PUTNAM PREMIER INCOME TRUST
Form POS EX
March 10, 2005

Document File Name: PUTNAM PREMIER INCOME TRUST POS EX

As filed with the Securities and Exchange Commission on
March 10, 2005
Registration No. 333-119287
(Investment Company Act Registration No. 811-05452)

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. / /

Post-Effective Amendment No.1 /X/

(Check appropriate box or boxes)

PUTNAM PREMIER INCOME TRUST
(Exact Name of Registrant as Specified in Charter)

One Post Office Square, Boston, Massachusetts 02109
(Address of Principal Executive Offices)
617-292-1000
(Area Code and Telephone Number)

BETH S. MAZOR, Vice President
PUTNAM PREMIER INCOME TRUST
One Post Office Square
Boston, Massachusetts 02109
(Name and address of Agent for Service)

Copy to:
JOHN W. GERSTMAYR, Esquire
ROPES & GRAY LLP
One International Place
Boston, Massachusetts 02110

It is proposed that this filing will become effective immediately upon filing pursuant to paragraph (d) of Rule 462 under the Securities Act of 1933, as amended. This amendment to the registration statement on Form N-14 of Putnam Premier Income Trust, filed with the Commission on September 27, 2004 (Registration No. 333-119287) (the "Registration Statement"), is being filed to add Exhibit 12 to the Registration Statement. No other information contained in the Registration Statement is amended, deleted, or superseded hereby.

Important information for shareholders of

PUTNAM MASTER INCOME TRUST AND

PUTNAM PREMIER INCOME TRUST

The document you hold in your hands contains a combined prospectus/proxy statement and proxy card. A proxy card is, in essence, a ballot. When you complete and sign your proxy card, the Trustees of your fund will vote on your behalf exactly as you have indicated. If you simply sign the proxy card, it will be voted in accordance with the Trustees' recommendations on page 12. The Trustees recommend that shareholders vote in favor of the proposal described in this document and listed on your proxy card.

Please take a few moments and decide how you want to vote. When shareholders don't return their proxies in sufficient numbers, follow-up solicitations are required, which may cost your fund money.

You can vote by returning your proxy card in the envelope provided. Or you can call our toll-free number, or go to the Web. See your proxy card for the phone number and Web address. If you have any questions, please call 1-877-519-9667 or call your financial advisor.

PUTNAM INVESTMENTS
[SCALE LOGO OMITTED]

Table of contents

PROXY CARD(S) ENCLOSED

If you have any questions, please call 1-877-519-9667 or call your financial advisor.

A Message from the Chairman

[PHOTO OF JOHN A. HILL OMITTED]

Dear Shareholder of Putnam Master Income Trust:

I am writing to you to ask for your vote on an important matter that affects your investment in Putnam Master Income Trust ("Master Income Trust"). While you are, of course, welcome to join us at the meeting, most shareholders cast their vote by filling out and signing the enclosed proxy card, by calling or by voting via the Internet.

We are asking for your vote on the following matter:

Approving a proposed merger of Master Income Trust into Putnam Premier Income Trust ("Premier Income Trust"). In this merger, the shares of Master Income Trust would, in effect, be exchanged on a tax-free basis for shares of Premier Income Trust with an equal total net asset value.

The proposed merger is not intended to change significantly the nature of your investment. The investment objective and policies of Premier

Income Trust and your fund are similar. Both are closed-end funds that seek to provide high current income, and both allocate their investments among three sectors of the fixed-income securities market: a U.S. investment grade sector, a high-yield sector and an international sector.

The proposal is intended to result in a combined fund that is more attractive to investors than either of the two funds separately. Putnam Investment Management, LLC believes that creating a broader shareholder base for the combined fund's shares may attract more interest in the combined fund than is currently the case with either fund, which may result in higher trading levels for the combined fund's shares. However, there can be no guarantee that the proposed merger will have the intended effect.

Your vote is important to us. We appreciate the time and consideration I am sure you will give this important matter. If you have questions about the proposal, please call 1-877-519-9667 or call your financial advisor.

Sincerely yours,

/S/ JOHN A. HILL

John A. Hill, Chairman

A Message from the Chairman

[PHOTO OF JOHN A. HILL OMITTED]

Dear Shareholder of Putnam Premier Income Trust:

I am writing to you to ask for your vote on an important matter that affects your investment in Putnam Premier Income Trust ("Premier Income Trust"). While you are, of course, welcome to join us at the meeting, most shareholders cast their vote by filling out and signing the enclosed proxy card, by calling or by voting via the Internet.

We are asking for your vote on the following matter:

Approving a proposed merger of Putnam Master Income Trust ("Master Income Trust") into Premier Income Trust. In this merger, the shares of Master Income Trust would, in effect, be exchanged on a tax-free basis for shares of Premier Income Trust with an equal total net asset value.

The proposed merger is not intended to change significantly the nature of your investment. The investment objective and policies of Master Income Trust and your fund are similar. Both are closed-end funds that seek to provide high current income, and both allocate their investments among three sectors of the fixed-income securities market: a U.S. investment grade sector, a high-yield sector and an international sector. Although the proposed merger will not materially affect the operation of your fund, we are required by the rules of the New York Stock Exchange to solicit your vote on this matter.

The proposal is intended to result in a combined fund that is more attractive to investors than either of the two funds separately. Putnam Investment Management, LLC believes that creating a broader shareholder base for the combined fund's shares may attract more interest in the combined fund than is currently the case with either fund, which may result in higher trading levels for the combined fund's shares. However, there can be no guarantee that the proposed merger will have the intended effect.

Your vote is important to us. We appreciate the time and consideration I am sure you will give this important matter. If you have questions about the proposal, please call 1-877-519-9667 or call your financial advisor.

Sincerely yours,

/S/ JOHN A. HILL

John A. Hill, Chairman

PUTNAM MASTER INCOME TRUST ("MASTER INCOME TRUST") AND PUTNAM PREMIER INCOME TRUST ("PREMIER INCOME TRUST")

Notice of a Joint Meeting of Shareholders

* This is the formal agenda for the joint meeting of shareholders. It tells you what matter will be voted on and the time and place of the meeting.

