	12,042
Walt Disney Co. (The) sr. unsec. notes 2.75%, 8/16/21	30,000	30,659
Walt Disney Co. (The) sr. unsec. unsub. notes 4.375%, 8/16/41	10,000	10,901
WMG Acquisition Corp. 144A company guaranty sr. notes 5.00%, 8/1/23	10,000	10,250
Wolverine World Wide, Inc. 144A company guaranty sr. unsec. bonds 5.00%, 9/1/26	10,000	9,863
Wyndham Worldwide Corp. sr. unsec. unsub. bonds 4.50%, 4/1/27	20,000	20,618
Wyndham Worldwide Corp. sr. unsec. unsub. notes 5.625%, 3/1/21	35,000	38,303
Wynn Las Vegas, LLC/Wynn Las Vegas Capital Corp. 144A company guaranty sr. unsec. sub. notes 5.25%, 5/15/27	10,000	10,244
		3,284,206
Consumer staples (1.2%)		
1011778 BC ULC/New Red Finance, Inc. 144A company guaranty notes 6.00%, 4/1/22 (Canada)	10,000	10,363
1011778 BC ULC/New Red Finance, Inc. 144A company guaranty sr. notes 4.625%, 1/15/22 (Canada)	5,000	5,106
1011778 BC ULC/New Red Finance, Inc. 144A company guaranty sr. sub. notes 4.25%, 5/15/24 (Canada)	15,000	14,905
Altria Group, Inc. company guaranty sr. unsec. notes 9.25%, 8/6/19	2,000	2,296
Altria Group, Inc. company guaranty sr. unsec. unsub. notes 4.00%, 1/31/24	24,000	25,563
Altria Group, Inc. company guaranty sr. unsec. unsub. notes 2.85%, 8/9/22	95,000	96,313

CORPORATE BONDS AND NOTES (16.0%)* cont.	Principal amount	Value
Consumer staples cont.		
Anheuser-Busch InBev Finance, Inc. company guaranty sr. unsec. unsub. bonds 4.90%, 2/1/46	\$113,000	\$127,536
Anheuser-Busch InBev Finance, Inc. company guaranty sr. unsec. unsub. bonds 3.65%, 2/1/26	73,000	75,210
Anheuser-Busch InBev Finance, Inc. company guaranty sr. unsec. unsub. notes 2.65%, 2/1/21	80,000	81,073
Anheuser-Busch InBev Finance, Inc. company guaranty sr. unsec. unsub. notes 1.25%, 1/17/18	47,000	46,942
Anheuser-Busch InBev Worldwide, Inc. company guaranty sr. unsec. unsub. notes 8.20%, 1/15/39	80,000	123,950
Anheuser-Busch InBev Worldwide, Inc. company guaranty sr. unsec. unsub. notes 2.50%, 7/15/22	60,000	59,915
BlueLine Rental Finance Corp./BlueLine Rental, LLC 144A company guaranty sub. notes 9.25%, 3/15/24	25,000	26,000
Brand Energy & Infrastructure Services, Inc. 144A sr. unsec. notes 8.50%, 7/15/25	10,000	10,350
CEC Entertainment, Inc. company guaranty sr. unsec. sub. notes 8.00%, 2/15/22	20,000	20,850
Ceridian HCM Holding, Inc. 144A sr. unsec. notes 11.00%, 3/15/21	5,000	5,281
CVS Health Corp. sr. unsec. notes 4.75%, 12/1/22	40,000	43,844
CVS Health Corp. sr. unsec. unsub. notes 2.25%, 12/5/18	130,000	130,804
CVS Pass-Through Trust sr. notes 6.036%, 12/10/28	3,389	3,815
CVS Pass-Through Trust 144A sr. mtge. notes 4.704%, 1/10/36	45,191	48,394
Dean Foods Co. 144A company guaranty sr. unsec. notes 6.50%, 3/15/23	20,000	21,050
Diageo Investment Corp. company guaranty sr. unsec. notes 8.00%, 9/15/22	40,000	50,226
ERAC USA Finance, LLC 144A company guaranty sr. unsec. notes 7.00%, 10/15/37	50,000	64,905
ERAC USA Finance, LLC 144A company guaranty sr. unsec. notes 5.625%, 3/15/42	60,000	68,139
Fresh Market, Inc. (The) 144A company guaranty sr. notes 9.75%, 5/1/23	10,000	8,388
High Ridge Brands Co. 144A company guaranty sr. unsec. notes 8.875%, 3/15/25	15,000	14,944
Kellogg Co. sr. unsec. unsub. notes 3.25%, 4/1/26	70,000	69,798
KFC Holding Co./Pizza Hut Holdings, LLC/Taco Bell of America, LLC 144A company guaranty sr. unsec. notes 5.25%, 6/1/26	15,000	15,788
KFC Holding Co./Pizza Hut Holdings, LLC/Taco Bell of America, LLC 144A company guaranty sr. unsec. notes 5.00%, 6/1/24	15,000	15,638
KFC Holding Co./Pizza Hut Holdings, LLC/Taco Bell of America, LLC 144A company guaranty sr. unsec. notes 4.75%, 6/1/27	10,000	10,213
Kraft Heinz Co. (The) company guaranty sr. unsec. notes Ser. 144A, 6.875%, 1/26/39	15,000	19,293
Kraft Heinz Co. (The) company guaranty sr. unsec. unsub. notes 6.50%, 2/9/40	70,000	86,735
Lamb Weston Holdings, Inc. 144A company guaranty sr. unsec. unsub. notes 4.875%, 11/1/26	62,000	64,248
Lamb Weston Holdings, Inc. 144A company guaranty sr. unsec. unsub. notes 4.625%, 11/1/24	5,000	5,150
Landry's, Inc. 144A sr. unsec. notes 6.75%, 10/15/24	10,000	10,238
McDonald's Corp. sr. unsec. unsub. notes 6.30%, 10/15/37	44,000	57,088

CORPORATE BONDS**AND NOTES (16.0%)* cont.**

	Principal amount	Value
Consumer staples cont.		
McDonald's Corp. sr. unsec. unsub. notes 5.70%, 2/1/39	\$59,000	\$71,119
Newell Brands, Inc. sr. unsec. unsub. notes 4.20%, 4/1/26	36,000	38,224
Pilgrim's Pride Corp. 144A company guaranty sr. unsec. notes 5.75%, 3/15/25	10,000	10,025
Prestige Brands, Inc. 144A company guaranty sr. unsec. notes 5.375%, 12/15/21	7,000	7,210
Revlon Consumer Products Corp. company guaranty sr. unsec. notes 6.25%, 8/1/24	10,000	8,700
Revlon Consumer Products Corp. company guaranty sr. unsec. sub. notes 5.75%, 2/15/21	23,000	21,160
Rite Aid Corp. 144A company guaranty sr. unsec. unsub. notes 6.125%, 4/1/23	25,000	24,547
Walgreens Boots Alliance, Inc. sr. unsec. unsub. notes 3.30%, 11/18/21	60,000	61,801
	1,783,137	
Energy (1.5%)		
Alliance Resource Operating Partners LP/Alliance Resource Finance Corp. 144A sr. unsec. notes 7.50%, 5/1/25	10,000	10,513
Alta Mesa Holdings LP/Alta Mesa Finance Services Corp. 144A company guaranty sr. unsec. notes 7.875%, 12/15/24	30,000	30,225
Anadarko Petroleum Corp. sr. unsec. unsub. bonds 6.95%, 6/15/19	30,000	32,519
Antero Resources Corp. company guaranty sr. unsec. notes 5.625%, 6/1/23	5,000	5,063
Antero Resources Corp. company guaranty sr. unsec. sub. notes 5.125%, 12/1/22	8,000	8,017
Antero Resources Finance Corp. company guaranty sr. unsec. sub. notes 5.375%, 11/1/21	13,000	13,130
Apache Corp. sr. unsec. unsub. notes 5.10%, 9/1/40	5,000	5,236
Apache Corp. sr. unsec. unsub. notes 3.25%, 4/15/22	44,000	44,641
Ascent Resources Utica Holdings, LLC/ARU Finance Corp. 144A sr. unsec. notes 10.00%, 4/1/22	10,000	10,000
BP Capital Markets PLC company guaranty sr. unsec. bonds 3.119%, 5/4/26 (United Kingdom)	70,000	69,130
Calfrac Holdings LP 144A company guaranty sr. unsec. unsub. notes 7.50%, 12/1/20	10,000	8,600
California Resources Corp. company guaranty sr. unsec. sub. notes 5.00%, 1/15/20	10,000	6,700
California Resources Corp. 144A company guaranty notes 8.00%, 12/15/22	21,000	13,283
Canadian Natural Resources, Ltd. sr. unsec. unsub. bonds 3.85%, 6/1/27 (Canada)	10,000	9,949
Cenovus Energy, Inc. sr. unsec. bonds 6.75%, 11/15/39 (Canada)	43,000	45,204
Cenovus Energy, Inc. 144A sr. unsec. notes 4.25%, 4/15/27 (Canada)	25,000	23,816
Cheniere Corpus Christi Holdings, LLC company guaranty sr. notes 5.875%, 3/31/25	30,000	31,988
Cheniere Corpus Christi Holdings, LLC 144A company guaranty sr. bonds 5.125%, 6/30/27	35,000	35,875
Chesapeake Energy Corp. 144A company guaranty notes 8.00%, 12/15/22	16,000	16,920
Chesapeake Energy Corp. 144A company guaranty sr. unsec. bonds 8.00%, 6/15/27	5,000	4,913

CORPORATE BONDS**AND NOTES (16.0%)* cont.**

	Principal amount	Value
Energy cont.		
Chesapeake Energy Corp. 144A company guaranty sr. unsec. notes 8.00%, 1/15/25	\$45,000	\$44,550
Concho Resources, Inc. company guaranty sr. unsec. notes 5.50%, 4/1/23	22,000	22,660
Concho Resources, Inc. company guaranty sr. unsec. notes 4.375%, 1/15/25	55,000	56,100
ConocoPhillips Co. company guaranty sr. unsec. unsub. notes 1.05%, 12/15/17	130,000	129,760
Continental Resources, Inc. company guaranty sr. unsec. bonds 4.90%, 6/1/44	15,000	12,525
Continental Resources, Inc. company guaranty sr. unsec. notes 3.80%, 6/1/24	10,000	9,156
Continental Resources, Inc. company guaranty sr. unsec. unsub. notes 4.50%, 4/15/23	15,000	14,325
Covey Park Energy, LLC/Covey Park Finance Corp. 144A company guaranty sr. unsec. notes 7.50%, 5/15/25	5,000	5,000
DCP Midstream Operating LP company guaranty sr. unsec. notes 3.875%, 3/15/23	13,000	12,545
DCP Midstream Operating LP company guaranty sr. unsec. notes 2.70%, 4/1/19	8,000	7,930
Denbury Resources, Inc. company guaranty sr. unsec. sub. notes 6.375%, 8/15/21	10,000	6,000
Denbury Resources, Inc. 144A company guaranty notes 9.00%, 5/15/21	17,000	16,193
Diamondback Energy, Inc. 144A company guaranty sr. unsec. notes 5.375%, 5/31/25	20,000	20,300
Diamondback Energy, Inc. 144A company guaranty sr. unsec. notes 4.75%, 11/1/24	5,000	4,975
Endeavor Energy Resources LP/EER Finance, Inc. 144A sr. unsec. notes 8.125%, 9/15/23	20,000	21,125
EP Energy, LLC/Everest Acquisition Finance, Inc. company guaranty sr. unsec. sub. notes 9.375%, 5/1/20	22,000	17,270
EP Energy, LLC/Everest Acquisition Finance, Inc. 144A company guaranty notes 8.00%, 2/15/25	10,000	7,450
EP Energy, LLC/Everest Acquisition Finance, Inc. 144A company guaranty sr. notes 8.00%, 11/29/24	10,000	9,975
EQT Midstream Partners LP company guaranty sr. unsec. sub. notes 4.00%, 8/1/24	10,000	10,148
FTS International, Inc. 144A company guaranty sr. sub. FRN 8.746%, 6/15/20	20,000	20,050
Hess Corp. sr. unsec. unsub. notes 7.30%, 8/15/31	30,000	34,532
Holly Energy Partners LP/Holly Energy Finance Corp. 144A company guaranty sr. unsec. notes 6.00%, 8/1/24	20,000	20,850
Laredo Petroleum, Inc. company guaranty sr. unsec. notes 7.375%, 5/1/22	15,000	15,150
Laredo Petroleum, Inc. company guaranty sr. unsec. sub. notes 5.625%, 1/15/22	5,000	4,850
Marathon Petroleum Corp. sr. unsec. unsub. notes 6.50%, 3/1/41	25,000	28,872
MEG Energy Corp. 144A company guaranty sr. unsec. notes 7.00%, 3/31/24 (Canada)	5,000	3,888
MEG Energy Corp. 144A company guaranty sr. unsec. notes 6.375%, 1/30/23 (Canada)	5,000	3,863
MEG Energy Corp. 144A notes 6.50%, 1/15/25 (Canada)	15,000	13,650
Motiva Enterprises, LLC 144A sr. unsec. notes 5.75%, 1/15/20	55,000	58,861
MPLX LP sr. unsec. unsub. notes 4.125%, 3/1/27	20,000	20,068

CORPORATE BONDS AND NOTES (16.0%)* cont.	Principal amount	Value
Energy cont.		
Murray Energy Corp. 144A notes 11.25%, 4/15/21	\$10,000	\$7,550
Nabors Industries, Inc. company guaranty sr. unsec. unsub. notes 4.625%, 9/15/21	16,000	15,197
Newfield Exploration Co. sr. unsec. unsub. notes 5.75%, 1/30/22	25,000	26,313
Newfield Exploration Co. sr. unsec. unsub. notes 5.375%, 1/1/26	10,000	10,350
Noble Holding International, Ltd. company guaranty sr. unsec. unsub. notes 7.75%, 1/15/24	15,000	11,869
Noble Holding International, Ltd. company guaranty sr. unsec. unsub. notes 6.05%, 3/1/41	85,000	50,044
Oasis Petroleum, Inc. company guaranty sr. unsec. sub. notes 6.875%, 1/15/23	10,000	9,675
Oasis Petroleum, Inc. company guaranty sr. unsec. unsub. notes 6.875%, 3/15/22	20,000	19,400
Parsley Energy LLC/Parsley Finance Corp. 144A company guaranty sr. unsec. sub. notes 5.375%, 1/15/25	15,000	15,113
Petrobras Global Finance BV company guaranty sr. unsec. unsub. bonds 7.375%, 1/17/27 (Brazil)	20,000	21,160
Petrobras Global Finance BV company guaranty sr. unsec. unsub. bonds 7.25%, 3/17/44 (Brazil)	103,000	101,275
Petrobras Global Finance BV company guaranty sr. unsec. unsub. notes 8.75%, 5/23/26 (Brazil)	31,000	35,650
Petrobras Global Finance BV company guaranty sr. unsec. unsub. notes 6.25%, 3/17/24 (Brazil)	83,000	84,349
Petroleos de Venezuela SA 144A company guaranty sr. unsec. notes 6.00%, 11/15/26 (Venezuela)	40,000	14,800
Petroleos Mexicanos company guaranty sr. unsec. unsub. bonds 5.625%, 1/23/46 (Mexico)	25,000	22,163
Petroleos Mexicanos company guaranty sr. unsec. unsub. notes 6.375%, 1/23/45 (Mexico)	80,000	78,000
Petroleos Mexicanos company guaranty sr. unsec. unsub. notes 4.875%, 1/18/24 (Mexico)	80,000	81,032
Petroleos Mexicanos company guaranty sr. unsec. unsub. notes 4.50%, 1/23/26 (Mexico)	23,000	22,357
Precision Drilling Corp. 144A company guaranty sr. unsec. notes 7.75%, 12/15/23 (Canada)	15,000	14,925
Range Resources Corp. 144A company guaranty sr. unsec. sub. notes 5.75%, 6/1/21	25,000	25,500
Rose Rock Midstream LP/Rose Rock Finance Corp. company guaranty sr. unsec. sub. notes 5.625%, 11/15/23	10,000	9,500
Rose Rock Midstream LP/Rose Rock Finance Corp. company guaranty sr. unsec. sub. notes 5.625%, 7/15/22	5,000	4,813
Sabine Pass Liquefaction, LLC sr. notes 5.875%, 6/30/26	30,000	33,529
Sabine Pass Liquefaction, LLC sr. notes 5.00%, 3/15/27	22,000	23,418
SemGroup Corp. 144A company guaranty sr. unsec. notes 6.375%, 3/15/25	10,000	9,675
Seven Generations Energy, Ltd. 144A sr. unsec. bonds 6.75%, 5/1/23 (Canada)	10,000	10,400
Seven Generations Energy, Ltd. 144A sr. unsec. sub. notes 8.25%, 5/15/20 (Canada)	19,000	19,855