To the Shareholders of Master Income Trust:

A Meeting of Shareholders of Master Income Trust will be held on Thursday, January 13, 2005, at 11:00 a.m., Boston time, on the twelfth floor of One Post Office Square, Boston, Massachusetts, to consider the following:

Approving an Agreement and Plan of Reorganization and the transactions contemplated thereby, including the transfer of all of the assets of Master Income Trust to Premier Income Trust in exchange for the issuance and delivery of shares of beneficial interest of Premier Income Trust and the assumption by Premier Income Trust of all of the liabilities of Master Income Trust, and the distribution of such shares to the shareholders of Master Income Trust in complete liquidation of Master Income Trust. See page 10.

To the Shareholders of Premier Income Trust:

A Meeting of Shareholders of Premier Income Trust will be held on Thursday, January 13, 2005, at 11:00 a.m., Boston time, on the twelfth floor of One Post Office Square, Boston, Massachusetts, to consider the following:

Approving an Agreement and Plan of Reorganization and the transactions contemplated thereby, including the transfer of all of the assets of Master Income Trust to Premier Income Trust in exchange for the issuance and delivery of shares of beneficial interest of Premier Income Trust and the assumption by Premier Income Trust of all of the liabilities of Master Income Trust, and the distribution of such shares to the shareholders of Master Income Trust in complete liquidation of Master Income Trust. See page 10.

By the Trustees

WE URGE YOU TO MARK, SIGN, DATE AND MAIL THE ENCLOSED PROXY IN THE POSTAGE-PAID ENVELOPE PROVIDED OR RECORD YOUR VOTING INSTRUCTIONS BY TELEPHONE OR VIA THE INTERNET SO THAT YOU WILL BE REPRESENTED AT THE MEETING.

November 15, 2004

Prospectus/Proxy Statement

November 10, 2004

This Prospectus/Proxy Statement relates to the proposed merger of Putnam Master Income Trust ("Master Income Trust") into Putnam Premier Income Trust ("Premier Income Trust"), each located at One Post Office Square, Boston, MA 02109; 1-617-292-1000. As a result of the proposed merger, each shareholder of Master Income Trust would receive a number of full and fractional shares of Premier Income Trust of equal net asset value at the date of the exchange to the total net asset value of the shareholder's Master Income Trust shares.

This Prospectus/Proxy Statement is being mailed on or about November 15, 2004. It explains concisely what you should know before voting on the matter described herein or investing in Premier Income Trust, a closed-end management investment company. Please read this Prospectus/Proxy Statement and keep it for future reference.

A Statement of Additional Information (the "SAI"), dated November 10, 2004, relating to the proposed merger has been filed with the Securities and Exchange Commission ("SEC") and is incorporated by reference into this Prospectus/Proxy Statement. For a free copy of the SAI, please contact us at 1-800-225-1581.

The securities offered by this Prospectus/Proxy Statement have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of this Prospectus/Proxy Statement. Any representation to the contrary is a criminal offense.

Shares of Premier Income Trust are not deposits or obligations of, or guaranteed or endorsed by, any financial institution, are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other agency, and involve risk, including the possible loss of principal amount invested.

This document will give you the information you need to vote on the proposal. Much of the information is required under rules of the SEC; some of it is technical. If there is anything you don't understand, please call 1-877-519-9667 or call your financial advisor. Like Premier Income Trust, Master Income Trust is in the family of funds managed by Putnam Investment Management, LLC ("Putnam Management"). Premier Income Trust and Master Income Trust are collectively referred to herein as the "funds," and each is referred to individually as a "fund."

The common shares of Premier Income Trust are listed on the New York Stock Exchange (the "NYSE") under the symbol "PPT," and the common shares of Master Income Trust are listed on the NYSE under the symbol "PMT." You may inspect reports, proxy material and other information concerning either Premier Income Trust or Master Income Trust at the NYSE.

Premier Income Trust and Master Income Trust are subject to the informational requirements of the Securities Exchange Act of 1934 and, as a result, file reports and other information with the SEC. You may review and copy information about the funds, including the SAI, at the SEC's public reference room at 450 Fifth Street, NW, Washington, D.C.; or at the public reference facilities in its Northeast and Midwest regional offices, at 233 Broadway, New York, NY, and 175 W. Jackson Boulevard, Suite 900, Chicago, IL. You may call the SEC at 1-800-SEC-0330 for information about the operation of the public reference room. You may obtain copies of this information, with payment of a duplication fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102. You may also access reports and other information about the funds on the EDGAR Database on the SEC's Internet site at http://www.sec.gov.

I. Synopsis

* The responses to the questions that follow provide an overview of key points typically of concern to shareholders considering a proposed merger between closed-end funds. These responses are qualified in their entirety by the remainder of the Prospectus/Proxy Statement, which contains additional information and further details regarding the proposed merger.

1. What is being proposed?

The Trustees of the funds are recommending that shareholders of each fund approve the merger of Master Income Trust into Premier Income Trust and the related transactions contemplated by the Agreement and Plan of Reorganization among each of the funds and Putnam Management, dated as of November 3, 2004 (the "Agreement"). The Agreement is attached to this Prospectus/Proxy Statement as Appendix A. If approved by shareholders of each fund, all of the assets of Master Income Trust will be transferred to Premier Income Trust in exchange for the issuance and delivery to Master Income Trust of shares of Premier Income Trust (the "Merger Shares") with a net asset value equal to the value of Master Income Trust's assets net of liabilities and for the assumption by Premier Income Trust of all of the liabilities of Master Income Trust. Immediately following the transfer, the Merger Shares received by Master Income Trust will be distributed to its shareholders, pro rata.

2. What will happen to my shares as a result of the proposed merger?

If you are a shareholder of Master Income Trust, your shares will, in effect, be exchanged on a tax-free basis for shares of Premier Income Trust with an equal aggregate net asset value on the date of the merger. It is possible, however, that the market value of such shares may differ. See question 12 below.

If you are a shareholder of Premier Income Trust, your shares of Premier Income Trust will not be directly affected by the merger, but will represent interests in a larger fund pursuing the same investment objective and policies.

3. Why is the merger being proposed at this time?

Putnam Management proposed the merger of Master Income Trust into Premier Income Trust to the funds' Trustees because it believes the proposed merger may result in a combined fund that is more attractive to investors than either of the two funds separately. Putnam Management believes that creating a broader shareholder base for the combined fund's shares may attract more interest in the combined fund than is currently the case with either fund, which may result in higher trading levels for the combined fund's shares. However, there can be no guarantee that the proposed merger will have the intended effect.

In addition, the merger would offer shareholders of both funds the opportunity to invest in a considerably larger fund with similar investment policies and the potential to achieve greater economies of scale and a lower expense ratio. In addition, the funds are managed by the same investment teams with a common investment process and similar objectives; therefore, the proposed merger would permit the funds' investment team to concentrate its efforts and resources more efficiently.

Both funds, launched in the 1980s, are multi-sector income funds. Master Income Trust initially employed a relatively static and evenly balanced allocation among the U.S. government, high-yield and international sectors, while Premier Income Trust generally followed a more flexible approach to allocating assets among those fixed-income sectors. Over time, the U.S. government sleeve of each fund was expanded to include U.S. investment-grade bonds, and the funds adopted identical policies concerning minimum and maximum allocation to each sector. The management of the two funds has converged, and there is now no practical difference in how the funds are managed.

For these reasons, Putnam Management recommended that Master Income Trust, which had assets of $380 million as of July 31, 2004, be combined with Premier Income Trust, which had assets of $993 million as of July 31, 2004. As Premier Income Trust is considerably larger than Master Income Trust, the Trustees believe that it is appropriate for the smaller Master Income Trust to be merged into Premier Income Trust.

***

The Trustees of the Putnam Funds, who serve as Trustees of each of the funds involved in the proposed merger, have carefully considered Putnam Management's recommendations. Following a review of the anticipated benefits and costs of the proposed merger to the shareholders of each fund, the Trustees of the funds, including all of the independent Trustees who are not affiliated with Putnam Management, unanimously determined that the proposed merger is in the best interests of each fund and recommend that shareholders vote FOR approval of the proposed merger.

4. How do the investment goals, policies and restrictions of the two funds compare?

Investment Goals

The investment goals and strategies of the funds are similar. Premier Income Trust seeks to provide high current income, while Master Income Trust seeks to provide high current income consistent with preservation of capital. The management of the two funds has converged, and there is now no practical difference in how the funds are managed. As of July 31, 2004, Premier Income Trust and Master Income Trust had 39% and 38% of assets in U.S. investment-grade =securities and 41% and 42% of assets in high-yield bonds, respectively, and each fund had 20% of assets in foreign bonds.

Investment Policies

The funds share substantially similar fundamental investment policies, except that Premier Income Trust is a "non-diversified" investment company, meaning that it may invest more of its assets in the securities of fewer companies than Master Income Trust, which is a "diversified" investment company. In particular, Premier Income Trust's diversification policies apply only to 50% of its net assets, while Master Income Trust's diversification policies apply to 75% of its net assets. That said, in recent years, Premier Income Trust has not taken advantage, to a significant extent, of its ability to concentrate its investments among fewer issuers.

The funds share identical non-fundamental investment policies.

5. How do the management fees and other expenses of the two funds compare, and what are they estimated to be following the proposed merger?

The following tables summarize the maximum fees and expenses you may pay when investing in the funds, expenses that each of the funds incurred for its most recent fiscal year as well as the pro forma expenses of Premier Income Trust. As shown below, the merger is expected to result in decreased total expenses for shareholders of each fund. For more information on the management fees paid by the funds, see "Information about the Funds -- Management" below.

Shareholder Transaction Expenses

	Premier Income Trust	Master Income Trust
Maximum sales charge imposed on purchases (as a percentage of offering price)	None(a)	None(a)
Dividend Reinvestment Plan	None(b)	None(b)

Annual Fund Operating Expenses
(Expenses that are deducted from fund assets)

	Premier Income Trust	Master Income Trust	Premier Income Trust (Pro forma combined)
Management Fees	0.70%	0.75%	0.67%

Other Expenses	0.13%	0.19%	0.13%*
Total Annual Fund Operating Expenses	0.83%	0.94%	0.80%*+

(a) Shares of either fund purchased on the secondary market are not subject to sales charges but may be subject to brokerage commissions or other charges. The table does not include an underwriting commission paid by shareholders in the initial offering of each fund.

(b) Each participant in a fund's dividend reinvestment plan pays a proportionate share of the brokerage commissions incurred with respect to open market purchases in connection with such plan. With respect to each fund's most recent fiscal year, participants in each fund's dividend reinvestment plan incurred brokerage commissions representing less than $0.01 per share.

* Does not reflect non-recurring expenses related to the merger. If such expenses had been reflected, pro forma "other expenses" and Total Annual Fund Operating Expenses would have been 0.15% and 0.82%, respectively.

\+ Putnam Management estimates that the combined fund will incur lower total annual fund operating expenses during the year following the completion of the merger than the expenses incurred by Premier Income Trust during its most recent fiscal year due largely to a lower effective management fee resulting from breakpoints in Premier Income Trust's investment management contract with Putnam Management.

The tables are provided to help you understand the expenses of investing in the funds and your share of the operating expenses that each fund incurs and that Putnam Management expects the combined fund to incur in the first year following the merger. The expenses shown in the table do not reflect the application of credits related to expense offset arrangements that reduce certain fund expenses.

Examples

These examples translate the "Total Annual Fund Operating Expenses" shown in the preceding table into dollar amounts. By doing this, you can more easily compare the cost of investing in the funds. The examples make certain assumptions. They assume that you invest $1,000 in a fund for the time periods shown. They also assume, as required by the SEC, a 5% return on your investment each year and that a fund's operating expenses remain the same. The examples are hypothetical; your actual costs and returns may be higher or lower.

	1 Year	3 Years	5 Years	10 Years
Premier Income Trust	$8	$26	$46	$103
Master Income Trust	$10	$30	$52	$115
Premier Income Trust (Pro forma combined)	$8	$26	$44	$99

6. How does the investment performance of the funds compare?

As shown in the table below, in recent years, the total returns at NAV of Master Income Trust have approximated those of Premier Income Trust. Each fund's performance at market price may differ from its results at NAV. Although market price performance generally reflects investment results, it may also be influenced by several factors, includ ing changes in investor perceptions of each fund or its investment adviser, market conditions, fluctuations in supply and demand for each fund's shares and changes in each fund's distributions.

TOTAL RETURN FOR PERIODS ENDED 7/31/04

	Premier Income Trust		Master Income Trust	
	NAV	Market Price	NAV	Market Price
1 year	11.98%	7.18%	12.02%	2.15%
5 years	43.09%	35.73%	41.78%	39.32%
Annual average	7.43%	6.30%	7.23%	6.86%
10 years	103.81%	98.27%	99.92%	86.63%
Annual average	7.38%	7.08%	7.17%	6.44%
Annual average (life of fund*)	8.35%	7.14%	8.66%	7.32%

* The inception dates of Premier Income Trust and Master Income Trust were 2/29/88 and 12/28/87, respectively.