CORPORATE BONDS AND NOTES (16.0%)* cont.	Principal amount	Value
Energy cont.		
Seventy Seven Energy, Inc. escrow sr. unsec. notes 6.50%, 7/15/22 F	\$5,000	\$1
Seventy Seven Operating, LLC escrow company guaranty sr. unsec. unsub. notes 6.625%, 11/15/19 F	20,000	2
Shelf Drilling Holdings, Ltd. 144A company guaranty notes 9.50%, 11/2/20	10,000	9,700
SM Energy Co. sr. unsec. notes 6.50%, 11/15/21	17,000	16,533
SM Energy Co. sr. unsec. sub. notes 5.00%, 1/15/24	10,000	8,850
SM Energy Co. sr. unsec. unsub. notes 6.75%, 9/15/26	10,000	9,547
SM Energy Co. sr. unsec. unsub. notes 6.50%, 1/1/23	3,000	2,865
SM Energy Co. sr. unsec. unsub. notes 6.125%, 11/15/22	5,000	4,750
Spectra Energy Partners LP sr. unsec. notes 3.375%, 10/15/26	42,000	41,054
Statoil ASA company guaranty sr. unsec. notes 5.10%, 8/17/40 (Norway)	40,000	46,109
Targa Resources Partners LP/Targa Resources Partners Finance Corp. 144A company guaranty sr. unsec. bonds 5.375%, 2/1/27	10,000	10,350
Targa Resources Partners LP/Targa Resources Partners Finance Corp. 144A company guaranty sr. unsec. notes 5.125%, 2/1/25	5,000	5,150
Tesoro Logistics LP/Tesoro Logistics Finance Corp. company guaranty sr. unsec. notes 5.25%, 1/15/25	10,000	10,500
Transcanada Trust company guaranty jr. unsec. sub. FRB 5.30%, 3/15/77 (Canada)	15,000	15,420
Valero Energy Partners LP sr. unsec. unsub. notes 4.375%, 12/15/26	7,000	7,155
Weatherford International, Ltd. company guaranty sr. unsec. unsub. notes 8.25%, 6/15/23	5,000	5,000
Weatherford International, Ltd. 144A company guaranty sr. unsec. sub. notes 9.875%, 2/15/24	5,000	5,225
Williams Cos., Inc. (The) sr. unsec. unsub. notes 8.75%, 3/15/32	5,000	6,413
Williams Cos., Inc. (The) sr. unsec. unsub. notes 7.75%, 6/15/31	1,000	1,190
Williams Partners LP sr. unsec. sub. notes 4.30%, 3/4/24	24,000	24,983
Williams Partners LP/ACMP Finance Corp. sr. unsec. sub. notes 4.875%, 3/15/24	12,000	12,575
WPX Energy, Inc. sr. unsec. notes 8.25%, 8/1/23	5,000	5,425
WPX Energy, Inc. sr. unsec. notes 7.50%, 8/1/20	20,000	21,000
WPX Energy, Inc. sr. unsec. unsub. notes 6.00%, 1/15/22	27,000	26,730
		2,152,782
Financials (4.2%)		
AIG Global Funding 144A sr. notes 2.15%, 7/2/20	30,000	29,979
Alliance Data Systems Corp. 144A company guaranty sr. unsec. notes 5.375%, 8/1/22	15,000	15,150
Alliant Holdings Intermediate, LLC 144A sr. unsec. notes 8.25%, 8/1/23	10,000	10,625
Ally Financial, Inc. company guaranty sr. unsec. notes 8.00%, 11/1/31	29,000	35,525
Ally Financial, Inc. company guaranty sr. unsec. unsub. notes 8.00%, 3/15/20	13,000	14,788
Ally Financial, Inc. company guaranty sr. unsec. unsub. notes 6.25%, 12/1/17	17,000	17,294

CORPORATE BONDS

AND NOTES (16.0%)* cont.

	Principal amount	Value
Financials cont.		
Ally Financial, Inc. sub. unsec. notes 5.75%, 11/20/25	\$40,000	\$42,100
Ally Financial, Inc. unsec. sub. notes 8.00%, 12/31/18	14,000	15,103
American Express Co. sr. unsec. notes 7.00%, 3/19/18	83,000	86,085
American Express Co. sr. unsec. notes 6.15%, 8/28/17	49,000	49,322
American International Group, Inc. jr. unsec. sub. FRB 8.175%, 5/15/58	48,000	64,800
ASP AMC Merger Sub, Inc. 144A sr. unsec. notes 8.00%, 5/15/25	15,000	14,213
AXA SA 144A jr. unsec. sub. FRN 6.463%, perpetual maturity (France)	85,000	87,390
Bank of America Corp. jr. unsec. sub. FRN Ser. AA, 6.10%, perpetual maturity	46,000	49,910
Bank of America Corp. jr. unsec. sub. FRN Ser. Z, 6.50%, perpetual maturity	5,000	5,560
Bank of America Corp. sr. unsec. unsub. notes 2.00%, 1/11/18	128,000	128,196
Bank of America Corp. unsec. sub. notes 6.11%, 1/29/37	195,000	237,829
Bank of Nova Scotia (The) sr. unsec. unsub. notes 1.375%, 12/18/17 (Canada)	130,000	129,941
Barclays Bank PLC 144A unsec. sub. notes 10.179%, 6/12/21 (United Kingdom)	80,000	100,247
Bear Stearns Cos., LLC (The) sr. unsec. unsub. notes 7.25%, 2/1/18	22,000	22,690
Berkshire Hathaway Finance Corp. company guaranty sr. unsec. notes 4.30%, 5/15/43	29,000	31,269
BNP Paribas SA sr. unsec. notes Ser. MTN, 2.375%, 9/14/17 (France)	40,000	40,066
Camden Property Trust sr. unsec. unsub. notes 4.875%, 6/15/23 ^R	65,000	70,221
Cantor Fitzgerald LP 144A unsec. bonds 7.875%, 10/15/19	30,000	33,032
Cantor Fitzgerald LP 144A unsec. notes 6.50%, 6/17/22	55,000	61,568
CBRE Services, Inc. company guaranty sr. unsec. notes 5.25%, 3/15/25	5,000	5,445
CBRE Services, Inc. company guaranty sr. unsec. unsub. notes 5.00%, 3/15/23	13,000	13,544
CIT Group, Inc. sr. unsec. notes 3.875%, 2/19/19	7,000	7,175
CIT Group, Inc. sr. unsec. sub. notes 5.00%, 8/1/23	10,000	10,775
CIT Group, Inc. sr. unsec. unsub. notes 5.00%, 8/15/22	17,000	18,318
CIT Group, Inc. 144A sr. unsec. notes 5.50%, 2/15/19	6,000	6,300
Citigroup, Inc. jr. unsec. sub. FRB Ser. P, 5.95%, perpetual maturity	20,000	21,431
Citigroup, Inc. jr. unsec. sub. FRN 5.875%, perpetual maturity	9,000	9,428
Citigroup, Inc. sr. unsec. unsub. FRB 3.887%, 1/10/28	235,000	238,822
Citigroup, Inc. unsec. sub. bonds 4.75%, 5/18/46	10,000	10,497
CNG Holdings, Inc./OH 144A sr. notes 9.375%, 5/15/20	20,000	17,700
CNO Financial Group, Inc. sr. unsec. unsub. notes 5.25%, 5/30/25	40,000	42,360

CORPORATE BONDS

AND NOTES (16.0%)* cont.

	Principal amount	Value
Financials cont.		
Credit Acceptance Corp. company guaranty sr. unsec. notes 7.375%, 3/15/23	\$5,000	\$5,200
Credit Acceptance Corp. company guaranty sr. unsec. notes 6.125%, 2/15/21	8,000	8,200
DFC Finance Corp. 144A company guaranty sr. notes 10.50%, 6/15/20	10,000	5,900
Duke Realty LP company guaranty sr. unsec. unsub. notes 4.375%, 6/15/22 ^R	32,000	34,101
ESH Hospitality, Inc. 144A company guaranty sr. unsec. notes 5.25%, 5/1/25 ^R	15,000	15,544
Fairfax US, Inc. 144A company guaranty sr. unsec. notes 4.875%, 8/13/24	30,000	31,190
Fifth Third Bancorp jr. unsec. sub. FRB 5.10%, perpetual maturity	16,000	16,280
Five Corners Funding Trust 144A sr. unsec. bonds 4.419%, 11/15/23	135,000	144,810
GE Capital International Funding Co. Unlimited Co. company guaranty sr. unsec. bonds 4.418%, 11/15/35 (Ireland)	261,000	284,069
Goldman Sachs Group, Inc. (The) sr. unsec. notes 7.50%, 2/15/19	170,000	184,481
Goldman Sachs Group, Inc. (The) sr. unsec. unsub. notes 2.60%, 12/27/20	55,000	55,293
Goldman Sachs Group, Inc. (The) sr. unsec. unsub. notes Ser. GLOB, 2.375%, 1/22/18	130,000	130,577
Goldman Sachs Group, Inc. (The) unsec. sub. notes 6.75%, 10/1/37	24,000	31,156
Hartford Financial Services Group, Inc. (The) sr. unsec. unsub. notes 5.125%, 4/15/22	35,000	38,730
HCP, Inc. sr. unsec. notes 4.25%, 11/15/23 ^R	70,000	73,397
Healthcare Realty Trust, Inc. sr. unsec. unsub. notes 3.875%, 5/1/25 ^R	30,000	30,239
Hospitality Properties Trust sr. unsec. unsub. notes 4.50%, 3/15/25 ^R	4,000	4,105
HSBC Finance Corp. unsec. sub. notes 6.676%, 1/15/21	146,000	164,537
Hub Holdings, LLC/Hub Holdings Finance, Inc. 144A sr. unsec. sub. notes 8.125%, 7/15/19 ^{††}	5,000	5,013
HUB International, Ltd. 144A sr. unsec. notes 7.875%, 10/1/21	20,000	20,850
Icahn Enterprises LP/Icahn Enterprises Finance Corp. company guaranty sr. unsec. notes 6.75%, 2/1/24	10,000	10,426
Icahn Enterprises LP/Icahn Enterprises Finance Corp. company guaranty sr. unsec. notes 6.25%, 2/1/22	10,000	10,425
Icahn Enterprises LP/Icahn Enterprises Finance Corp. company guaranty sr. unsec. notes 6.00%, 8/1/20	10,000	10,294
Icahn Enterprises LP/Icahn Enterprises Finance Corp. company guaranty sr. unsec. notes 5.875%, 2/1/22	17,000	17,404
ING Bank NV 144A unsec. sub. notes 5.80%, 9/25/23 (Netherlands)	200,000	225,756
International Lease Finance Corp. sr. unsec. unsub. notes 5.875%, 8/15/22	14,000	15,820
iStar, Inc. sr. unsec. notes 6.00%, 4/1/22 ^R	5,000	5,125
JPMorgan Chase & Co. jr. unsec. sub. FRB Ser. Z, 5.30%, perpetual maturity	39,000	40,609
JPMorgan Chase & Co. jr. unsec. sub. FRN 7.90%, perpetual maturity	81,000	84,200

CORPORATE BONDS AND NOTES (16.0%)* cont.	Principal amount	Value
Financials cont.		
JPMorgan Chase & Co. sr. unsec. notes Ser. MTN, 2.295%, 8/15/21	\$90,000	\$89,476
JPMorgan Chase & Co. sr. unsec. unsubs. notes 2.00%, 8/15/17	130,000	130,093
KKR Group Finance Co. III, LLC 144A company guaranty sr. unsec. unsubs. bonds 5.125%, 6/1/44	30,000	31,739
Liberty Mutual Group, Inc. 144A company guaranty jr. unsec. sub. bonds 7.80%, 3/15/37	44,000	54,808
Lloyds Banking Group PLC 144A jr. unsec. sub. FRN 6.657%, perpetual maturity (United Kingdom)	25,000	28,344
LPL Holdings, Inc. 144A company guaranty sr. unsec. notes 5.75%, 9/15/25	15,000	15,600
Macquarie Bank, Ltd. 144A sr. unsec. notes 2.85%, 7/29/20 (Australia)	40,000	40,623
MGM Growth Properties Operating Partnership LP/MGP Finance Co-Issuer, Inc. company guaranty sr. unsec. notes 5.625%, 5/1/24 ^R	5,000	5,450
Mid-America Apartments LP sr. unsec. notes 4.30%, 10/15/23 ^R	45,000	47,613
Morgan Stanley sr. unsec. unsubs. notes 3.625%, 1/20/27	185,000	186,330
Nationstar Mortgage, LLC/Nationstar Capital Corp. company guaranty sr. unsec. unsubs. notes 6.50%, 7/1/21	15,000	15,338
Nationwide Mutual Insurance Co. 144A unsec. sub. notes 8.25%, 12/1/31	45,000	64,376
Neuberger Berman Group, LLC/Neuberger Berman Finance Corp. 144A sr. unsec. notes 4.875%, 4/15/45	30,000	29,138
OneAmerica Financial Partners, Inc. 144A sr. unsec. notes 7.00%, 10/15/33	78,000	99,371
OneMain Financial Holdings, LLC 144A company guaranty sr. unsec. sub. notes 6.75%, 12/15/19	10,000	10,500
OneMain Financial Holdings, LLC 144A company guaranty sr. unsec. unsubs. notes 7.25%, 12/15/21	10,000	10,513
Peachtree Corners Funding Trust 144A company guaranty sr. unsec. unsubs. bonds 3.976%, 2/15/25	105,000	106,553
Primerica, Inc. sr. unsec. notes 4.75%, 7/15/22	39,000	42,013
Provident Funding Associates LP/PFG Finance Corp. 144A sr. unsec. notes 6.375%, 6/15/25	15,000	15,375
Prudential Financial, Inc. jr. unsec. sub. FRN 8.875%, 6/15/38	30,000	31,800
Prudential Financial, Inc. jr. unsec. sub. FRN 5.625%, 6/15/43	57,000	62,629
Prudential Financial, Inc. jr. unsec. sub. FRN 5.20%, 3/15/44	20,000	21,200
Realty Income Corp. sr. unsec. notes 4.65%, 8/1/23 ^R	25,000	26,930
Royal Bank of Canada sr. unsec. unsubs. notes Ser. GMTN, 2.20%, 7/27/18 (Canada)	130,000	130,813
Royal Bank of Canada unsec. sub. notes Ser. GMTN, 4.65%, 1/27/26 (Canada)	45,000	48,231
Royal Bank of Scotland Group PLC unsec. sub. notes 4.70%, 7/3/18 (United Kingdom)	108,000	110,561
Select Income REIT sr. unsec. unsubs. notes 3.60%, 2/1/20 ^R	10,000	10,134
Select Income REIT sr. unsec. unsubs. notes 2.85%, 2/1/18 ^R	10,000	10,042
Springleaf Finance Corp. company guaranty sr. unsec. unsubs. notes 8.25%, 12/15/20	20,000	22,450