Performance information does not account for taxes.

COMPARATIVE RETURNS FOR PERIODS ENDED 7/31/04

	Lehman Government Bond Index*	Lehman Government/ Credit Bond Index**	Citigroup Non-U.S. World Government Bond Index	JP Morgan Global High Yield Index***	Lipper Flexible Income Funds (closed-end) category average****
1 year	3.86%	4.72%	9.48%	13.83%	10.66%
5 years	39.95%	42.86%	33.28%	34.41%	32.29%
Annual average	6.95%	7.40%	5.91%	6.09%	5.57%
10 years	97.87%	102.97%	79.41%	112.79%	103.44%
Annual average	7.06%	7.34%	6.02%	7.84%	7.25%
Life of Premier Income Trust (2/29/88)	7.68%	7.92%	7.07%	--	8.10%
Life of Master Income Trust (12/28/87)	7.87%	8.13%	6.80%	--	8.45%

* Primary benchmark for Premier Income Trust.

** Primary benchmark for Master Income Trust.

*** Inception date of 12/31/93.

**** Over the 1-, 5- and 10-year periods ended 7/31/04, there were 11 funds in this Lipper category.

Index and Lipper results should be compared to each fund's performance at NAV.

7. What are the federal income tax consequences of the proposed merger?

For federal income tax purposes, no gain or loss will be recognized by the funds or their shareholders directly as a result of the proposed merger. Certain other tax consequences are discussed below under "Information about the Proposed Merger--Federal Income Tax Consequences."

8. Will my dividend be affected by the proposed merger?

The merger will not result in a change in dividend policy. Because the funds' earning rates are currently substantially similar, the merger will not result in any immediate material change in current dividend rate. As of July 15, 2004, the current dividend rates for Premier Income Trust and Master Income Trust were 6.62% and 6.20%, respectively, and the estimated dividend rate for shares of Premier Income Trust on a pro forma basis, after giving effect to the merger, would have been 6.62%. As of July 15, 2004, the SEC yields for shares of Premier Income Trust and Master Income Trust were 5.20% and 4.96%, respectively. Over the longer term, the level of dividends will depend on market conditions and the ability of Putnam Management to invest the fund's assets, including those received in the merger, in securities meeting Premier Income Trust's investment objectives and policies.

Premier Income Trust will not permit any holder of Master Income Trust shares holding certificates for such shares at the time of the merger to receive cash dividends or other distributions, receive certificates for Merger Shares or pledge Merger Shares until such certificates for Master Income Trust shares have been surrendered, or, in the case of lost certificates, until an adequate surety bond has been posted.

If a shareholder is not, for the reason above, permitted to receive cash dividends or other distributions on Merger Shares, Premier Income Trust will pay all such dividends and distributions in additional shares, notwithstanding any election the shareholder may have made previously to receive dividends and distributions on Master Income Trust shares in cash.

9. Do the procedures for purchasing and selling shares of the two funds differ?

No. The procedures for purchasing and selling shares of each fund are identical. As closed-end funds, the funds are not required to redeem outstanding shares, and do not continuously offer shares. The funds' shares currently may be bought and sold at prevailing market prices on the NYSE. Premier Income Trust will apply to list the Merger Shares on the NYSE. It is a condition to the closing of the merger that the Merger Shares be approved for listing.

10. How will I be notified of the outcome of the vote?

If the proposed merger is approved and you are a shareholder of Master Income Trust, you will receive a confirmation after the reorganization is completed, indicating your new account number, the number of shares you are receiving and the procedures for surrendering your certificates, if you have any. Otherwise, you will be notified in the next annual report of your fund.

11. Will the number of shares I own change?

If you are a shareholder of Master Income Trust, the number of shares you own will change, but the total net asset value of the shares of Premier Income Trust you receive will equal the total net asset value of the shares of Master Income Trust that you hold at the time of the merger. If you are a shareholder of Premier Income Trust, the number of Premier Income Trust shares you own will not change. Even though the net asset value per share of each fund is different, the total net asset value of a shareholder's holdings will not change as a result of the merger. Of course, the Merger Shares may trade on the NYSE at a discount from net asset value, which might be greater or less than the trading discount of Master Income Trust shares at the time of the merger.

12. Will the market value of my investment change?

Shares of each fund will continue to be traded on the NYSE (in the case of Master Income Trust, until the time of the merger), and may at times trade at a market price greater or less than net asset value. In recent years, shares of both funds have traded at a discount to net asset value. Depending on market conditions immediately prior to the exchange, shares of Premier Income Trust may trade at a larger or smaller discount to net asset value than shares of Master Income Trust. This could result in the Merger Shares having a market value that is greater or less than the market value the Master Income Trust shares currently have.

13. Why is the vote of Premier Income Trust's shareholders being solicited?

Although Premier Income Trust will continue its legal existence and operations as before, we are required by the rules of the NYSE to solicit the vote of Premier Income Trust's shareholders in this matter.

14. What percentage of shareholders' votes is required to approve the merger?

Approval of the merger will require the "yes" vote of the holders of:

* a majority of the outstanding shares of Premier Income Trust voted, if holders of more than 50% of such shares vote, and

* a majority of the outstanding shares of Master Income Trust.

The Trustees believe that the proposed merger is in the best interests of each fund's shareholders. Accordingly, the Trustees unanimously recommend that shareholders vote FOR approval of the proposed merger.

II. Risk Factors

* What are the risks of Premier Income Trust, and how do they compare with those of Master Income Trust?

The risks of an investment in Premier Income Trust (the "fund" as used in the following discussion of main risks) are generally similar to the risks of an investment in Master Income Trust, except that, because Premier Income Trust is "non-diversified," it may invest more of its assets in a smaller number of issuers, which may increase the vulnerability of the fund to factors affecting those issuers. However, the fund has not taken advantage of this flexibility to a significant extent in recent years. Because there is currently no practical difference in how the funds are managed, the funds generally share the same risks.

The main risks that could adversely affect the value of the fund's shares and the total return on your investment include:

* The risk that the issuers of the fund's fixed-income investments will not make timely payments of interest and principal. Because the fund invests significantly in junk bonds, it is subject to heightened credit risk. Investors should carefully consider the risks associated with an investment in the fund.

* The risk that movements in financial markets will adversely affect the value of the fund's investments. This risk includes interest rate risk, which means that the prices of the fund's investments are likely to fall if interest rates rise. Interest rate risk is generally higher for investments with longer maturities.

* The risk that, compared to other debt, mortgage-backed investments may increase in value less when interest rates decline, and decline in value more when interest rates rise.

* The risks of investing outside the United States, such as currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavorable political or legal developments. These risks are increased for investments in emerging markets.

* The risk that the fund's shares may trade at a discount to net asset value. Although the market price of the fund's shares generally reflects investment results, it may also be influenced by several factors, including changes in investor perceptions of the fund or its investment adviser, market conditions, fluctuations in supply and demand for the fund's shares and changes in fund distributions. As a result, the fund cannot predict whether its shares will trade at, below or above net asset value.

* What are the main investment strategies and related risks of Premier Income Trust, and how do they compare with those of Master Income Trust?

Because the funds share similar goals and policies, the risks described below for an investment in Premier Income Trust are virtually identical to the risks of an investment in Master Income Trust, except as noted above with respect to diversification. (However, Premier Income Trust has not taken advantage of its non-diversified status to a significant extent in recent years. Because there is currently no practical difference in how the funds are managed, the funds generally share the same risks.)

Any investment carries with it some level of risk that generally reflects its potential for reward. Putnam Management pursues the fund's goal by investing mainly in bonds from multiple sectors, including the U.S. investment-grade sector, the high-yield sector and the international sector. Putnam Management will not invest less than 15% of the fund's net assets in U.S. government securities. Putnam Management will consider, among other things, credit, interest rate and prepayment risks as well as general market conditions when deciding whether to buy or sell investments. A description of the risks associated with the fund's main investment strategies follows:

Interest rate risk. The values of bonds and other debt usually rise and fall in response to changes in interest rates. Declining interest rates generally increase the values of existing debt instruments, and rising interest rates generally decrease the values of existing debt instruments. Changes in a debt instrument's value usually will not affect the amount of interest income paid to the fund, but will affect the value of the fund's shares. Interest rate risk is generally greater for investments with longer maturities.

Some investments give the issuer the option to call, or redeem, them before their maturity date. If an issuer calls or redeems an investment during a time of declining interest rates, Putnam Management might have to reinvest the proceeds in an investment offering a lower yield, and therefore the fund might not benefit from any increase in value as a result of declining interest rates.

"Premium investments" offer coupon rates higher than prevailing market rates. However, they involve a greater risk of loss, because their values tend to decline over time.

Credit risk. Investors normally expect to be compensated in proportion to the risk they are assuming. Thus, debt of issuers with poor credit prospects usually offers higher yields than debt of issuers with more secure credit. Higher-rated investments generally offer lower credit risk.

Putnam Management may invest up to 70% of the fund's total assets in higher-yield, higher-risk debt investments that are rated below BBB or its equivalent at the time of purchase by each nationally recognized securities rating agency rating such investments, or are unrated investments that Putnam Management believes are of comparable quality. Putnam Management may invest up to 5% of the fund's total assets in debt investments rated below CCC or its equivalent, at the time of the purchase, by each agency rating such investments, including investments in the lowest rating category of the rating agency, and unrated investments that Putnam Management believes are of comparable quality. Putnam Management will not necessarily sell an investment if its rating is reduced after it buys it.

Investments rated below BBB or its equivalent are known as "junk bonds." This rating reflects a greater possibility that the issuers may be unable to make timely payments of interest and principal and thus default. If this happens, or is perceived as likely to happen, the values of those investments will usually be more volatile and are likely to fall. A default or expected default could also make it difficult for us to sell the investments at prices approximating the values we had previously placed on them. Lower-rated debt usually has a more limited market than higher-rated debt, which may at times make it difficult for us to buy or sell certain debt instruments or to establish their fair value. Credit risk is generally greater for zero coupon bonds and other investments that are issued at less than their face value and that are required to make interest payments only at maturity rather than at intervals during the life of the investment.

Credit ratings are based largely on the issuer's historical financial condition and the rating agencies' investment analysis at the time of rating. The rating assigned to any particular investment does not necessarily reflect the issuer's current financial condition, and does not reflect an assessment of an investment's volatility or liquidity. Although Putnam Management considers credit ratings in making investment decisions, it performs its own investment analysis and does not rely on ratings assigned by the rating agencies. The fund depends more on Putnam Management's ability in buying lower-rated debt than it does in buying investment-grade debt. The fund may have to participate in legal proceedings involving the issuer. This could increase the fund's operating expenses and decrease its net asset value.

Although investment-grade investments generally have lower credit risk, they may share some of the risks of lower-rated investments. U.S. government investments generally have the least credit risk, but are not completely free of credit risk. While some investments, such as U.S. Treasury obligations and Ginnie Mae certificates, are backed by the full faith and credit of the U.S. government, others are backed only by the credit of the issuer. Mortgage-backed securities may be subject to the risk that underlying borrowers will be unable to meet their obligations.

Prepayment risk. Traditional debt investments typically pay a fixed rate of interest until maturity, when the entire principal amount is due. By contrast, payments on mortgage-backed investments typically include both interest and partial payment of principal. Principal may also be prepaid voluntarily, or as a result of refinancing or foreclosure. The fund may have to invest the proceeds from prepaid investments in other investments with less attractive terms and yields. Compared to debt that cannot be prepaid, mortgage-backed investments are less likely to increase in value during periods of declining interest rates and have a higher risk of decline in value during periods of rising interest rates. They may increase the volatility of a fund. Some mortgage-backed investments receive only the interest portion or the principal portion of payments on the underlying mortgages. The yields and values of these investments are extremely sensitive to changes in interest rates and in the rate of principal payments on the underlying mortgages. The market for these investments may be volatile and limited, which may make them difficult to buy or sell.

Foreign investments. The fund considers a foreign company to be one that is domiciled outside the U.S. or has its principal operations located outside of the U.S. Foreign investments involve certain special risks, including:

* Unfavorable changes in currency exchange rates: Foreign investments are typically issued and traded in foreign currencies. As a result, their values may be affected by changes in exchange rates between foreign currencies and the U.S. dollar.

* Political and economic developments: Foreign investments may be subject to the risks of seizure by a foreign government, imposition of restrictions on the exchange or export of foreign currency and tax increases.

* Unreliable or untimely information: There may be less information publicly available about a foreign company than about most U.S. companies, and foreign companies are usually not subject to accounting, auditing and financial reporting standards and practices as stringent as those in the United States.