CORPORATE BONDS AND NOTES (16.0%)* cont.	Principal amount	Value
Financials cont.		
Springleaf Finance Corp. company guaranty sr. unsec. unsubs. notes 6.125%, 5/15/22	\$10,000	\$10,550
Springleaf Finance Corp. sr. unsec. unsubs. notes 5.25%, 12/15/19	5,000	5,201
Swiss Re Treasury US Corp. 144A company guaranty sr. unsec. notes 4.25%, 12/6/42	90,000	92,539
Taylor Morrison Communities, Inc./Monarch Communities, Inc. 144A company guaranty sr. unsec. notes 5.25%, 4/15/21	7,000	7,175
Taylor Morrison Communities, Inc./Monarch Communities, Inc. 144A company guaranty sr. unsec. sub. notes 5.625%, 3/1/24	7,000	7,315
Tempo Acquisition, LLC/Tempo Acquisition Finance Corp. 144A sr. unsec. notes 6.75%, 6/1/25	10,000	10,225
TMX Finance, LLC/TitleMax Finance Corp. 144A company guaranty sr. notes 8.50%, 9/15/18	5,000	4,750
Toronto-Dominion Bank (The) unsec. sub. FRB 3.625%, 9/15/31 (Canada)	58,000	57,546
Travelers Property Casualty Corp. company guaranty sr. unsec. unsubs. bonds 7.75%, 4/15/26	40,000	53,525
TRI Pointe Group, Inc./TRI Pointe Homes, Inc. company guaranty sr. unsec. unsubs. notes 5.875%, 6/15/24	10,000	10,550
UBS Group Funding Jersey, Ltd. 144A company guaranty sr. unsec. notes 3.00%, 4/15/21 (Switzerland)	200,000	202,938
USIS Merger Sub, Inc. 144A sr. unsec. notes 6.875%, 5/1/25	20,000	20,350
VEREIT Operating Partnership LP company guaranty sr. unsec. notes 4.60%, 2/6/24 ^R	50,000	52,222
Vnesheconombank Via VEB Finance PLC 144A sr. unsec. unsubs. notes 6.80%, 11/22/25 (Russia)	300,000	332,324
Wells Fargo & Co. jr. unsec. sub. FRB Ser. U, 5.875%, perpetual maturity	8,000	8,870
Werner FinCo LP/Werner FinCo, Inc. 144A company guaranty sr. unsec. notes 8.75%, 7/15/25	15,000	15,113
Westpac Banking Corp. sr. unsec. unsubs. notes 4.875%, 11/19/19 (Australia)	80,000	85,169
Westpac Banking Corp. sr. unsec. unsubs. notes 2.15%, 3/6/20 (Australia)	135,000	135,264
WP Carey, Inc. sr. unsec. unsubs. notes 4.60%, 4/1/24 ^R	30,000	31,013
		6,139,111
Health care (1.2%)		
AbbVie, Inc. sr. unsec. notes 2.90%, 11/6/22	80,000	80,676
Allergan Funding SCS company guaranty sr. unsec. notes 4.75%, 3/15/45 (Luxembourg)	18,000	19,430
Allergan Funding SCS company guaranty sr. unsec. notes 3.45%, 3/15/22 (Luxembourg)	26,000	26,801
AMAG Pharmaceuticals, Inc. 144A company guaranty sr. unsec. notes 7.875%, 9/1/23	15,000	14,419
Amgen, Inc. sr. unsec. notes 3.45%, 10/1/20	125,000	129,759
AstraZeneca PLC sr. unsec. unsubs. notes 6.45%, 9/15/37 (United Kingdom)	36,000	48,565
AstraZeneca PLC sr. unsec. unsubs. notes 5.90%, 9/15/17 (United Kingdom)	130,000	131,096
Becton Dickinson and Co. sr. unsec. unsubs. bonds 4.669%, 6/6/47	69,000	71,731
Becton Dickinson and Co. sr. unsec. unsubs. bonds 3.70%, 6/6/27	60,000	60,190

CORPORATE BONDS

AND NOTES (16.0%)* cont.

	Principal amount	Value
Health care cont.		
Centene Corp. sr. unsec. unsub. notes 6.125%, 2/15/24	\$15,000	\$16,218
Centene Corp. sr. unsec. unsub. notes 4.75%, 1/15/25	5,000	5,138
Centene Corp. sr. unsec. unsub. notes 4.75%, 5/15/22	20,000	20,875
CHS/Community Health Systems, Inc. company guaranty sr. notes 6.25%, 3/31/23	15,000	15,485
CHS/Community Health Systems, Inc. company guaranty sr. unsec. notes 6.875%, 2/1/22	33,000	28,834
CHS/Community Health Systems, Inc. company guaranty sr. unsec. unsub. notes 7.125%, 7/15/20	5,000	4,869
Cigna Corp. sr. unsec. unsub. notes 4.50%, 3/15/21	80,000	85,360
Concordia International Corp. 144A company guaranty sr. unsec. notes 7.00%, 4/15/23 (Canada)	15,000	2,250
Concordia International Corp. 144A sr. notes 9.00%, 4/1/22 (Canada)	5,000	3,775
Eagle Holding Co II, LLC 144A sr. unsec. unsub. notes 7.625%, 5/15/22 ††	10,000	10,288
Endo Finance, LLC/Endo Finco, Inc. 144A company guaranty sr. unsec. unsub. notes 5.375%, 1/15/23	55,000	45,925
Halyard Health, Inc. company guaranty sr. unsec. unsub. notes 6.25%, 10/15/22	15,000	15,638
HCA, Inc. company guaranty sr. bonds 5.25%, 6/15/26	15,000	16,178
HCA, Inc. company guaranty sr. notes 6.50%, 2/15/20	52,000	56,745
HCA, Inc. company guaranty sr. sub. bonds 5.50%, 6/15/47	40,000	41,400
HCA, Inc. company guaranty sr. sub. notes 5.00%, 3/15/24	20,000	21,175
HCA, Inc. company guaranty sr. sub. notes 3.75%, 3/15/19	10,000	10,200
HCA, Inc. company guaranty sr. unsec. unsub. notes 7.50%, 2/15/22	4,000	4,605
Jaguar Holding Co. II/Pharmaceutical Product Development, LLC 144A company guaranty sr. unsec. notes 6.375%, 8/1/23	15,000	15,806
Kinetic Concepts, Inc./KCI USA, Inc. 144A company guaranty sub. notes 12.50%, 11/1/21	5,000	5,625
Mallinckrodt International Finance SA/Mallinckrodt CB, LLC 144A company guaranty sr. unsec. unsub. notes 5.50%, 4/15/25 (Luxembourg)	10,000	8,775
Molina Healthcare, Inc. company guaranty sr. unsec. notes 5.375%, 11/15/22	10,000	10,588
Molina Healthcare, Inc. 144A company guaranty sr. unsec. notes 4.875%, 6/15/25	5,000	5,038
Omega Healthcare Investors, Inc. company guaranty sr. unsec. notes 4.50%, 4/1/27 R	75,000	75,188
Omega Healthcare Investors, Inc. company guaranty sr. unsec. unsub. notes 4.95%, 4/1/24 R	16,000	16,758
Ortho-Clinical Diagnostics, Inc./Ortho-Clinical Diagnostics SA 144A sr. unsec. notes 6.625%, 5/15/22	23,000	21,965
Patheon Holdings I BV 144A sr. unsec. sub. notes 7.50%, 2/1/22 (Netherlands)	33,000	35,063
Service Corp. International/US sr. unsec. notes 5.375%, 1/15/22	14,000	14,420
Service Corp. International/US sr. unsec. unsub. notes 5.375%, 5/15/24	33,000	34,853

CORPORATE BONDS

AND NOTES (16.0%)* cont.

	Principal amount	Value
Health care cont.		
Shire Acquisitions Investments Ireland DAC company guaranty sr. unsec. unsub. notes 3.20%, 9/23/26 (Ireland)	\$48,000	\$46,873
Shire Acquisitions Investments Ireland DAC company guaranty sr. unsec. unsub. notes 2.875%, 9/23/23 (Ireland)	40,000	39,647
Sterigenics-Nordion Holdings, LLC 144A sr. unsec. notes 6.50%, 5/15/23	10,000	10,300
Tenet Healthcare Corp. company guaranty sr. FRN 4.746%, 6/15/20	15,000	15,150
Tenet Healthcare Corp. company guaranty sr. notes 6.25%, 11/1/18	24,000	25,320
Tenet Healthcare Corp. company guaranty sr. notes 4.75%, 6/1/20	3,000	3,105
Tenet Healthcare Corp. company guaranty sr. sub. notes 6.00%, 10/1/20	20,000	21,425
Teva Pharmaceutical Finance Netherlands III BV company guaranty sr. unsec. unsub. bonds 3.15%, 10/1/26 (Netherlands)	39,000	37,037
UnitedHealth Group, Inc. sr. unsec. notes 6.00%, 2/15/18	58,000	59,548
UnitedHealth Group, Inc. sr. unsec. unsub. notes 3.95%, 10/15/42	90,000	91,284
UnitedHealth Group, Inc. sr. unsec. unsub. notes 2.75%, 2/15/23	90,000	90,566
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 6.125%, 4/15/25	40,000	33,850
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 5.875%, 5/15/23	18,000	15,435
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 5.50%, 3/1/23	5,000	4,244
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 5.375%, 3/15/20	20,000	19,325
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsub. notes 7.00%, 3/15/24	15,000	15,769
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsub. notes 6.50%, 3/15/22	5,000	5,244
WellCare Health Plans, Inc. sr. unsec. notes 5.25%, 4/1/25	5,000	5,238
		1,771,064
Technology (0.9%)		
Apple, Inc. sr. unsec. notes 3.45%, 5/6/24	40,000	41,601
Apple, Inc. sr. unsec. notes 2.10%, 5/6/19	130,000	131,273
Apple, Inc. sr. unsec. unsub. notes 4.375%, 5/13/45	80,000	86,493
Apple, Inc. sr. unsec. unsub. notes 3.85%, 5/4/43	27,000	26,995
Avaya, Inc. 144A company guaranty sr. notes 7.00%, 4/1/19 (In default) †	34,000	27,285
Broadcom Corp./Broadcom Cayman Finance, Ltd. 144A company guaranty sr. unsec. unsub. notes 3.875%, 1/15/27	35,000	35,942
Diamond 1 Finance Corp./Diamond 2 Finance Corp. 144A company guaranty sr. unsec. notes 7.125%, 6/15/24	76,000	83,543
Diamond 1 Finance Corp./Diamond 2 Finance Corp. 144A sr. bonds 8.35%, 7/15/46	10,000	12,906
Diamond 1 Finance Corp./Diamond 2 Finance Corp. 144A sr. notes 5.45%, 6/15/23	63,000	68,366

CORPORATE BONDS AND NOTES (16.0%)* cont.	Principal amount	Value
Technology cont.		
Diamond 1 Finance Corp./Diamond 2 Finance Corp. 144A sr. unsec. notes 5.875%, 6/15/21	\$5,000	\$5,238
eBay, Inc. sr. unsec. unsub. notes 1.35%, 7/15/17	130,000	129,985
Fidelity National Information Services, Inc. sr. unsec. unsub. notes 5.00%, 10/15/25	30,000	33,500
First Data Corp. 144A company guaranty sr. unsec. unsub. notes 7.00%, 12/1/23	15,000	16,013
First Data Corp. 144A notes 5.75%, 1/15/24	25,000	25,969
First Data Corp. 144A sr. notes 5.375%, 8/15/23	15,000	15,675
IBM Corp. sr. unsec. unsub. notes 1.875%, 8/1/22	140,000	136,456
Inception Merger Sub, Inc./Rackspace Hosting, Inc. 144A sr. unsec. notes 8.625%, 11/15/24	20,000	21,300
Infor Software Parent, LLC/Infor Software Parent, Inc. 144A company guaranty sr. unsec. notes 7.125%, 5/1/21 ††	35,000	36,050
Infor US, Inc. company guaranty sr. unsec. notes 6.50%, 5/15/22	25,000	25,875
Infor US, Inc. 144A company guaranty sr. notes 5.75%, 8/15/20	3,000	3,098
Intel Corp. sr. unsec. unsub. notes 1.35%, 12/15/17	130,000	129,968
Iron Mountain, Inc. company guaranty sr. unsec. notes 6.00%, 8/15/23 ^R	14,000	14,875
Iron Mountain, Inc. 144A company guaranty sr. unsec. notes 6.00%, 10/1/20 ^R	5,000	5,175
Jabil Circuit, Inc. sr. unsec. sub. notes 8.25%, 3/15/18	9,000	9,360
Micron Technology, Inc. company guaranty sr. unsec. unsub. notes 5.875%, 2/15/22	25,000	26,156
Microsoft Corp. sr. unsec. unsub. notes 5.30%, 2/8/41	25,000	31,027
Oracle Corp. sr. unsec. unsub. notes 5.375%, 7/15/40	35,000	42,567
Oracle Corp. sr. unsec. unsub. notes 2.65%, 7/15/26	10,000	9,596
Oracle Corp. sr. unsec. unsub. notes 2.50%, 10/15/22	80,000	80,320
Plantronics, Inc. 144A company guaranty sr. unsec. notes 5.50%, 5/31/23	20,000	20,925
Solera, LLC / Solera Finance, Inc. 144A sr. unsec. notes 10.50%, 3/1/24	30,000	34,463
		1,367,995
Transportation (0.2%)		
Air Medical Merger Sub Corp. 144A sr. unsec. notes 6.375%, 5/15/23	40,000	37,900
Burlington Northern Santa Fe, LLC sr. unsec. notes 5.40%, 6/1/41	35,000	42,490
Burlington Northern Santa Fe, LLC sr. unsec. unsub. notes 5.75%, 5/1/40	35,000	44,103
CSX Corp. sr. unsec. unsub. notes 4.10%, 3/15/44	70,000	71,764
Delta Air Lines, Inc. sr. notes Ser. A, 7.75%, 12/17/19	25,653	28,187
FedEx Corp. company guaranty sr. unsec. unsub. notes 2.625%, 8/1/22	15,000	15,033
Penske Truck Leasing Co. Lp/PTL Finance Corp. 144A sr. unsec. bonds 3.40%, 11/15/26	16,000	15,723
United AirLines, Inc. Pass-Through Trust pass-through certificates Ser. 07-1, Class A, 6.636%, 7/2/22	9,707	10,520

CORPORATE BONDS AND NOTES (16.0%)* cont.	Principal amount	Value
Transportation cont.		
United Airlines, Inc. Pass-Through Trust pass-through certificates Ser. 14-2, Class A, 3.75%, 9/3/26	\$41,120	\$42,611
Watco Cos., LLC/Watco Finance Corp. 144A company guaranty sr. unsec. notes 6.375%, 4/1/23	29,000	30,233
		338,564
Utilities and power (1.1%)		
AES Corp./Virginia (The) sr. unsec. notes 5.50%, 4/15/25	35,000	36,663
AES Corp./Virginia (The) sr. unsec. notes 4.875%, 5/15/23	7,000	7,131
AES Corp./Virginia (The) sr. unsec. unsub. notes 7.375%, 7/1/21	27,000	30,915
American Transmission Systems, Inc. 144A sr. unsec. unsub. bonds 5.00%, 9/1/44	50,000	55,835
Arizona Public Services Co. sr. unsec. notes 4.50%, 4/1/42	15,000	16,367
Berkshire Hathaway Energy Co. sr. unsec. unsub. bonds 6.125%, 4/1/36	39,000	50,104
Boardwalk Pipelines LP company guaranty sr. unsec. unsub. FRB 4.45%, 7/15/27	8,000	8,191
Calpine Corp. sr. unsec. sub. notes 5.75%, 1/15/25	35,000	32,813
Calpine Corp. 144A company guaranty sr. notes 6.00%, 1/15/22	4,000	4,130
Calpine Corp. 144A company guaranty sr. sub. notes 5.875%, 1/15/24	3,000	3,090
Colorado Interstate Gas Co., LLC company guaranty sr. unsec. notes 6.85%, 6/15/37	8,000	8,943
Commonwealth Edison Co. 1st mtge. bonds 5.90%, 3/15/36	28,000	35,416
Consolidated Edison Co. of New York, Inc. sr. unsec. notes 7.125%, 12/1/18	83,000	88,984
Consolidated Edison Co. of New York, Inc. sr. unsec. unsub. notes 4.20%, 3/15/42	45,000	47,317
Dynergy, Inc. company guaranty sr. unsec. notes 7.375%, 11/1/22	20,000	19,750
Dynergy, Inc. company guaranty sr. unsec. notes 6.75%, 11/1/19	10,000	10,313
Dynergy, Inc. company guaranty sr. unsec. unsub. notes 7.625%, 11/1/24	20,000	19,400
Electricite de France (EDF) 144A sr. unsec. notes 6.50%, 1/26/19 (France)	60,000	64,105
Emera US Finance LP company guaranty sr. unsec. notes 3.55%, 6/15/26	16,000	16,037
Enbridge, Inc. sr. unsec. unsub. bonds 4.25%, 12/1/26 (Canada)	42,000	43,770
Energy Transfer Equity LP sr. sub. notes 5.875%, 1/15/24	20,000	21,200
Energy Transfer Partners LP sr. unsec. unsub. bonds 6.125%, 12/15/45	8,000	8,659
Energy Transfer Partners LP sr. unsec. unsub. bonds 4.20%, 4/15/27	36,000	35,989
Energy Transfer Partners LP sr. unsec. unsub. notes 6.50%, 2/1/42	30,000	33,403
Energy Transfer Partners LP sr. unsec. unsub. notes 5.20%, 2/1/22	25,000	26,902
FirstEnergy Corp. sr. unsec. unsub. notes 4.25%, 3/15/23	39,000	41,023
GenOn Energy, Inc. sr. unsec. sub. notes 9.875%, 10/15/20 (In default) †	18,000	10,710
Great Plains Energy, Inc. sr. unsec. unsub. bonds 4.85%, 4/1/47	30,000	30,870

CORPORATE BONDS**AND NOTES (16.0%)* cont.**

	Principal amount	Value
Utilities and power cont.		
Kinder Morgan Energy Partners LP company guaranty sr. unsec. notes 5.40%, 9/1/44	\$10,000	\$10,086
Kinder Morgan Energy Partners LP company guaranty sr. unsec. notes 3.50%, 3/1/21	80,000	81,380
Kinder Morgan Energy Partners LP company guaranty sr. unsec. unsub. notes 3.45%, 2/15/23	25,000	25,153
Kinder Morgan, Inc./DE company guaranty sr. unsec. notes Ser. GMTN, 7.75%, 1/15/32	17,000	21,375
MidAmerican Funding, LLC sr. bonds 6.927%, 3/1/29	50,000	65,973
Nevada Power Co. mtge. notes 7.125%, 3/15/19	40,000	43,437
NRG Energy, Inc. company guaranty sr. unsec. notes 7.25%, 5/15/26	10,000	10,325
NRG Energy, Inc. company guaranty sr. unsec. notes 6.625%, 1/15/27	20,000	20,025
NRG Energy, Inc. company guaranty sr. unsec. sub. notes 7.875%, 5/15/21	14,000	14,455
NSTAR Electric Co. sr. unsec. unsub. notes 2.375%, 10/15/22 (Canada)	75,000	74,292
Oncor Electric Delivery Co., LLC sr. notes 4.10%, 6/1/22	25,000	26,616
Oncor Electric Delivery Co., LLC sr. notes 3.75%, 4/1/45	75,000	73,318
Pacific Gas & Electric Co. sr. unsec. bonds 6.05%, 3/1/34	40,000	51,616
PPL Capital Funding, Inc. company guaranty sr. unsec. unsub. notes 4.20%, 6/15/22	60,000	63,631
Public Service Electric & Gas Co. sr. notes Ser. MTN, 5.50%, 3/1/40	25,000	31,500
Puget Sound Energy, Inc. jr. unsec. sub. FRN Ser. A, 6.974%, 6/1/67	102,000	98,048
Regency Energy Partners LP/Regency Energy Finance Corp. company guaranty sr. unsec. unsub. notes 4.50%, 11/1/23	9,000	9,339
Southern Star Central Corp. 144A sr. unsec. notes 5.125%, 7/15/22	20,000	20,350
Texas Competitive Electric Holdings Co., LLC/TCEH Finance, Inc. escrow company guaranty sr. notes 11.50%, 10/1/20	13,000	33
Texas Gas Transmission, LLC 144A sr. unsec. notes 4.50%, 2/1/21	20,000	20,853
	1,569,835	
Total corporate bonds and notes (cost \$22,534,005)		\$23,570,217

U.S. GOVERNMENT AND AGENCY**MORTGAGE OBLIGATIONS (11.7%)***

	Principal amount	Value
U.S. Government Guaranteed Mortgage Obligations (3.8%)		
Government National Mortgage Association Pass-Through Certificates		
6.50%, with due dates from 5/20/37 to 11/20/39	\$383,484	\$440,895
3.50%, with due dates from 3/20/47 to 5/20/47	3,971,870	4,119,107
3.50%, TBA, 7/1/47	1,000,000	1,035,625
		5,595,627
U.S. Government Agency Mortgage Obligations (7.9%)		
Federal Home Loan Mortgage Corporation Pass-Through Certificates 4.00%, 11/1/45		
	1,761,299	1,853,286
Federal National Mortgage Association Pass-Through Certificates		
6.00%, TBA, 7/1/47	1,000,000	1,125,938
4.50%, TBA, 7/1/47	1,000,000	1,072,500
4.00%, 12/1/44	955,278	1,005,430

U.S. GOVERNMENT AND AGENCY**MORTGAGE OBLIGATIONS (11.7%)* cont.**

	Principal amount	Value
U.S. Government Agency Mortgage Obligations cont.		
Federal National Mortgage Association Pass-Through Certificates		
3.50%, with due dates from 9/1/45 to 1/1/47	\$3,949,802	\$4,059,575
3.00%, with due dates from 12/1/31 to 5/1/46	2,542,779	2,589,304
		11,706,033

Total U.S. government and agency mortgage obligations (cost \$17,274,661) \$17,301,660

MORTGAGE-BACKED**SECURITIES (1.9%)***

	Principal amount	Value
Agency collateralized mortgage obligations (0.3%)		
Federal Home Loan Mortgage Corporation		
IFB Ser. 3408, Class EK, 21.13%, 4/15/37	\$12,860	\$19,813
IFB Ser. 3072, Class SM, 19.547%, 11/15/35	17,224	24,995
IFB Ser. 3249, Class PS, 18.451%, 12/15/36	13,593	19,007
IFB Ser. 3065, Class DC, 16.383%, 3/15/35	38,512	55,574
IFB Ser. 2990, Class LB, 13.984%, 6/15/34	23,025	27,671
IFB Ser. 3829, Class AS, IO, 5.791%, 3/15/41	107,976	20,284
Federal National Mortgage Association		
IFB Ser. 06-8, Class HP, 20.108%, 3/25/36	23,897	37,355
IFB Ser. 07-53, Class SP, 19.741%, 6/25/37	21,533	31,682
IFB Ser. 05-75, Class GS, 16.602%, 8/25/35	9,308	12,120
IFB Ser. 12-58, Class SM, IO, 5.284%, 6/25/42	130,567	22,333
Connecticut Avenue Securities FRB Ser. 16-C05, Class 2M1, 2.566%, 1/25/29	33,562	33,828
Connecticut Avenue Securities FRB Ser. 14-C03, Class 2M1, 2.416%, 7/25/24	3,516	3,522
Ser. 06-46, Class OC, PO, zero %, 6/25/36	6,667	5,563
Government National Mortgage Association		
Ser. 10-9, Class UI, IO, 5.00%, 1/20/40	84,947	17,979
IFB Ser. 13-99, Class AS, IO, 4.838%, 6/20/43	115,078	22,271
Ser. 13-14, IO, 3.50%, 12/20/42	357,446	49,513
Ser. 12-141, Class WI, IO, 3.50%, 11/20/41	357,090	42,001
Ser. 16-H16, Class EI, IO, 2.351%, 6/20/66	204,158	23,989
Ser. 15-H26, Class DI, IO, 2.08%, 10/20/65	306,671	31,679
		501,179
Commercial mortgage-backed securities (1.1%)		
Banc of America Commercial Mortgage Trust FRB Ser. 07-1, Class XW, IO, 0.412%, 1/15/49		
	245,027	1,110
Banc of America Commercial Mortgage Trust 144A FRB Ser. 07-5, Class XW, IO, 0.407%, 2/10/51		
	1,050,220	530
Banc of America Merrill Lynch Commercial Mortgage, Inc. 144A		
FRB Ser. 04-5, Class XC, IO, 0.565%, 11/10/41	53,680	508
FRB Ser. 04-4, Class XC, IO, 0.019%, 7/10/42	22,816	4
Bear Stearns Commercial Mortgage Securities Trust FRB Ser. 04-PR3I, Class X1, IO, 0.244%, 2/11/41		
	11,653	29
Bear Stearns Commercial Mortgage Securities Trust 144A FRB Ser. 06-PW14, Class X1, IO, 0.568%, 12/11/38		
	134,988	2,032
Capmark Mortgage Securities, Inc. FRB Ser. 97-C1, Class X, IO, 1.60%, 7/15/29		
	12,889	282
CD Commercial Mortgage Trust 144A FRB Ser. 07-CD4, Class XW, IO, 0.744%, 12/11/49		
	38,059	4
Citigroup Commercial Mortgage Trust 144A		
FRB Ser. 12-GC8, Class XA, IO, 2.168%, 9/10/45	367,794	26,584
FRB Ser. 06-C5, Class XC, IO, 0.626%, 10/15/49	893,900	626

MORTGAGE-BACKED SECURITIES (1.9%)* cont.	Principal amount	Value
Commercial mortgage-backed securities cont.		
COMM Mortgage Trust		
FRB Ser. 12-LC4, Class C, 5.763%, 12/10/44	\$44,000	\$47,736
Ser. 13-CR11, Class AM, 4.715%, 8/10/50	20,000	21,700
FRB Ser. 14-UBS6, Class C, 4.614%, 12/10/47	54,000	52,714
Ser. 13-CR13, Class AM, 4.449%, 12/10/23	85,000	91,809
Ser. 12-CR2, Class AM, 3.791%, 8/15/45	30,000	31,474
FRB Ser. 14-CR18, Class XA, IO, 1.395%, 7/15/47	272,259	14,582
FRB Ser. 14-CR16, Class XA, IO, 1.354%, 4/10/47	195,654	9,822
FRB Ser. 14-CR20, Class XA, IO, 1.324%, 11/10/47	333,062	19,884
FRB Ser. 13-CR11, Class XA, IO, 1.308%, 8/10/50	550,062	28,159
FRB Ser. 14-CR17, Class XA, IO, 1.306%, 5/10/47	733,885	37,355
FRB Ser. 14-UBS6, Class XA, IO, 1.18%, 12/10/47	986,405	50,800
FRB Ser. 14-LC17, Class XA, IO, 1.12%, 10/10/47	731,024	29,460
COMM Mortgage Trust 144A FRB Ser. 06-C8, Class XS, IO, 0.825%, 12/10/46	904,118	15
Credit Suisse Commercial Mortgage Trust 144A FRB Ser. 07-C2, Class AX, IO, 0.113%, 1/15/49	695,975	3
CSMC Trust FRB Ser. 16-NXSR, Class C, 4.51%, 12/15/49	70,000	71,216
GE Capital Commercial Mortgage Corp. 144A FRB Ser. 05-C3, Class XC, IO, 0.11%, 7/10/45	311,950	1
GE Commercial Mortgage Corp. Trust 144A FRB Ser. 07-C1, Class XC, IO, 0.437%, 12/10/49	2,742,021	6,341
GMAC Commercial Mortgage Securities, Inc. Trust 144A FRB Ser. 05-C1, Class X1, IO, 0.783%, 5/10/43	220,907	610
GS Mortgage Securities Corp II FRB Ser. 15-GC30, Class XA, IO, 1.029%, 5/10/50	467,068	22,653
GS Mortgage Securities Trust FRB Ser. 13-GC12, Class C, 4.179%, 6/10/46	19,000	18,732
GS Mortgage Securities Trust 144A		
FRB Ser. 06-GG8, Class X, IO, 1.074%, 11/10/39	1,053,263	23,698
FRB Ser. 06-GG6, Class XC, IO, zero %, 4/10/38	9,119	—
JPMBB Commercial Mortgage Securities Trust		
FRB Ser. 14-C19, Class C, 4.821%, 4/15/47	35,000	36,421
FRB Ser. 13-C14, Class C, 4.721%, 8/15/46	30,000	30,199
JPMorgan Chase Commercial Mortgage Securities Trust		
FRB Ser. 06-LDP7, Class B, 6.139%, 4/17/45	107,000	18,030
FRB Ser. 05-LDP5, Class F, 5.824%, 12/15/44	47,612	47,349
Ser. 06-LDP8, Class B, 5.52%, 5/15/45	13,644	13,895
FRB Ser. 13-C10, Class C, 4.286%, 12/15/47	99,000	98,658
FRB Ser. 06-LDP8, Class X, IO, 0.534%, 5/15/45	107,880	1
FRB Ser. 07-LDPX, Class X, IO, 0.315%, 1/15/49	663,651	7,302
JPMorgan Chase Commercial Mortgage Securities Trust 144A FRB Ser. 05-CB12, Class X1, IO, 0.433%, 9/12/37	196,322	474
LB Commercial Mortgage Trust 144A Ser. 99-C1, Class G, 6.41%, 6/15/31	5,433	5,542
LB-UBS Commercial Mortgage Trust 144A		
FRB Ser. 05-C5, Class XCL, IO, 0.639%, 9/15/40	310,034	3,387
FRB Ser. 06-C6, Class XCL, IO, 0.624%, 9/15/39	1,181,429	7,164
FRB Ser. 05-C7, Class XCL, IO, 0.481%, 11/15/40	111,275	684
FRB Ser. 05-C2, Class XCL, IO, 0.195%, 4/15/40	31,218	2
Merrill Lynch Mortgage Trust 144A		
FRB Ser. 04-KEY2, Class XC, IO, 0.68%, 8/12/39	48,555	179
FRB Ser. 05-MCP1, Class XC, IO, 0.005%, 6/12/43	83,825	—
Mezz Cap Commercial Mortgage Trust 144A		
FRB Ser. 05-C3, Class X, IO, 7.156%, 5/15/44	3,921	182
FRB Ser. 06-C4, Class X, IO, 3.371%, 7/15/45	40,693	562

MORTGAGE-BACKED SECURITIES (1.9%)* cont.	Principal amount	Value
Commercial mortgage-backed securities cont.		
Morgan Stanley Bank of America Merrill Lynch Trust		
FRB Ser. 14-C17, Class XA, IO, 1.401%, 8/15/47	\$293,470	\$15,225
FRB Ser. 13-C12, Class XA, IO, 1.06%, 10/15/46	642,988	19,868
Morgan Stanley Bank of America Merrill Lynch Trust 144A FRB Ser. 12-C6, Class XA, IO, 2.011%, 11/15/45	666,247	46,637
Morgan Stanley Capital I Trust Ser. 07-HQ11, Class AJ, 5.508%, 2/12/44	17,753	17,673
Morgan Stanley Capital I Trust 144A		
FRB Ser. 11-C3, Class D, 5.327%, 7/15/49	34,000	35,187
FRB Ser. 11-C3, Class E, 5.327%, 7/15/49	41,000	40,950
UBS-Barclays Commercial Mortgage Trust 144A		
FRB Ser. 12-C3, Class C, 5.192%, 8/10/49	50,000	52,645
FRB Ser. 12-C4, Class XA, IO, 1.89%, 12/10/45	228,088	15,244
Wachovia Bank Commercial Mortgage Trust		
FRB Ser. 05-C21, Class D, 5.468%, 10/15/44	21,000	20,890
FRB Ser. 07-C34, IO, 0.461%, 5/15/46	672,310	403
Wachovia Bank Commercial Mortgage Trust 144A		
FRB Ser. 06-C26, Class XC, IO, 0.066%, 6/15/45	492,117	98
FRB Ser. 05-C18, Class XC, IO, zero %, 4/15/42	35,642	—
Wells Fargo Commercial Mortgage Trust		
FRB Ser. 13-LC12, Class AS, 4.431%, 7/15/46	19,000	20,268
FRB Ser. 13-LC12, Class C, 4.431%, 7/15/46	24,000	24,494
WF-RBS Commercial Mortgage Trust		
Ser. 14-C19, Class C, 4.646%, 3/15/47	46,000	47,615
FRB Ser. 13-C15, Class C, 4.628%, 8/15/46	29,000	29,484
Ser. 13-C12, Class AS, 3.56%, 3/15/48	33,000	33,934
Ser. 13-C11, Class AS, 3.311%, 3/15/45	24,000	24,409
WF-RBS Commercial Mortgage Trust 144A		
FRB Ser. 11-C3, Class D, 5.813%, 3/15/44	32,000	30,061
FRB Ser. 11-C2, Class D, 5.788%, 2/15/44	25,000	25,338
Ser. 11-C4, Class E, 5.265%, 6/15/44	50,000	48,005
FRB Ser. 13-C15, Class D, 4.628%, 8/15/46	43,000	37,299
FRB Ser. 12-C9, Class XA, IO, 2.233%, 11/15/45	268,832	20,708
FRB Ser. 11-C5, Class XA, IO, 1.928%, 11/15/44	302,386	18,219
FRB Ser. 12-C10, Class XA, IO, 1.794%, 12/15/45	351,230	23,269
FRB Ser. 13-C12, Class XA, IO, 1.512%, 3/15/48	384,930	19,398
		1,547,825
Residential mortgage-backed securities (non-agency) (0.5%)		
Citigroup Mortgage Loan Trust, Inc. FRB Ser. 05-2, Class 1A2A, 3.15%, 5/25/35		
	49,793	50,789
Countrywide Alternative Loan Trust		
FRB Ser. 06-OA7, Class 1A2, 1.672%, 6/25/46	163,383	153,580
FRB Ser. 05-27, Class 1A1, 1.562%, 8/25/35	48,709	39,479
FRB Ser. 06-OA10, Class 4A1, 1.406%, 8/25/46	172,975	159,137
Federal National Mortgage Association		
Connecticut Avenue Securities FRB Ser. 16-C03, Class 2M2, 7.116%, 10/25/28	20,000	23,291
Connecticut Avenue Securities FRB Ser. 15-C04, Class 1M2, 6.916%, 4/25/28	12,090	13,765
Connecticut Avenue Securities FRB Ser. 15-C04, Class 2M2, 6.766%, 4/25/28	10,000	11,242
Long Beach Mortgage Loan Trust FRB Ser. 04-1, Class A2, 2.016%, 2/25/34	26,157	25,338
Merrill Lynch Mortgage Investors Trust FRB Ser. 05-A2, Class A2, 2.981%, 2/25/35	16,236	16,362

MORTGAGE-BACKED SECURITIES (1.9%)* cont.