* Limited legal recourse: Legal remedies for investors may be more limited than the remedies available in the United States.

* Limited markets: Certain foreign investments may be less liquid (harder to buy and sell) and more volatile than most U.S. investments, which means Putnam Management may at times be unable to sell these foreign investments at desirable prices. For the same reason, Putnam Management may at times find it difficult to value the fund's foreign investments.

* Trading practices: Brokerage commissions and other fees are generally

higher for foreign investments than for U.S. investments. The procedures and rules governing foreign transactions and custody may also involve delays in payment, delivery or recovery of money or investments.

* Sovereign issuers: The willingness and ability of sovereign issuers to pay principal and interest on government securities depends on various economic factors, including the issuer's balance of payments, overall debt level and cash flow from tax or other revenues.

* Lower yield: Foreign withholding taxes may reduce the proceeds from dividends or interest on, or the sale of, foreign investments.

The risks of foreign investments are typically increased in less developed countries, which are sometimes referred to as emerging markets. For example, political and economic structures in these countries may be changing rapidly, which can cause instability. These countries are also more likely to experience high levels of inflation, deflation or currency devaluation, which could hurt their economies and securities markets. For these and other reasons, investments in emerging markets are often considered speculative.

Certain of these risks may also apply to some extent to U.S.-traded investments that are denominated in foreign currencies, investments in U.S. companies that are traded in foreign markets or investments in U.S. companies that have significant foreign operations. Special U.S. tax considerations may apply to the fund's foreign investments.

Derivatives. Putnam Management may engage in a variety of transactions involving derivatives, such as futures, options and swap contracts. Derivatives are financial instruments whose value depends upon, or is derived from, the value of something else, such as one or more underlying investments, pools of investments, indexes or currencies. Putnam Management may use derivatives both for hedging and non-hedging purposes. For example, Putnam Management may use derivatives to increase or decrease the fund's exposure to long- or short-term interest rates (in the United States or abroad). However, Putnam Management may also choose not to use derivatives, based on our evaluation of market conditions or the availability of suitable derivatives. Investments in derivatives may be applied toward meeting a requirement to invest in a particular kind of investment if the derivatives have economic characteristics similar to that investment.

Derivatives involve special risks and may result in losses. The successful use of derivatives depends on Putnam Management's ability to manage these sophisticated instruments. The prices of derivatives may move in unexpected ways due to the use of leverage or other factors, especially in unusual market conditions, and may result in increased volatility. The use of derivatives may also increase the amount of taxes payable by shareholders.

Other risks arise from our potential inability to terminate or sell derivatives positions. A liquid secondary market may not always exist for the fund's derivatives positions at any time. In fact, many over-the-counter instruments (investments not traded on an exchange) will not be liquid.

Over-the-counter instruments also involve the risk that the other party to the derivative transaction will not meet its obligations. For further information about the risks of derivatives, see the SAI.

Anti-takeover provisions. The fund's agreement and declaration of trust, as amended, includes provisions that could limit the ability of other persons or entities to acquire control of the fund or to cause it to engage in certain transactions or to modify its structure. Such provisions may have the effect of depriving shareholders of an opportunity to sell their shares at a premium over prevailing market prices or inhibiting the fund's conversion to open-end status.

Possible conversion to open-end status. Under the fund's agreement and declaration of trust, as amended, because the fund's shares have traded on the NYSE at an average discount of more than 10%, determined as of the end of the last trading day in each week during the period of twelve calendar weeks preceding August 1, 2004, the Trustees are required to submit to the next annual meeting of the fund's shareholders, which is currently expected to take place in July 2005, a proposal to convert the fund from a "closed-end company" to an "open-end company," as defined in the Investment Company Act of 1940, as amended (the "1940 Act"). If the fund's shareholders were to approve this proposal, the fund's management team may, upon conversion, be forced to maintain a portion of the fund's portfolio in cash due to cash flows from sales and redemptions of fund shares. In addition, a conversion to open-end status may result in a lower yield because of increased fund expenses. Because Master Income Trust's shares also have traded on the NYSE at an average discount of more than 10%, determined as of the end of the last trading day in each week during the period of twelve calendar weeks preceding November 1, 2004, if the proposed merger does not take place, the Trustees are required to submit to the next annual meeting of Master Income Trust's shareholders, which is currently expected to take place in October 2005, a proposal to convert Master Income Trust from a closed-end company to an open-end company.

Market price of shares. Shares of closed-end investment companies often trade at a discount to their net asset values, and the fund's shares may likewise trade at a discount, although it is possible that they may trade at a premium above net asset value. Net asset value will be reduced immediately following the merger as a result of merger-related expenses. Although the market price of the fund's shares generally reflects investment results, it may also be influenced by several factors, including changes in investor perceptions of the fund or its investment adviser, market conditions, fluctuations in supply and demand for the fund's shares and changes in fund distributions. As a result, the fund cannot predict whether its shares will trade at, below or above net asset value.

Other investments. In addition to the main investment strategies described above, the fund may make other types of investments, such as investments in repurchase agreements and forward commitments, which may be subject to other risks, as described in the SAI.

Alternative strategies. Under normal market conditions, Putnam Management keeps the fund's portfolio fully invested, with minimal cash holdings. However, at times Putnam Management may judge that market conditions make pursuing the fund's usual investment strategies inconsistent with the best interests of the fund's shareholders. Putnam Management then may temporarily use alternative strategies that are mainly designed to limit losses. However, Putnam Management may choose not to use these strategies for a variety of reasons, even in very volatile market conditions. These strategies may cause the fund to miss out on investment opportunities, and may prevent the fund from achieving its goal.

Changes in policies. The fund's Trustees may change the fund's goal, investment strategies and other policies without shareholder approval, except as otherwise indicated.

An investment in Premier Income Trust may not be appropriate for all investors, and there is no assurance that Premier Income Trust will achieve its investment objective. Premier Income Trust is designed primarily as a long-term investment and not as a trading vehicle.

III. Information about the Proposed Merger

General. The shareholders of each fund are being asked to approve a merger between Master Income Trust and Premier Income Trust pursuant to the Agreement, which is attached to this Prospectus/Proxy Statement as Appendix A. Although the term "merger" is used for ease of reference, the transaction is structured as a transfer of all of the assets of Master Income Trust to Premier Income Trust in exchange for the assumption by Premier Income Trust of all of the liabilities of Master Income Trust and for the issuance and delivery to Master Income Trust of shares of Premier Income Trust equal in aggregate value to the net value of the assets transferred to Premier Income Trust.