	Principal amount	Value
Residential mortgage-backed securities (non-agency) cont.		
New Century Home Equity Loan Trust FRB Ser. 03-4, Class M1, 2.341%, 10/25/33	\$77,582	\$76,232
WaMu Mortgage Pass-Through Certificates Trust		
FRB Ser. 05-AR9, Class A1C3, 2.176%, 7/25/45	66,318	64,395
FRB Ser. 05-AR13, Class A1C3, 1.706%, 10/25/45	48,798	47,665
	681,275	
Total mortgage-backed securities (cost \$2,558,353)		\$2,730,279

FOREIGN GOVERNMENT AND AGENCY BONDS AND NOTES (0.3%)*

	Principal amount	Value
Brazil (Federal Republic of) unsec. notes 10.00%, 1/1/21 (Brazil) (units) BRL	805	\$243,338
Buenos Aires (Province of) 144A sr. unsec. unsub. bonds 7.875%, 6/15/27 (Argentina)	\$165,000	170,363
Turkey (Republic of) unsec. notes 11.00%, 3/2/22 (Turkey) TRY	41,000	11,868
Total foreign government and agency bonds and notes (cost \$606,176)		\$425,569

SENIOR LOANS (0.2%)* c

	Principal amount	Value
Avaya, Inc. bank term loan FRN Ser. B7, 6.417%, 5/29/20 (In default) †	\$19,585	\$15,734
Caesars Entertainment Operating Co., Inc. bank term loan FRN Ser. B6, 11.75%, 3/1/18 (In default) †	80,735	96,176
Caesars Growth Properties Holdings, LLC bank term loan FRN Ser. L, 4.045%, 5/8/21	48,503	48,685
CPG International, Inc. bank term loan FRN 4.897%, 5/3/24	4,727	4,717
Gates Global, LLC/Gates Global Co. bank term loan FRN Ser. B, 4.408%, 3/31/24	14,013	14,019
Getty Images, Inc. bank term loan FRN Ser. B, 4.75%, 10/18/19	19,896	18,304
Neiman Marcus Group, Ltd., Inc. bank term loan FRN 4.339%, 10/25/20	24,042	18,001
Ortho-Clinical Diagnostics, Inc. bank term loan FRN Ser. B, 4.783%, 6/30/21	15,000	14,912
Revlon Consumer Products Corp. bank term loan FRN Ser. B, 4.544%, 9/7/23	19,850	18,452
Total senior loans (cost \$242,619)		\$249,000

WARRANTS (—%)* †	Expiration date	Strike price	Warrants	Value
Halcon Resources Corp.	9/9/20	\$14.04	244	\$151
Hangzhou Hikvision Digital Technology Co., Ltd. 144A (China) †	12/18/17	0.00	6,000	28,586
Shanghai International Airport Co., Ltd. 144A (China) †	5/7/18	0.00	3,500	19,251
Total warrants (cost \$32,252)				\$47,988

ASSET-BACKED SECURITIES (—%)*

	Principal amount	Value
Station Place Securitization Trust 144A FRB Ser. 17-1, Class A, 2.116%, 2/25/49	\$40,667	\$40,667
Total asset-backed securities (cost \$40,667)		\$40,667

CONVERTIBLE BONDS AND NOTES (—%)*

	Principal amount	Value
Jazz US Holdings, Inc. cv. company guaranty sr. unsec. notes 8.00%, 12/31/18	\$11,000	\$26,593
Total convertible bonds and notes (cost \$10,471)		\$26,593

PREFERRED STOCKS (—%)*

	Shares	Value
GMAC Capital Trust I Ser. 2, \$2.031 cum. ARP	680	\$17,816
Total preferred stocks (cost \$17,000)		\$17,816

CONVERTIBLE PREFERRED STOCKS (—%)*

	Shares	Value
EPR Properties Ser. C, \$1.438 cv. pfd. R	575	\$16,405
Triangle USA Petroleum Corp. 6.75% cv. pfd. † F	1	1,000
Total convertible preferred stocks (cost \$11,501)		\$17,405

PURCHASED OPTIONS OUTSTANDING (—%)*

	Expiration date/strike price	Contract amount	Value
USD/CNH (Put)	Oct-17/CNH 6.70	\$1,491,100	\$2,849
USD/CNH (Put)	Oct-17/CNH 6.70	1,491,100	2,702
USD/JPY (Put)	Nov-17/JPY 107.00	889,050	6,280
Total purchased options outstanding (cost \$22,927)			\$11,831

SHORT-TERM INVESTMENTS (18.3%)*

	Principal amount/shares	Value
Putnam Cash Collateral Pool, LLC 1.24% d Shares	1,189,053	\$1,189,053
Putnam Short Term Investment Fund 1.07% L Shares	24,764,913	24,764,913
U.S. Treasury Bills 0.940%, 8/24/17 \$	\$19,000	18,975
U.S. Treasury Bills 0.895%, 8/17/17 #	48,000	47,946
U.S. Treasury Bills 0.867%, 7/20/17 # \$	7,000	6,997
U.S. Treasury Bills 0.804%, 7/13/17 #	143,000	142,969
U.S. Treasury Bills 0.800%, 7/6/17 # Δ \$	783,000	782,951
Total short-term investments (cost \$26,953,758)		\$26,953,804
Total investments (cost \$139,741,516)		\$151,927,381

Key to holding's currency abbreviations

BRL	Brazilian Real
CAD	Canadian Dollar
CNH	Chinese Yuan (Offshore)
JPY	Japanese Yen
TRY	Turkish Lira
USD/\$	United States Dollar

Key to holding's abbreviations

ADR	American Depositary Receipts: represents ownership of foreign securities on deposit with a custodian bank
ARP	Adjustable Rate Preferred Stock: the rate shown is the current interest rate at the close of the reporting period
DAC	Designated Activity Company
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
GDR	Global Depositary Receipts: represents ownership of foreign securities on deposit with a custodian bank
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
PJSC	Public Joint Stock Company
PO	Principal Only
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, 2017 through June 30, 2017 (the reporting period). Within the following notes to the portfolio, references to "ASC 820" represent Accounting Standards Codification 820 *Fair Value Measurements and Disclosures*, 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.

* Percentages indicated are based on net assets of \$147,306,847.

† This security is non-income-producing.

ΔΔ This security is restricted with regard to public resale. The total fair value of this security and any other restricted securities (excluding 144A securities), if any, held at the close of the reporting period was \$17,146, or less than 0.1% of net assets.

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

This security, in part or in entirety, was pledged and segregated with the broker to cover margin requirements for futures contracts at the close of the reporting period.

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.

Forward commitment, in part or in entirety (Note 1).

c 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).

d Affiliated company. See Notes 1 and 5 to the financial statements regarding securities lending. The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

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.

R Real Estate Investment Trust.

S Security on loan, in part or in entirety, at the close of the reporting period (Note 1).

At the close of the reporting period, the fund maintained liquid assets totaling \$29,174,803 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 of 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.

FORWARD CURRENCY CONTRACTS at 6/30/17 (aggregate face value \$19,024,498) (Unaudited)

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/(depreciation)
Bank of America N.A.						
	Australian Dollar	Buy	7/19/17	\$349,188	\$343,916	\$5,272
	Brazilian Real	Buy	7/3/17	281,355	293,201	(11,846)
	Brazilian Real	Sell	7/3/17	281,355	283,407	2,052
	British Pound	Sell	9/20/17	74,284	73,416	(868)
	Chilean Peso	Buy	7/19/17	293,792	293,461	331
	Chilean Peso	Sell	7/19/17	293,792	297,795	4,003
	Euro	Buy	9/20/17	626,354	615,720	10,634
	Hong Kong Dollar	Buy	8/16/17	180,392	181,157	(765)
	Indian Rupee	Buy	8/16/17	151,553	151,824	(271)
	Japanese Yen	Buy	8/16/17	18,114	18,191	(77)
	Mexican Peso	Buy	7/19/17	153,047	145,304	7,743
	Mexican Peso	Sell	7/19/17	153,047	143,772	(9,275)
	New Zealand Dollar	Buy	7/19/17	105,717	109,186	(3,469)
	Norwegian Krone	Sell	9/20/17	292,890	288,839	(4,051)
	Singapore Dollar	Sell	8/16/17	3,780	2,330	(1,450)
	Swedish Krona	Buy	9/20/17	156,695	152,454	4,241
Barclays Bank PLC						
	Australian Dollar	Buy	7/19/17	23,976	24,321	(345)
	Canadian Dollar	Buy	7/19/17	307,765	297,941	9,824
	Canadian Dollar	Sell	7/19/17	307,765	300,415	(7,350)
	Euro	Buy	9/20/17	229,694	227,846	1,848
	Japanese Yen	Sell	8/16/17	146,581	147,227	646
	New Zealand Dollar	Buy	7/19/17	156,634	146,230	10,404
	New Zealand Dollar	Sell	7/19/17	155,535	148,190	(7,345)
	Swedish Krona	Buy	9/20/17	1,907	1,848	59
	Swiss Franc	Buy	9/20/17	2,096	703	1,393

FORWARD CURRENCY CONTRACTS at 6/30/17 (aggregate face value \$19,024,498) (Unaudited) cont.

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/ (depreciation)
Citibank, N.A.						
	Australian Dollar	Buy	7/19/17	\$227,387	\$223,857	\$3,530
	Australian Dollar	Sell	7/19/17	228,386	220,418	(7,968)
	Brazilian Real	Buy	7/3/17	141,206	147,954	(6,748)
	Brazilian Real	Sell	7/3/17	141,206	136,524	(4,682)
	Canadian Dollar	Buy	7/19/17	147,712	143,610	4,102
	Danish Krone	Buy	9/20/17	136,490	134,227	2,263
	Euro	Buy	9/20/17	97,359	96,173	1,186
	Japanese Yen	Buy	8/16/17	168,245	169,123	(878)
	Mexican Peso	Buy	7/19/17	147,681	149,121	(1,440)
	Mexican Peso	Sell	7/19/17	147,681	146,814	(867)
	New Taiwan Dollar	Buy	8/16/17	547	760	(213)
	New Zealand Dollar	Sell	7/19/17	190,115	186,034	(4,081)
	Norwegian Krone	Buy	9/20/17	150,296	149,545	751
	South African Rand	Buy	7/19/17	153,266	154,758	(1,492)
	South African Rand	Sell	7/19/17	153,266	148,566	(4,700)
	Swedish Krona	Sell	9/20/17	72,554	70,424	(2,130)
Credit Suisse International						
	Australian Dollar	Sell	7/19/17	110,428	108,082	(2,346)
	Canadian Dollar	Buy	7/19/17	152,108	146,366	5,742
	Canadian Dollar	Sell	7/19/17	149,871	148,772	(1,099)
	Euro	Buy	9/20/17	76,718	75,434	1,284
	Japanese Yen	Sell	8/16/17	148,728	148,670	(58)
	New Zealand Dollar	Buy	7/19/17	13,554	10,693	2,861
	Swedish Krona	Sell	9/20/17	148,147	144,160	(3,987)
Goldman Sachs International						
	Australian Dollar	Sell	7/19/17	146,622	144,542	(2,080)
	Canadian Dollar	Buy	7/19/17	3,317	3,303	14
	Euro	Buy	9/20/17	73,506	76,066	(2,560)
	Indian Rupee	Buy	8/16/17	154,144	155,003	(859)
	Japanese Yen	Sell	8/16/17	370,533	372,718	2,185
	New Zealand Dollar	Sell	7/19/17	45,056	44,473	(583)
	Norwegian Krone	Sell	9/20/17	304,010	299,584	(4,426)
	South African Rand	Buy	7/19/17	293,034	292,684	350
	South African Rand	Sell	7/19/17	293,034	292,175	(859)
	Swedish Krona	Buy	9/20/17	160,176	155,455	4,721
	Swiss Franc	Buy	9/20/17	2,305	897	1,408
HSBC Bank USA, National Association						
	Australian Dollar	Buy	7/19/17	3,381	3,339	42
	Canadian Dollar	Buy	7/19/17	150,026	147,839	2,187
	Euro	Buy	9/20/17	157,105	151,080	6,025
	New Zealand Dollar	Buy	7/19/17	302,646	295,662	6,984
	Singapore Dollar	Sell	8/16/17	149,506	148,126	(1,380)
JPMorgan Chase Bank N.A.						
	Australian Dollar	Buy	7/19/17	276,646	273,157	3,489
	British Pound	Sell	9/20/17	128,725	129,375	650
	Canadian Dollar	Sell	7/19/17	111,922	110,383	(1,539)
	Czech Koruna	Buy	7/19/17	162,524	149,548	12,976
	Czech Koruna	Sell	7/19/17	162,524	147,380	(15,144)
	Euro	Buy	7/19/17	157,044	146,918	10,126
	Euro	Sell	7/19/17	157,044	148,290	(8,754)
	Euro	Buy	9/20/17	382,785	379,918	2,867
	Japanese Yen	Buy	8/16/17	356,354	357,957	(1,603)

FORWARD CURRENCY CONTRACTS at 6/30/17 (aggregate face value \$19,024,498) (Unaudited) cont.						
Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/(depreciation)
JPMorgan Chase Bank N.A. cont.						
	Mexican Peso	Buy	7/19/17	\$147,681	\$149,035	\$(1,354)
	Mexican Peso	Sell	7/19/17	147,681	147,791	110
	New Zealand Dollar	Sell	7/19/17	302,133	290,423	(11,710)
	Norwegian Krone	Sell	9/20/17	136,033	132,917	(3,116)
	Singapore Dollar	Buy	8/16/17	67,013	66,155	858
	Swedish Krona	Buy	9/20/17	85,131	78,040	7,091
	Swiss Franc	Buy	9/20/17	380,518	376,640	3,878
Royal Bank of Scotland PLC (The)						
	Australian Dollar	Buy	7/19/17	351,417	346,393	5,024
	Canadian Dollar	Buy	7/19/17	139,690	135,458	4,232
	Czech Koruna	Buy	7/19/17	162,520	149,483	13,037
	Czech Koruna	Sell	7/19/17	162,520	147,524	(14,996)
	Euro	Buy	7/19/17	157,044	146,913	10,131
	Euro	Sell	7/19/17	157,044	147,981	(9,063)
	Euro	Buy	9/20/17	308,361	303,208	5,153
	Japanese Yen	Sell	8/16/17	146,667	147,321	654
	New Zealand Dollar	Buy	7/19/17	145,645	146,112	(467)
	Norwegian Krone	Sell	9/20/17	301,335	297,010	(4,325)
	Swedish Krona	Buy	9/20/17	154,942	148,544	6,398
	Swedish Krona	Sell	9/20/17	153,285	149,569	(3,716)
	Turkish Lira	Sell	9/20/17	7,728	7,611	(117)
State Street Bank and Trust Co.						
	Australian Dollar	Buy	7/19/17	204,795	203,007	1,788
	British Pound	Sell	9/20/17	153,268	148,546	(4,722)
	Canadian Dollar	Buy	7/19/17	3,702	2,442	1,260
	Euro	Sell	9/20/17	574	94	(480)
	Japanese Yen	Buy	8/16/17	130,899	131,475	(576)
	New Zealand Dollar	Buy	7/19/17	302,572	295,405	7,167
	New Zealand Dollar	Sell	7/19/17	305,576	291,105	(14,471)
	Norwegian Krone	Sell	9/20/17	149,120	147,221	(1,899)
	Singapore Dollar	Sell	8/16/17	3,416	1,070	(2,346)
	Swedish Krona	Buy	9/20/17	390,474	377,519	12,955
UBSAG						
	Australian Dollar	Sell	7/19/17	47,414	40,388	(7,026)
	Canadian Dollar	Buy	7/19/17	155,348	151,166	4,182
	Euro	Buy	9/20/17	151,600	149,571	2,029
	Japanese Yen	Sell	8/16/17	148,432	152,188	3,756
	New Zealand Dollar	Sell	7/19/17	146,671	140,335	(6,336)
	Norwegian Krone	Sell	9/20/17	302,607	298,303	(4,304)
	Swedish Krona	Buy	9/20/17	155,062	148,995	6,067
	Turkish Lira	Buy	9/20/17	2,975	2,933	42
WestPac Banking Corp.						
	Australian Dollar	Sell	7/19/17	66,856	64,290	(2,566)
	Canadian Dollar	Buy	7/19/17	155,965	148,719	7,246
	Canadian Dollar	Sell	7/19/17	151,877	151,116	(761)
	Euro	Buy	9/20/17	149,536	147,014	2,522
	New Zealand Dollar	Sell	7/19/17	149,899	142,817	(7,082)
Total						\$8,752

FUTURES CONTRACTS OUTSTANDING at 6/30/17 (Unaudited)	Number of contracts	Value	Expiration date	Unrealized appreciation/ (depreciation)
MSCI EAFE Index Mini (Short)	8	\$755,840	Sep-17	\$2,504
Russell 2000 Index Mini (Long)	117	8,273,655	Sep-17	35,664
Russell 2000 Index Mini (Short)	34	2,404,310	Sep-17	(14,241)
S&P 500 Index E-Mini (Long)	41	4,962,845	Sep-17	(6,844)
S&P Mid Cap 400 Index E-Mini (Long)	6	1,047,660	Sep-17	6,140
Tokyo Price Index (Long)	11	1,576,039	Sep-17	2,205
U.S. Treasury Bond 30yr (Long)	8	1,229,500	Sep-17	8,859
U.S. Treasury Bond Ultra 30yr (Long)	14	2,322,250	Sep-17	36,722
U.S. Treasury Note 2yr (Long)	36	7,779,938	Sep-17	(11,884)
U.S. Treasury Note 2yr (Short)	26	5,618,844	Sep-17	8,073
U.S. Treasury Note 5yr (Long)	62	7,305,828	Sep-17	(17,967)
U.S. Treasury Note 10yr (Long)	20	2,510,625	Sep-17	(7,071)
U.S. Treasury Note 10yr (Short)	55	6,904,219	Sep-17	18,476
Total				\$60,636

WRITTEN SWAP OPTIONS OUTSTANDING at 6/30/17 (premiums \$38,821) (Unaudited)				
Counterparty	Fixed Obligation % to receive or (pay)/ Floating rate index/Maturity date	Expiration date/strike	Contract amount	Value
JPMorgan Chase Bank N.A.				
(6.00 Floor)/3 month USD-LIBOR-BBA/Mar-18		Mar-18/6.00	\$218,000	\$7,666
Total				\$7,666

WRITTEN OPTIONS OUTSTANDING at 6/30/17 (premiums \$9,440) (Unaudited)			
	Expiration date/strike price	Contract amount	Value
USD/CNH (Put)	Oct-17/CNH 6.60	\$1,491,100	\$883
USD/CNH (Put)	Oct-17/CNH 6.60	1,491,100	798
	Nov-17/JPY 103.00	889,050	2,534
Total			\$4,215

TBA SALE COMMITMENTS OUTSTANDING at 6/30/17 (proceeds receivable \$1,002,305) (Unaudited)			
	Principal amount	Settlement date	Value
Federal National Mortgage Association, 3.00%, 7/1/47	\$1,000,000	7/13/17	\$998,672
Total			\$998,672

CENTRALLY CLEARED INTEREST RATE SWAP CONTRACTS OUTSTANDING at 6/30/17 (Unaudited)

Notional amount	Upfront premium received (paid)	Termination date	Payments made by fund per annum	Payments received by fund per annum	Unrealized appreciation/ (depreciation)
\$4,030,000 ^E	\$(8,159)	9/20/19	3 month USD-LIBOR-BBA	1.70%	\$(6,712)
4,153,100 ^E	7,582	9/20/19	1.70%	3 month USD-LIBOR-BBA	6,091
1,555,400 ^E	8,068	9/20/27	2.20%	3 month USD-LIBOR-BBA	23,078
1,135,000 ^E	(5,930)	9/20/27	3 month USD-LIBOR-BBA	2.20%	(16,883)
1,933,000 ^E	4,062	9/20/22	1.90%	3 month USD-LIBOR-BBA	13,262
1,789,100 ^E	(3,833)	9/20/22	3 month USD-LIBOR-BBA	1.90%	(12,347)
215,500 ^E	2,272	9/20/47	2.45%	3 month USD-LIBOR-BBA	6,850
492,300 ^E	(5,213)	9/20/47	3 month USD-LIBOR-BBA	2.45%	(15,672)
Total	\$(1,151)				\$(2,333)

^E Extended effective date.

OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 6/30/17 (Unaudited)

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					
\$9,884	\$—	1/12/42	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	\$55
111,845	—	1/12/41	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	554
24,550	—	1/12/40	4.50% (1 month USD-LIBOR)	Synthetic MBX Index 4.50% 30 year Fannie Mae pools	(76)

OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 6/30/17 (Unaudited) 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.					
\$90,599	\$—	1/12/41	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	\$449
36,121	—	1/12/41	(5.00%) 1 month USD-LIBOR	Synthetic TRS Index 5.00% 30 year Fannie Mae pools	(164)
16,667	—	1/12/43	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	60
46,888	—	1/12/40	5.00% (1 month USD-LIBOR)	Synthetic MBX Index 5.00% 30 year Fannie Mae pools	(193)
175,506	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic MBX Index 5.00% 30 year Fannie Mae pools	(612)
27,664	—	1/12/38	(6.50%) 1 month USD-LIBOR	Synthetic MBX Index 6.50% 30 year Fannie Mae pools	15
Citibank, N.A.					
6,374	—	1/12/41	5.00% (1 month USD-LIBOR)	Synthetic MBX Index 5.00% 30 year Fannie Mae pools	(22)
baskets	42	12/1/17	(3 month USD-LIBOR-BBA plus 0.37%)	A basket (CGPUTQL2) of common stocks	(109,904)
units	841	11/27/17	3 month USD-LIBOR-BBA plus 0.09%	Russell 1000 Total Return Index	(71,375)
Credit Suisse International					
\$170,139	—	1/12/41	4.50% (1 month USD-LIBOR)	Synthetic MBX Index 4.50% 30 year Ginnie Mae II pools	(768)
43,702	—	1/12/45	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	246
159,953	—	1/12/41	(4.00%) 1 month USD-LIBOR	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(793)
Goldman Sachs International					
24,400	—	1/12/42	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	136
24,400	—	1/12/42	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	136
111,215	—	1/12/40	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	395
JPMorgan Securities LLC					
42,491	—	1/12/41	(4.00%) 1 month USD-LIBOR	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(211)
58,684	—	1/12/42	(4.00%) 1 month USD-LIBOR	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(326)
Total	\$—				\$(182,398)

OTC CREDIT DEFAULT CONTRACTS OUTSTANDING at 6/30/17 (Unaudited)

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	\$273	\$4,000	5/11/63	300 bp	\$(192)
CMBX NA BBB- Index	BBB-/P	482	8,000	5/11/63	300 bp	(448)
CMBX NA BBB- Index	BBB-/P	926	15,000	5/11/63	300 bp	(818)
CMBX NA BBB- Index	BBB-/P	912	16,000	5/11/63	300 bp	(949)
Credit Suisse International						
CMBX NAA Index	A/P	260	8,000	5/11/63	200 bp	6
CMBX NAA Index	A/P	753	24,000	5/11/63	200 bp	(15)
CMBX NAA Index	A/P	184	5,000	1/17/47	200 bp	79
CMBX NAA Index	A/P	291	7,000	1/17/47	200 bp	144
CMBX NA BB Index	—	(1,553)	88,000	5/11/63	(500 bp)	14,565
CMBX NA BB Index	—	(4,277)	26,000	1/17/47	(500 bp)	(123)
CMBX NA BBB- Index	BBB-/P	33,039	309,000	5/11/63	300 bp	(2,898)
CMBX NA BBB- Index	BBB-/P	1,379	21,000	1/17/47	300 bp	(486)
CMBX NA BBB- Index	BBB-/P	3,400	46,000	1/17/47	300 bp	(685)
CMBX NA BBB- Index	BBB-/P	3,794	48,000	1/17/47	300 bp	(468)
Goldman Sachs International						
CMBX NA BB Index	—	(2,762)	27,000	5/11/63	(500 bp)	2,183
CMBX NA BB Index	—	(303)	2,000	1/17/47	(500 bp)	17
CMBX NAA Index	A/P	468	9,000	5/11/63	200 bp	182
CMBX NAA Index	A/P	456	9,000	5/11/63	200 bp	170
CMBX NAA Index	A/P	456	9,000	5/11/63	200 bp	170
CMBX NAA Index	A/P	427	14,000	5/11/63	200 bp	(21)
CMBX NAA Index	A/P	433	14,000	5/11/63	200 bp	(14)
CMBX NAA Index	A/P	1,018	20,000	5/11/63	200 bp	382
CMBX NAA Index	A/P	753	24,000	5/11/63	200 bp	(15)
CMBX NAA Index	A/P	1,868	31,000	5/11/63	200 bp	883
CMBX NAA Index	A/P	3,382	55,000	5/11/63	200 bp	1,635
CMBX NA BB Index	—	(2,234)	11,000	1/17/47	(500 bp)	(476)
CMBX NA BB Index	—	(983)	6,000	1/17/47	(500 bp)	(24)
CMBX NA BBB- Index	BBB-/P	79	1,000	5/11/63	300 bp	(37)
CMBX NA BBB- Index	BBB-/P	204	3,000	5/11/63	300 bp	(145)
CMBX NA BBB- Index	BBB-/P	261	5,000	5/11/63	300 bp	(321)
CMBX NA BBB- Index	BBB-/P	248	5,000	5/11/63	300 bp	(333)
CMBX NA BBB- Index	BBB-/P	244	5,000	5/11/63	300 bp	(338)
CMBX NA BBB- Index	BBB-/P	604	7,000	5/11/63	300 bp	(210)
CMBX NA BBB- Index	BBB-/P	919	19,000	5/11/63	300 bp	(1,290)
CMBX NA BBB- Index	BBB-/P	2,679	22,000	5/11/63	300 bp	120
CMBX NA BBB- Index	BBB-/P	4,033	43,000	5/11/63	300 bp	(968)
CMBX NA BBB- Index	BBB-/P	3,608	48,000	5/11/63	300 bp	(1,974)
CMBX NA BBB- Index	BBB-/P	596	7,000	1/17/47	300 bp	(25)
CMBX NA BBB- Index	BBB-/P	1,575	20,000	1/17/47	300 bp	(201)
CMBX NA BBB- Index	BBB-/P	1,700	23,000	1/17/47	300 bp	(342)
JPMorgan Securities LLC						
CMBX NAA Index	A/P	964	19,000	5/11/63	200 bp	360
CMBX NAA Index	A/P	786	24,000	5/11/63	200 bp	18
CMBX NAA Index	A/P	726	24,000	5/11/63	200 bp	(37)
CMBX NAA Index	A/P	1,707	29,000	5/11/63	200 bp	785
CMBX NAA Index	A/P	2,902	60,000	5/11/63	200 bp	996
CMBX NAA Index	A/P	7,232	120,000	5/11/63	200 bp	3,420
CMBX NAA Index	—	(169)	8,000	1/17/47	(200 bp)	—
CMBX NA BB Index	—	(532)	4,000	5/11/63	(500 bp)	201
CMBX NA BB Index	—	(288)	2,000	5/11/63	(500 bp)	79

OTC CREDIT DEFAULT CONTRACTS OUTSTANDING at 6/30/17 (Unaudited) cont.

Swap counterparty/ Referenced debt*	Rating***	Upfront premium received (paid)**	Notional amount	Termination date	Payments received (paid) by fund per annum	Unrealized appreciation/ (depreciation)
JPMorgan Securities LLC cont.						
CMBX NA BB Index	—	\$(141)	\$1,000	5/11/63	(500 bp)	\$43
CMBX NA BB Index	—	(1,027)	6,000	1/17/47	(500 bp)	(69)
CMBX NA BB Index	—	(487)	3,000	1/17/47	(500 bp)	(8)
CMBX NA BBB- Index	BBB-/P	69	1,000	5/11/63	300 bp	(47)
CMBX NA BBB- Index	BBB-/P	292	2,000	5/11/63	300 bp	59
CMBX NA BBB- Index	BBB-/P	123	2,000	5/11/63	300 bp	(109)
CMBX NA BBB- Index	BBB-/P	327	4,000	5/11/63	300 bp	(138)
CMBX NA BBB- Index	BBB-/P	567	5,000	5/11/63	300 bp	(14)
CMBX NA BBB- Index	BBB-/P	569	5,000	5/11/63	300 bp	(13)
CMBX NA BBB- Index	BBB-/P	320	5,000	5/11/63	300 bp	(261)
CMBX NA BBB- Index	BBB-/P	266	5,000	5/11/63	300 bp	(315)
CMBX NA BBB- Index	BBB-/P	255	5,000	5/11/63	300 bp	(327)
CMBX NA BBB- Index	BBB-/P	398	9,000	5/11/63	300 bp	(649)
CMBX NA BBB- Index	BBB-/P	1,441	10,000	5/11/63	300 bp	278
CMBX NA BBB- Index	BBB-/P	1,747	12,000	5/11/63	300 bp	352
CMBX NA BBB- Index	BBB-/P	1,494	27,000	5/11/63	300 bp	(1,647)
CMBX NA BBB- Index	BBB-/P	1,591	30,000	5/11/63	300 bp	(1,898)
CMBX NA BBB- Index	BBB-/P	14,094	167,000	5/11/63	300 bp	(5,328)
CMBX NA BBB- Index	BBB-/P	2,909	22,000	1/17/47	300 bp	955
CMBX NA BBB- Index	BBB-/P	3,264	27,000	1/17/47	300 bp	866
Total		\$100,991				\$4,272

*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 June 30, 2017. Securities rated by Fitch are indicated by "/F." Securities rated by Putnam are indicated by "/P." The Putnam rating categories are comparable to the Standard & Poor's classifications.

CENTRALLY CLEARED CREDIT DEFAULT CONTRACTS OUTSTANDING at 6/30/17 (Unaudited)

Referenced debt*	Rating***	Upfront premium received (paid)**	Notional amount	Termination Date	Payments received (paid) by fund per annum	Unrealized appreciation/ (depreciation)
NA HY Series 28 Index	B+/P	\$(135,674)	\$1,958,000	6/20/22	500 bp	\$2,310
NA HY Series 28 Index	B+/P	23,100	313,000	6/20/22	500 bp	1,043
NA IG Series 28 Index	BBB+/P	(69,982)	4,300,000	6/20/22	100 bp	11,126
Total		\$(182,556)				\$14,479

*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 June 30, 2017. Securities rated by Fitch are indicated by "/F." 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*:			
Basic materials	\$2,700,322	\$—	\$—
Capital goods	5,071,375	—	—
Communication services	2,440,845	—	271
Conglomerates	639,638	—	—
Consumer cyclicals	10,843,552	—	—
Consumer staples	8,309,705	—	17,146
Energy	4,139,115	1,339	1,215
Financials	15,438,209	—	—
Health care	10,569,046	—	—
Technology	15,139,849	—	—
Transportation	2,421,832	—	—
Utilities and power	2,799,074	2,019	—
Total common stocks	80,512,562	3,358	18,632
Asset-backed securities	—	40,667	—
Convertible bonds and notes	—	26,593	—
Convertible preferred stocks	—	17,405	—
Corporate bonds and notes	—	23,570,214	3
Foreign government and agency bonds and notes	—	425,569	—
Mortgage-backed securities	—	2,730,279	—
Preferred stocks	17,816	—	—
Purchased options outstanding	—	11,831	—
Senior loans	—	249,000	—
U.S. government and agency mortgage obligations	—	17,301,660	—
Warrants	151	47,837	—
Short-term investments	24,764,913	2,188,891	—
Totals by level	\$105,295,442	\$46,613,304	\$18,635

Other financial instruments:	Valuation inputs		
	Level 1	Level 2	Level 3
Forward currency contracts	\$—	\$8,752	\$—
Futures contracts	60,636	—	—
Written options outstanding	—	(4,215)	—
Written swap options outstanding	—	(7,666)	—
TBA sale commitments	—	(998,672)	—
Interest rate swap contracts	—	(1,182)	—
Total return swap contracts	—	(182,398)	—
Credit default contracts	—	100,316	—
Totals by level	\$60,636	\$(1,085,065)	\$—

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

During the reporting period, transfers 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.