After receipt of the Merger Shares, Master Income Trust will distribute the Merger Shares to its shareholders, in proportion to their existing shareholdings, in complete liquidation of Master Income Trust, and the legal existence of Master Income Trust as a separate business trust under Massachusetts law will be terminated. Each shareholder of Master Income Trust will receive a number of full and fractional Merger Shares equal in value at the date of the exchange to the aggregate net asset value of the shareholder's Master Income Trust shares.

Prior to the date of the transfer (the "Exchange Date"), Master Income Trust will declare a dividend that will have the effect of distributing to shareholders all of its remaining investment company income (computed without regard to the deduction for dividends paid) and net realized capital gains, if any, through the Exchange Date.

The Trustees have voted unanimously to approve the proposed merger and to recommend that shareholders also approve the merger. The actions contemplated by the Agreement and the related matters described therein will be consummated only if approved by the affirmative vote of the holders of a majority of the outstanding shares of Premier Income Trust voted, if holders of more than 50% of such shares vote, and a majority of the outstanding shares of Master Income Trust.

The Agreement provides that the investment restrictions of Master Income Trust will be temporarily amended to the extent necessary to effect the transactions contemplated by the Agreement.

In the event that the merger does not receive the required approvals, each fund will continue to be managed as a separate fund in accordance with its current investment objective and policies, and the Trustees may consider such alternatives as may be in the best interests of each fund's respective shareholders.

Trustees' Considerations Relating to the Proposed Merger. The Trustees of the Putnam Funds, who serve as Trustees of each of the funds involved in the proposed merger, have carefully considered the anticipated benefits and costs of the proposed merger from the perspective of each fund. The Contract Committee of the Trustees of the Putnam Funds, which consists solely of Trustees who are not "interested persons" of the funds as defined in the Investment Company Act of 1940 (the "independent Trustees"), reviewed the terms of the proposed merger. The Contract Committee and the Trustees were assisted in this process by independent legal counsel for both the funds and the independent Trustees. Following the conclusion of this process, the Trustees, including all of the independent Trustees, determined that the proposed merger of Master Income Trust into Premier Income Trust would be in the best interests of each fund and its shareholders, and that the interests of existing shareholders of each fund would not be diluted by the proposed merger. The Trustees unanimously approved the proposed merger and recommended its approval by shareholders of each fund.

In evaluating the proposed merger, the Trustees first considered the underlying investment rationale articulated by Putnam Management. The Trustees noted the similarity of the funds' investment objectives, policies and restrictions. The Trustees also considered the historical investment performance of each fund and its current distribution rate, as well as the expected savings in annual fund operating expenses for shareholders of the combined fund, based on Putnam Management's unaudited estimates of the funds' expense ratios as of July 31, 2004 and the expected pro forma expense ratio based on combined assets of the funds as of the same date, as shown in the table below:

	Total Expenses
Premier Income Trust	0.83%
Master Income Trust	0.94%
Premier Income Trust Pro Forma Combined	0.80%

The Trustees also considered the tax effects of the proposed merger. In particular, using data as of July 31, 2004, they reviewed the historical and pro forma tax attributes of the funds and examined the effect of a hypothetical merger occurring as of that date on certain tax losses of the funds (see "Federal Income Tax Consequences" below). The Trustees noted that since the funds had similar gain/loss positions at that time, there was no significant prospect that one fund's shareholders would have been placed at a disadvantage, for example, due to the spreading of their losses (which are a potential tax benefit) among a larger group of shareholders. The Trustees also noted that, at that time, since Master Income Trust did not have significant capital losses, the impact of the loss limitation rules governing the use of pre-merger losses by the combined fund was expected to be minimal. The effect of this limitation on the proposed merger, however, will depend on the amount of losses in each fund at the time of the merger.

The Trustees took into account the expected costs of the proposed merger, including proxy solicitation costs, fees associated with registering the sale of Premier Income Trust's shares to be issued in the proposed merger, accounting fees and legal fees. The Trustees weighed these costs (and the estimated portfolio transaction expenses described below) against the quantifiable expected benefits of the proposed merger and considered Putnam Management's agreement to bear these costs to the extent they exceed certain limits established by the Trustees and set forth in the Agreement. Accordingly, the funds are expected to bear these costs in the following amounts:

Premier Income Trust	$157,343 (0.02% of July 31, 2004 assets)
Master Income Trust	$164,551 (0.04% of July 31, 2004 assets)

The Trustees also took into account a number of factors, including: (1) a comparison of the investment objectives and policies of the funds; (2) the classification and performance rating of each fund by independent research firms such as Morningstar, Inc. and Lipper Inc.; (3) the performance history of each fund; (4) the performance history of each fund as compared to its benchmark indexes; (5) the volatility of each fund's portfolio relative to the market; (6) the composition of each fund's management team; (7) the net assets, average duration and average credit quality of each fund; (8) the current dividend rates and SEC yield for each fund; and (9) the terms of the Agreement.

Agreement and Plan of Reorganization. The proposed merger will be governed by the Agreement, a copy of which is attached as Appendix A. The Agreement provides that Premier Income Trust will acquire all of the assets of Master Income Trust in exchange for the assumption by Premier Income Trust of all of the liabilities of Master Income Trust and for the issuance of and delivery to Master Income Trust of Merger Shares equal in value to the value of the transferred assets net of assumed liabilities. The shares will be issued on the next full business day (the "Exchange Date") following the time as of which the funds' shares are valued for determining net asset value for the merger (4:00 p.m., Boston time, on January 21, 2005, or such other date as may be agreed upon by the parties (the "Valuation Time")). The following discussion of the Agreement is qualified in its entirety by the full text of the Agreement.

Master Income Trust will sell all of its assets to Premier Income Trust, and in exchange, Premier Income Trust will assume all of the liabilities of Master Income Trust and deliver to Master Income Trust a number of full and fractional Merger Shares having an aggregate net asset value equal to the value of assets of Master Income Trust, less the value of the liabilities of Master Income Trust assumed by Premier Income Trust. The Agreement provides that the investment restrictions of Master Income Trust will be temporarily amended to the extent necessary to effect the transactions contemplated by the Agreement.