At the start and close of the reporting period, Level 3 investments in securities represented less than 1% of the fund's net assets and were not considered a significant portion of the fund's portfolio.

Statement of assets and liabilities

6/30/17 (Unaudited)

Assets

Investment in securities, at value, including \$1,160,454 of securities on loan (Note 1):	
Unaffiliated issuers (identified cost \$113,787,550)	\$125,973,415
Affiliated issuers (identified cost \$25,953,966) (Notes 1 and 5)	25,953,966
Cash	2,028
Foreign currency (cost \$12,311) (Note 1)	12,355
Dividends, interest and other receivables	617,557
Receivable for shares of the fund sold	44,914
Receivable for investments sold	151,906
Receivable for sales of delayed delivery securities (Note 1)	1,003,305
Receivable for variation margin on futures contracts (Note 1)	24,992
Receivable for variation margin on centrally cleared swap contracts (Note 1)	16,901
Unrealized appreciation on forward currency contracts (Note 1)	239,773
Unrealized appreciation on OTC swap contracts (Note 1)	30,994
Premium paid on OTC swap contracts (Note 1)	14,756
Total assets	154,086,862

Liabilities

Payable for investments purchased	186,911
Payable for purchases of delayed delivery securities (Note 1)	3,269,683
Payable for shares of the fund repurchased	113,458
Payable for compensation of Manager (Note 2)	72,329
Payable for custodian fees (Note 2)	52,888
Payable for investor servicing fees (Note 2)	16,985
Payable for Trustee compensation and expenses (Note 2)	137,450
Payable for administrative services (Note 2)	580
Payable for distribution fees (Note 2)	9,061
Payable for variation margin on futures contracts (Note 1)	68,769
Payable for variation margin on centrally cleared swap contracts (Note 1)	10,344
Unrealized depreciation on OTC swap contracts (Note 1)	209,120
Premium received on OTC swap contracts (Note 1)	115,747
Unrealized depreciation on forward currency contracts (Note 1)	231,021
Written options outstanding, at value (premiums \$48,261) (Notes 1 and 3)	11,881
TBA sale commitments, at value (proceeds receivable \$1,002,305) (Note 1)	998,672
Collateral on securities loaned, at value (Note 1)	1,189,053
Other accrued expenses	86,063
Total liabilities	6,780,015
Net assets	\$147,306,847

Represented by

Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	\$129,013,636
Undistributed net investment income (Note 1)	890,352
Accumulated net realized gain on investments and foreign currency transactions (Note 1)	5,272,760
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	12,130,099
Total — Representing net assets applicable to capital shares outstanding	\$147,306,847

Computation of net asset value Class IA

Net assets	\$103,338,674
Number of shares outstanding	6,165,683
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$16.76

Computation of net asset value Class IB

Net assets	\$43,968,173
Number of shares outstanding	2,592,749
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$16.96

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

Statement of operations

Six months ended 6/30/17 (Unaudited)

Investment income

Interest (including interest income of \$105,493 from investments in affiliated issuers) (Note 5)	\$1,058,576
Dividends (net of foreign tax of \$37,407)	901,121
Securities lending (net of expenses) (Notes 1 and 5)	4,559
Total investment income	1,964,256

Expenses

Compensation of Manager (Note 2)	432,749
Investor servicing fees (Note 2)	51,316
Custodian fees (Note 2)	31,748
Trustee compensation and expenses (Note 2)	5,359
Distribution fees (Note 2)	53,020
Administrative services (Note 2)	1,724
Auditing and tax fees	67,162
Other	30,593

Total expenses **673,671**

Expense reduction (Note 2) (345)

Net expenses **673,326**

Net investment income **1,290,930**

Net realized gain on securities from unaffiliated issuers (net of foreign tax of \$555) (Notes 1 and 3)	5,015,011
Net realized gain on forward currency contracts (Note 1)	125,294
Net realized loss on foreign currency transactions (Note 1)	(2,106)
Net realized gain on swap contracts (Note 1)	310,610
Net realized gain on futures contracts (Note 1)	966,919
Net realized loss on written options (Notes 1 and 3)	(20,178)
Net unrealized appreciation of securities in unaffiliated issuers and TBA sale commitments during the period	2,070,276
Net unrealized appreciation of forward currency contracts during the period	65,992
Net unrealized appreciation of assets and liabilities in foreign currencies during the period	1,428
Net unrealized depreciation of swap contracts during the period	(329,829)
Net unrealized appreciation of futures contracts during the period	126,231
Net unrealized appreciation of written options during the period	9,169
Net unrealized depreciation of when-issued securities during the period	(2,339)

Net gain on investments **8,336,478**

Net increase in net assets resulting from operations **\$9,627,408**

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

Statement of changes in net assets

	Six months ended 6/30/17*	Year ended 12/31/16
Increase (decrease) in net assets		
Operations:		
Net investment income	\$1,290,930	\$2,334,851
Net realized gain on investments and foreign currency transactions	6,395,550	5,137,606
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	1,940,928	2,115,385
Net increase in net assets resulting from operations	9,627,408	9,587,842
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class IA	(1,788,913)	(2,372,227)
Class IB	(637,380)	(809,323)
Net realized short-term gain on investments		
Class IA	(30,116)	(1,029,220)
Class IB	(12,498)	(403,431)
From net realized long-term gain on investments		
Class IA	(3,613,966)	(6,551,867)
Class IB	(1,499,718)	(2,568,185)
Increase (decrease) from capital share transactions (Note 4)	714,450	(7,424,055)
Total increase (decrease) in net assets	2,759,267	(11,570,466)
Net assets:		
Beginning of period	144,547,580	156,118,046
End of period (including undistributed net investment income of \$890,352 and \$2,025,715, respectively)	\$147,306,847	\$144,547,580

* Unaudited.

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	From net realized gain on investments	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													
6/30/17†	\$16.55	.15	.97	1.12	(.30)	(.61)	(.91)	\$16.76	6.87*	\$103,339	.42*	.92*	127* ^e
12/31/16	17.06	.27	.81	1.08	(.38)	(1.21)	(1.59)	16.55	6.98	103,689	.87 ^{f,g}	1.66 ^{f,g}	384 ^e
12/31/15	19.21	.27	(.11)	.16	(.48)	(1.83)	(2.31)	17.06	.42	112,027	.86	1.51	339 ^e
12/31/14	18.77	.32	1.40	1.72	(.51)	(.77)	(1.28)	19.21	9.66	131,554	.87	1.73	339 ^e
12/31/13	16.01	.31	2.81	3.12	(.36)	—	(.36)	18.77	19.78	139,872	.89	1.82	164 ^h
12/31/12	14.11	.34	1.71	2.05	(.15)	—	(.15)	16.01	14.58	135,792	.89	2.20	200 ^h
Class IB													
6/30/17†	\$16.72	.13	.98	1.11	(.26)	(.61)	(.87)	\$16.96	6.72*	\$43,968	.55*	.79*	127* ^e
12/31/16	17.21	.23	.82	1.05	(.33)	(1.21)	(1.54)	16.72	6.71	40,859	1.12 ^{f,g}	1.41 ^{f,g}	384 ^e
12/31/15	19.35	.23	(.12)	.11	(.42)	(1.83)	(2.25)	17.21	.17	44,091	1.11	1.26	339 ^e
12/31/14	18.88	.28	1.41	1.69	(.45)	(.77)	(1.22)	19.35	9.42	51,339	1.12	1.48	339 ^e
12/31/13	16.10	.27	2.83	3.10	(.32)	—	(.32)	18.88	19.49	57,856	1.14	1.58	164 ^h
12/31/12	14.20	.30	1.71	2.01	(.11)	—	(.11)	16.10	14.20	71,616	1.14	1.96	200 ^h

* Not annualized.

† Unaudited.

^a Per share net investment income (loss) has been determined on the basis of 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 Portfolio turnover includes TBA purchase and sale commitments.

^f Reflects an involuntary contractual expense limitation in effect during the period. As a result of such limitation, the expenses of each class reflect a reduction of the following amounts:

	Percentage of average net assets
December 31, 2016	0.02%

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

^h 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	376%
December 31, 2012	409

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

Notes to financial statements 6/30/17 (Unaudited)

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, 2017 through June 30, 2017.

Putnam VT Global Asset Allocation 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 long-term return consistent with preservation of capital. The fund invests a majority of its assets in a diversified portfolio of equity securities (growth or value stocks or both) of both U.S. and foreign companies of any size. Putnam Management may consider, among other factors, a company’s valuation, financial strength, growth potential, competitive position in its industry, projected future earnings, cash flows and dividends when deciding whether to buy or sell equity investments. The fund also invests in a diversified portfolio of fixed income investments, including both U.S. and foreign government obligations, corporate obligations and securitized debt instruments (such as mortgage-backed investments). 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 fixed-income investments. Putnam Management may also select other investments that do not fall within these asset classes. Putnam Management may also use to a significant extent derivatives, such as futures, options, certain foreign currency transactions, warrants 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 (including when-issued securities sold, if any) 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 (ask price for when-issued securities sold, if any) 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 forward commitment or 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 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 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, to gain exposure to interest rates, to hedge against changes in values of securities it owns, owned or expects to own, to hedge prepayment risk, to generate additional income for the portfolio, to enhance returns on securities owned, to enhance the return on a security owned, to gain exposure to securities 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 to manage exposure to market risk, to hedge prepayment risk, to hedge interest rate risk, to gain exposure to interest rates and to equitize cash.

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 to hedge foreign exchange risk 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, to hedge interest rate risk, to gain exposure on interest rates and to hedge prepayment risk.

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, to manage exposure to specific sectors or industries, to manage exposure to specific securities, to gain exposure to a basket of securities, to gain exposure to specific markets or countries and to gain exposure to specific sectors or industries.

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, to hedge market risk and to gain exposure on individual names and/or baskets of securities.

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 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 \$308,356 on open derivative contracts subject to the Master Agreements. Collateral posted by the fund at period end for these agreements totaled \$199,980 and may include amounts related to unsettled agreements.

Securities lending The fund may lend securities, through its agent, to qualified borrowers in order to earn additional income. The loans are collateralized by cash in an amount at least equal to the fair value of the securities loaned. The fair value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The remaining maturities of the securities lending transactions are considered overnight and continuous. The risk of borrower default will be borne by the fund's agent; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending, net of expenses, is included in investment income on the Statement of operations. Cash collateral is invested in Putnam Cash Collateral Pool, LLC, a limited liability company managed by an affiliate of Putnam Management. Investments in Putnam Cash Collateral Pool, LLC are valued at its closing net asset value each business day. There are no management fees charged to Putnam Cash Collateral Pool, LLC. At the close of the reporting period, the fund received cash collateral of \$1,189,053 and the value of securities loaned amounted to \$1,160,454.

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.

The aggregate identified cost on a tax basis is \$140,782,344, resulting in gross unrealized appreciation and depreciation of \$13,912,674 and \$2,767,637, respectively, or net unrealized appreciation of \$11,145,037.

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. Dividend sources are estimated at the time of declaration. Actual results may vary. Any non-taxable return of capital cannot be determined until final tax calculations are completed after the end of the fund's fiscal year. 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.

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 42.7% 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:

0.750%	of the first \$5 billion,
0.700%	of the next \$5 billion,
0.650%	of the next \$10 billion,
0.600%	of the next \$10 billion,
0.550%	of the next \$50 billion,
0.530%	of the next \$50 billion,
0.520%	of the next \$100 billion and
0.515%	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 0.295% of the fund's average net assets.

Putnam Management has contractually agreed, through April 30, 2019, 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 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 0.35% of the average net assets of the portion of the fund managed by PIL.

The Putnam Advisory Company, LLC (PAC), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund, as designated from time to time by Putnam Management or PIL. PAC did not manage any portion of the assets of the fund during the reporting period. If Putnam Management or PIL were to engage the services of PAC, Putnam Management or PIL, as applicable, would pay a quarterly sub-advisory fee to PAC for its services at the annual rate of 0.35% of the average net assets of the portion of the fund's assets for which PAC is engaged as sub-adviser.

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	\$36,342
Class IB	14,974
Total	\$51,316

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. The fund also reduced expenses through brokerage/service arrangements. For the reporting period, the fund's expenses were reduced by \$57 under the expense offset arrangements and by \$288 under the brokerage/service arrangements.

Each Independent Trustee of the fund receives an annual Trustee fee, of which \$112, 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 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)	\$154,969,663	\$ 158,397,515
U.S. government securities (Long-term)	—	—
When-issued securities sold short	102,400	—
Total	\$155,072,063	\$158,397,515

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.

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	\$ 218,000	\$ 38,821	\$ 578,700	\$ 6,453
	EUR	—	\$ —	—	\$ —
Options opened	USD	—	—	8,544,169	27,839
	EUR	—	—	555,500	4,974
Options exercised	USD	—	—	—	—
	EUR	—	—	—	—
Options expired	USD	—	—	(3,619)	(2,529)
	EUR	—	—	—	—
Options closed	USD	—	—	(5,248,000)	(22,323)
	EUR	—	—	(555,500)	(4,974)
Written options outstanding at the end of the reporting period	USD	\$ 218,000	\$ 38,821	\$ 3,871,250	\$ 9,440
	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			
	Six months ended 6/30/17		Year ended 12/31/16		Six months ended 6/30/17		Year ended 12/31/16	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Shares sold	44,185	\$740,770	116,118	\$1,844,518	251,341	\$4,309,844	136,016	\$2,212,605
Shares issued in connection with reinvestment of distributions	332,904	5,432,995	645,063	9,953,314	130,121	2,149,596	242,058	3,780,939
	377,089	6,173,765	761,181	11,797,832	381,462	6,459,440	378,074	5,993,544
Shares repurchased	(475,799)	(7,975,614)	(1,062,834)	(17,127,011)	(232,826)	(3,943,141)	(496,487)	(8,088,420)
Net increase (decrease)	(98,710)	\$(1,801,849)	(301,653)	\$(5,329,179)	148,636	\$2,516,299	(118,413)	\$(2,094,876)

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 as of 12/31/16	Purchase cost	Sale proceeds	Investment income	Shares outstanding and Fair value as of 6/30/17
Short-term investments					
Putnam Cash Collateral Pool, LLC*	\$1,653,743	\$8,285,962	\$8,750,652	\$6,649	\$1,189,053
Putnam Short Term Investment Fund**	27,962,187	20,921,671	24,118,945	105,493	24,764,913
Total Short-term investments	\$29,615,930	\$29,207,633	\$32,869,597	\$112,142	\$25,953,966

* No management fees are charged to Putnam Cash Collateral Pool, LLC (Note 1). Investment income shown is included in securities lending income on the Statement of operations. There were no realized or unrealized gains or losses during the period.

** Management fees charged to Putnam Short Term Investment Fund have been waived by Putnam Management. There were no realized or unrealized gains or losses during the period.

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 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 equity option contracts (contract amount)	\$2
Purchased currency options (contract amount)	\$2,200,000
Written equity option contracts (contract amount) (Note 3)	\$2
Written currency options (contract amount) (Note 3)	\$2,200,000
Written swap option contracts (contract amount) (Note 3)	\$220,000
Futures contracts (number of contracts)	400
Forward currency contracts (contract amount)	\$31,900,000
Centrally cleared interest rate swap contracts (notional)	\$14,900,000
OTC total return swap contracts (notional)	\$15,700,000
OTC credit default contracts (notional)	\$1,700,000
Centrally cleared credit default contracts (notional)	\$6,400,000
Warrants (number of warrants)	10,000

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, Net assets — Unrealized appreciation	\$250,236*	Payables, Net assets — Unrealized depreciation	\$149,920*
Foreign exchange contracts	Investments, Receivables	251,604	Payables	235,236
Equity contracts	Investments, Receivables, Net assets — Unrealized appreciation	94,501*	Payables, Net assets — Unrealized depreciation	202,364*
Interest rate contracts	Investments, Receivables, Net assets — Unrealized appreciation	104,411*	Payables, Net assets — Unrealized depreciation	79,170*
Total		\$700,752		\$666,690

* Includes cumulative appreciation/depreciation of futures contracts and/or 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 (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	Warrants	Options	Futures	Forward currency contracts	Swaps	Total
Credit contracts	\$—	\$—	\$—	\$—	\$123,153	\$123,153
Foreign exchange contracts	—	24,865	—	125,294	—	\$150,159
Equity contracts	7,495	(3,024)	885,725	—	197,136	\$1,087,332
Interest rate contracts	—	(5,482)	81,194	—	(9,679)	\$66,033
Total	\$7,495	\$16,359	\$966,919	\$125,294	\$310,610	\$1,426,677

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	\$—	\$—	\$—	\$—	\$(75,155)	\$(75,155)
Foreign exchange contracts	—	(4,301)	—	65,992	—	\$61,691
Equity contracts	13,385	—	66,109	—	(247,671)	\$(168,177)
Interest rate contracts	—	5,495	60,122	—	(7,003)	\$58,614
Total	\$13,385	\$1,194	\$126,231	\$65,992	\$(329,829)	\$(123,027)

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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	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.	UBSAG	WestPac Banking Corp.	Total
Assets:															
Centrally cleared interest rate swap contracts [§]	\$—	\$—	\$10,451	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$10,451
OTC Total return swap contracts**	—	1,133	—	—	246	667	—	—	—	—	—	—	—	—	2,046
OTC Credit default contracts**	—	—	—	—	20,272	7,982	—	—	2,890	—	—	—	—	—	31,144
Centrally cleared credit default contracts [§]	—	—	6,450	—	—	—	—	—	—	—	—	—	—	—	6,450
Futures contracts [§]	—	—	—	—	—	—	—	—	—	24,992	—	—	—	—	24,992
Forward currency contracts [†]	34,276	24,174	—	11,832	9,887	8,678	15,238	42,045	—	—	44,629	23,170	16,076	9,768	239,773
Purchased options**	9,129	—	—	—	—	2,702	—	—	—	—	—	—	—	—	11,831
Total Assets	\$43,405	\$25,307	\$16,901	\$11,832	\$30,405	\$20,029	\$15,238	\$42,045	\$2,890	\$24,992	\$44,629	\$23,170	\$16,076	\$9,768	\$326,687
Liabilities:															
Centrally cleared interest rate swap contracts [§]	—	—	10,344	—	—	—	—	—	—	—	—	—	—	—	10,344
OTC Total return swap contracts**	—	1,045	—	181,301	1,561	—	—	—	537	—	—	—	—	—	184,444
OTC Credit default contracts**	5,000	—	—	—	47,423	28,703	—	—	46,737	—	—	—	—	—	127,863
Centrally cleared credit default contracts [§]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Futures contracts [§]	—	—	—	—	—	—	—	—	—	68,769	—	—	—	—	68,769
Forward currency contracts [†]	32,072	15,040	—	35,199	7,490	11,367	1,380	43,220	—	—	32,684	24,494	17,666	10,409	231,021
Written swap options [†]	—	—	—	—	—	—	—	7,666	—	—	—	—	—	—	7,666
Written options [†]	3,417	—	—	—	—	798	—	—	—	—	—	—	—	—	4,215
Total Liabilities	\$40,489	\$16,085	\$10,344	\$216,500	\$56,474	\$40,868	\$1,380	\$50,886	\$47,274	\$68,769	\$32,684	\$24,494	\$17,666	\$10,409	\$634,322
Total Financial and Derivative Net Assets	\$2,916	\$9,222	\$6,557	\$(204,668)	\$(26,069)	\$(20,839)	\$13,858	\$(8,841)	\$(44,384)	\$(43,777)	\$11,945	\$(1,324)	\$(1,590)	\$(641)	\$(307,635)
Total collateral received (pledged) ^{†##}	\$—	\$—	\$—	\$(199,980)	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Net amount	\$2,916	\$9,222	\$6,557	\$(4,688)	\$(26,069)	\$(20,839)	\$13,858	\$(8,841)	\$(44,384)	\$(43,777)	\$11,945	\$(1,324)	\$(1,590)	\$(641)	\$(307,635)

* 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 has evaluated the amendments and its adoption will have no effect on the fund's net assets or results of operations.

Trustee approval of management contract

General conclusions

The Board of Trustees of The Putnam Funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of your fund's management contract with Putnam Investment Management, LLC ("Putnam Management"), the sub-management contract with respect to your fund between Putnam Management and its affiliate, Putnam Investments Limited ("PIL"), and the sub-advisory contract among Putnam Management, PIL, and another affiliate, The Putnam Advisory Company ("PAC"). The Board, with the assistance of its Contract Committee, requests and evaluates all information it deems reasonably necessary under the circumstances in connection with its annual contract review. The Contract Committee consists solely of Trustees who are not "interested persons" (as this term is defined in the Investment Company Act of 1940, as amended (the "1940 Act")) of The Putnam Funds ("Independent Trustees").

At the outset of the review process, members of the Board's independent staff and independent legal counsel discussed with representatives of Putnam Management the annual contract review materials furnished to the Contract Committee during the course of the previous year's review, identifying possible changes in these materials that might be necessary or desirable for the coming year. Following these discussions and in consultation with the Contract Committee, the Independent Trustees' independent legal counsel requested that Putnam Management and its affiliates furnish specified information, together with any additional information that Putnam Management considered relevant, to the Contract Committee. Over the course of several months ending in June 2017, the Contract Committee met on a number of occasions with representatives of Putnam Management, and separately in executive session, to consider the information that Putnam Management provided. Throughout this process, the Contract Committee was assisted by the members of the Board's independent staff and by independent legal counsel for The Putnam Funds and the Independent Trustees.

In May 2017, the Contract Committee met in executive session to discuss and consider its recommendations with respect to the continuance of the contracts. At the Trustees' June 2017 meeting, the Contract Committee met in executive session with the other Independent Trustees to review a summary of the key financial, performance and other data that the Contract Committee considered in the course of its review. The Contract Committee then presented its written report, which summarized the key factors that the Committee had considered and set forth its recommendations. The Contract Committee recommended, and the Independent Trustees approved, the continuance of your fund's management, sub-management and sub-advisory contracts, effective July 1, 2017. (Because PIL and PAC are affiliates of Putnam Management and Putnam Management remains fully responsible for all services provided by PIL and PAC, the Trustees have not attempted to evaluate PIL or PAC as separate entities, and all subsequent references to Putnam Management below should be deemed to include reference to PIL and PAC as necessary or appropriate in the context.)

The Independent Trustees' approval was based on the following conclusions:

- That the fee schedule in effect for your fund represented reasonable compensation in light of the nature and quality of the services being provided to the fund, the fees paid by competitive funds, the costs incurred by Putnam Management in providing services to the fund,

and the continued application of certain reductions and waivers noted below; and

- That the fee schedule in effect for your fund represented an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the fund at current asset levels.

These conclusions were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations and how the Trustees considered these factors are described below, although individual Trustees may have evaluated the information presented differently, giving different weights to various factors. It is also important to recognize that the management arrangements for your fund and the other Putnam funds are the result of many years of review and discussion between the Independent Trustees and Putnam Management, that some aspects of the arrangements may receive greater scrutiny in some years than others, and that the Trustees' conclusions may be based, in part, on their consideration of fee arrangements in previous years. For example, with some minor exceptions, the funds' current fee arrangements under the management contracts were first implemented at the beginning of 2010 following extensive review by the Contract Committee and discussions with representatives of Putnam Management, as well as approval by shareholders.

Management fee schedules and total expenses

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints. The Trustees also reviewed the total expenses of each Putnam fund, recognizing that in most cases management fees represented the major, but not the sole, determinant of total costs to fund shareholders. (In a few instances, funds have implemented so-called "all-in" management fees covering substantially all routine fund operating costs.)

In reviewing fees and expenses, the Trustees generally focus their attention on material changes in circumstances — for example, changes in assets under management, changes in a fund's investment strategy, changes in Putnam Management's operating costs or profitability, or changes in competitive practices in the mutual fund industry — that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not indicate that changes to the management fee structure for your fund would be appropriate at this time.

Under its management contract, your fund has the benefit of breakpoints in its management fee schedule that provide shareholders with economies of scale in the form of reduced fee rates as assets under management in the Putnam family of funds increase. The Trustees concluded that the fee schedule in effect for your fund represented an appropriate sharing of economies of scale between fund shareholders and Putnam Management.

As in the past, the Trustees also focused on the competitiveness of each fund's total expense ratio. In order to support the effort to have fund expenses meet competitive standards, the Trustees and Putnam Management have implemented a contractual expense limitation applicable to specified open-end funds, including your fund, of 20 basis points on so-called "other expenses" (i.e., all expenses exclusive of management fees, distribution fees, investor servicing fees, investment-related expenses, interest, taxes, brokerage commissions, acquired fund fees

and expenses and extraordinary expenses). This expense limitation attempts to maintain competitive expense levels for the funds. Most funds had sufficiently low expenses that this expense limitation was not operative. However, in the case of your fund, this expense limitation was operative during its fiscal year ending in 2016. Putnam Management has agreed to maintain this expense limitation until at least April 30, 2019 and has agreed to implement a contractual expense limitation applicable to specified retail open-end funds, including your fund, of 25 basis points on investor servicing fees and expenses until at least August 31, 2018. Putnam Management's support for these expense limitation arrangements was an important factor in the Trustees' decision to approve the continuance of your fund's management, sub-management and sub-advisory contracts.

The Trustees reviewed comparative fee and expense information for a custom group of competitive funds selected by Broadridge Financial Solutions, Inc. ("Broadridge"). This comparative information included your fund's percentile ranking for effective management fees and total expenses (excluding any applicable 12b-1 fee), which provides a general indication of your fund's relative standing. In the custom peer group, your fund ranked in the second quintile in effective management fees (determined for your fund and the other funds in the custom peer group based on fund asset size and the applicable contractual management fee schedule) and in the fourth quintile in total expenses (excluding any applicable 12b-1 fees) as of December 31, 2016. The first quintile represents the least expensive funds and the fifth quintile the most expensive funds. The fee and expense data reported by Broadridge as of December 31, 2016 reflected the most recent fiscal year-end data available in Broadridge's database at that time.

In connection with their review of fund management fees and total expenses, the Trustees also reviewed the costs of the services provided and the profits realized by Putnam Management and its affiliates from their contractual relationships with the funds. This information included trends in revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management, investor servicing and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability, allocated on a fund-by-fund basis, with respect to the funds' management, distribution, and investor servicing contracts. For each fund, the analysis presented information about revenues, expenses and profitability for each of the agreements separately and for the agreements taken together on a combined basis. The Trustees concluded that, at current asset levels, the fee schedules in place represented reasonable compensation for the services being provided and represented an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the Putnam funds at that time.

The information examined by the Trustees in connection with their annual contract review for the Putnam funds included information regarding fees charged by Putnam Management and its affiliates to institutional clients, including defined benefit pension and profit-sharing plans, charities, college endowments, foundations, sub-advised third-party mutual funds, state, local and non-U.S. government entities, and corporations. This information included, in cases where an institutional product's investment strategy corresponds with a fund's strategy, comparisons of those fees with fees charged to the Putnam funds, as well as an assessment of the differences in the services provided to these different types of clients as compared to the services provided to the Putnam Funds. The Trustees observed that the differences in fee rates between these

clients and the Putnam funds are by no means uniform when examined by individual asset sectors, suggesting that differences in the pricing of investment management services to these types of clients may reflect, among other things, historical competitive forces operating in separate markets. The Trustees considered the fact that in many cases fee rates across different asset classes are higher on average for mutual funds than for institutional clients, as well as the differences between the services that Putnam Management provides to the Putnam funds and those that it provides to its other clients. The Trustees did not rely on these comparisons to any significant extent in concluding that the management fees paid by your fund are reasonable.

Investment performance

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under your fund's management contract. The Trustees were assisted in their review of the Putnam funds' investment process and performance by the work of the investment oversight committees of the Trustees, which meet on a regular basis with the funds' portfolio teams and with the Chief Investment Officers and other senior members of Putnam Management's Investment Division throughout the year. In addition, in response to a request from the Independent Trustees, Putnam Management provided the Trustees with in-depth presentations regarding each of the equity and fixed income investment teams, including the operation of the teams and their investment approaches. The Trustees concluded that Putnam Management generally provides a high-quality investment process — based on the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to them, and in general Putnam Management's ability to attract and retain high-quality personnel — but also recognized that this does not guarantee favorable investment results for every fund in every time period.

The Trustees considered that 2016 was a challenging year for the performance of the Putnam funds, with generally disappointing results for the international and global equity funds and taxable fixed income funds, mixed results for small-cap equity, Spectrum, global asset allocation, equity research and tax exempt fixed income funds, but generally strong results for U.S. equity funds. The Trustees noted, however, that they were encouraged by the positive performance trend since mid-year 2016 across most Putnam Funds. In particular, from May 1, 2016 through April 30, 2017, 51% of Putnam Fund assets were in the top quartile and 87% were above the median of the Putnam Funds' competitive industry rankings. They noted that the longer-term performance of the Putnam funds generally continued to be strong, exemplified by the fact that the Putnam funds were ranked by the Barron's/Lipper Fund Families survey as the 5th-best performing mutual fund complex out of 54 complexes for the five-year period ended December 31, 2016. In addition, while the survey ranked the Putnam Funds 52nd out of 61 mutual fund complexes for the one-year period ended 2016, the Putnam Funds have ranked 1st or 2nd in the survey for the one-year period three times since 2009 (most recently in 2013). They also noted, however, the disappointing investment performance of some funds for periods ended December 31, 2016 and considered information provided by Putnam Management regarding the factors contributing to the underperformance and actions being taken to improve the performance of these particular funds. The Trustees indicated their intention to continue to monitor closely the performance of those funds, including the effectiveness of any efforts Putnam Management has undertaken to address underperformance and whether additional actions to address areas of underperformance are warranted.

For purposes of the Trustees' evaluation of the Putnam Funds' investment performance, the Trustees generally focus on a competitive industry ranking of each fund's total net return over a one-year, three-year and five-year period. For a number of Putnam funds with relatively unique investment mandates for which Putnam Management informed the Trustees that meaningful competitive performance rankings are not considered to be available, the Trustees evaluated performance based on their total gross and net returns and, in most cases, comparisons of those returns with the returns of selected investment benchmarks. In the case of your fund, the Trustees considered that its class IA share cumulative total return performance at net asset value was in the following quartiles of its Lipper Inc. ("Lipper") peer group (Lipper VP (Underlying Funds) — Mixed-Asset Target Alloc Moderate Funds) for the one-year, three-year and five-year periods ended December 31, 2016 (the first quartile representing the best-performing funds and the fourth quartile the worst-performing funds):

One-year period	Three-year period	Five-year period
2nd	1st	1st

For the five-year period ended December 31, 2016, your fund's performance was in the top decile of its Lipper peer group. Over the one-year, three-year and five-year periods ended December 31, 2016, there were 239, 226 and 176 funds, respectively, in your fund's Lipper peer group. (When considering performance information, shareholders should be mindful that past performance is not a guarantee of future results.)

The Trustees also considered Putnam Management's continued efforts to support fund performance through initiatives including structuring compensation for portfolio managers and research analysts to enhance accountability for fund performance, emphasizing accountability in the portfolio management process, and affirming its commitment to a fundamental-driven approach to investing. The Trustees noted further that Putnam Management continued to strengthen its fundamental research capabilities by adding new investment personnel.

Brokerage and soft-dollar allocations; investor servicing

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides

under the management contract with your fund. These include benefits related to brokerage allocation and the use of soft dollars, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that are expected to be useful to Putnam Management in managing the assets of the fund and of other clients. Subject to policies established by the Trustees, soft dollars generated by these means are used predominantly to acquire brokerage and research services (including third-party research and market data) that enhance Putnam Management's investment capabilities and supplement Putnam Management's internal research efforts. However, the Trustees noted that a portion of available soft dollars continues to be used to pay fund expenses. The Trustees indicated their continued intent to monitor regulatory and industry developments in this area with the assistance of their Brokerage Committee, including any developments with respect to the European Union's updated Markets in Financial Instruments Directive and its potential impact on PIL's use of client commissions to obtain investment research. The Trustees also indicated their continued intent to monitor the allocation of the Putnam funds' brokerage in order to ensure that the principle of seeking best price and execution remains paramount in the portfolio trading process.

Putnam Management may also receive benefits from payments that the funds make to Putnam Management's affiliates for investor or distribution services. In conjunction with the annual review of your fund's management, sub-management and sub-advisory contracts, the Trustees reviewed your fund's investor servicing agreement with Putnam Investor Services, Inc. ("PSERV") and its distributor's contracts and distribution plans with Putnam Retail Management Limited Partnership ("PRM"), both of which are affiliates of Putnam Management. The Trustees concluded that the fees payable by the funds to PSERV and PRM, as applicable, for such services are reasonable in relation to the nature and quality of such services, the fees paid by competitive funds, and the costs incurred by PSERV and PRM, as applicable, in providing such services. Furthermore, the Trustees believed that the services provided were required for the operation of the funds, and that they were of a quality at least equal to those provided by other providers.

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, 2017, 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

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Marketing Services

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George Putnam, III

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Manoj P. Singh

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.