Immediately following the Exchange Date, Master Income Trust will distribute pro rata to its shareholders of record, as of the close of business on the Exchange Date, the full and fractional Merger Shares received by Master Income Trust. As a result of the proposed merger, each shareholder of Master Income Trust will receive a number of Merger Shares equal in aggregate value at the Exchange Date to the net asset value of Master Income Trust shares held by the shareholder. This distribution will be accomplished by the establishment of accounts on the share records of Premier Income Trust in the name of such shareholders, each account representing the respective number of full and fractional Merger Shares due such shareholder. New certificates for Merger Shares will be issued only upon written request. If you hold certificates for shares of Master Income Trust, you will not, following the merger, be able to receive any dividends or transfer your Premier Income Trust shares until you have delivered your Master Income Trust share certificates to Putnam Fiduciary Trust Company.

The consummation of the merger is subject to the conditions set forth in the Agreement. The Agreement may be terminated and the merger abandoned at any time, before or after approval by the shareholders, prior to the Exchange Date, by mutual consent of Premier Income Trust and Master Income Trust or, if any condition set forth in the Agreement has not been fulfilled and has not been waived by the party entitled to its benefits, by such party.

If shareholders of each fund approve the proposed merger, Master Income Trust will liquidate such of its portfolio securities as Premier Income Trust shall indicate it does not wish to acquire. The Agreement provides that the liquidation will be substantially completed prior to the Exchange Date, unless otherwise agreed upon by Master Income Trust and

Premier Income Trust. Master Income Trust shareholders will bear the portfolio trading costs associated with this liquidation to the extent that it is completed prior to the Exchange Date. There can be no assurance that such liquidation will be accomplished prior to the Exchange Date. To the extent the liquidation is not accomplished prior to the Exchange Date, the costs of the liquidation will be borne by the shareholders of the combined fund, including current shareholders of Premier Income Trust. Putnam Management does not expect that Premier Income Trust will require Master Income Trust to make any significant dispositions of securities in connection with the proposed merger.

Except for the trading costs associated with the liquidation described above, the fees and expenses for the merger and related transactions are estimated to be $427,892, of which $321,894 is expected to be paid by the funds and the balance will be paid by Putnam Management. These fees and expenses, including legal and accounting expenses, portfolio transfer taxes (if any) or other similar expenses incurred in connection with the consummation of the proposed merger and related transactions contemplated by the Agreement, will be allocated ratably between the two funds in proportion to their net assets as of the Valuation Time, except that the costs of proxy materials and proxy solicitations for each fund will be borne by that fund. However, to the extent that any payment by either fund of such fees or expenses would result in the disqualification of Premier Income Trust or Master Income Trust as a "regulated investment company" within the meaning of Section 851 of the Internal Revenue Code of 1986, as amended (the "Code"), such fees and expenses will be paid directly by the party incurring them.

Description of the Merger Shares. The Merger Shares, which are shares of Premier Income Trust, will be issued to Master Income Trust's shareholders in accordance with the procedures under the Agreement as described above. The Merger Shares are fully paid and nonassessable when issued and will have no preemptive or conversion rights. The Merger Shares will be transferable without restriction.

Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of Premier Income Trust. However, Premier Income Trust's agreement and declaration of trust, as amended, disclaims shareholder liability for acts or obligations of Premier Income Trust and requires that notice of such disclaimer be given in each agreement, obligation or instrument entered into or executed by Premier Income Trust or its Trustees. The agreement and declaration of trust, as amended, provides for indemnification out of fund property for all loss and expense of any shareholder held personally liable for the obligations of Premier Income Trust. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which Premier Income Trust would be unable to meet its obligations. The likelihood of such circumstances is remote. The shareholders of Master Income Trust are currently subject to this same risk of shareholder liability.

Federal Income Tax Consequences. As a condition to each fund's obligation to consummate the reorganization, each fund will receive a tax opinion from Ropes & Gray LLP, counsel to the funds (which opinion would be based on certain factual representations and certain customary assumptions), to the effect that, on the basis of the existing provisions of the Code, current administrative rules and court decisions, for federal income tax purposes:

(i) the acquisition by Premier Income Trust of substantially all of the assets of Master Income Trust solely in exchange for Merger Shares and the assumption by Premier Income Trust of liabilities of Master

Income Trust followed by the distribution by Master Income Trust to its shareholders of Merger Shares in complete liquidation of Master Income Trust, all pursuant to the Agreement, constitutes a reorganization within the meaning of Section 368(a) of the Code, and Master Income Trust and Premier Income Trust will each be a "party to a reorganization" within the meaning of Section 368(b) of the Code;

(ii) under Section 361 of the Code, no gain or loss will be recognized by Premier Income Trust or Master Income Trust upon the transfer of Master Income Trust's assets to and the assumption of Master Income Trust's liabilities by Premier Income Trust or upon the distribution of the Merger Shares to Master Income Trust's shareholders in liquidation of Master Income Trust;

(iii) under Section 354 of the Code, no gain or loss will be recognized by shareholders of Master Income Trust on the exchange of their shares of Master Income Trust for Merger Shares;

(iv) under Section 358 of the Code, the aggregate tax basis of the Merger Shares received by Master Income Trust's shareholders will be the same as the aggregate tax basis of Master Income Trust shares exchanged therefor;

(v) under Section 1223(1) of the Code, the holding periods of the Merger Shares received by the shareholders of Master Income Trust will include the holding periods of Master Income Trust shares exchanged therefor, provided that at the time of the reorganization Master Income Trust shares are held by such shareholders as a capital asset;

(vi) under Section 1032 of the Code, no gain or loss will be recognized by Premier Income Trust upon the receipt of assets of Master Income Trust in exchange for Merger Shares and the assumption by Premier Income Trust of the liabilities of Master Income Trust;

(vii) under Section 362(b) of the Code, the tax basis in the hands of Premier Income Trust of the assets of Master Income Trust transferred to Premier Income Trust will be the same as the tax basis of such assets in the hands of Master Income Trust immediately prior to the transfer;

(viii) under Section 1223(2) of the Code, the holding periods of the assets of Master Income Trust in the hands of Premier Income Trust will include the periods during which such assets were held by Master Income Trust; and

(ix) Premier Income Trust will succeed to and take into account the items of Master Income Trust described in Section 381(c) of the Code, subject to the conditions and limitations specified in Sections 381, 382, 383 and 384 of the Code and regulations thereunder.

Ropes & Gray LLP will express no view with respect to the effect of the reorganization on any transferred asset as to which any unrealized gain or loss is required to be recognized at the end of a taxable year (or on the termination or transfer thereof) under federal income tax principles.

Premier Income Trust will file the tax opinion with the SEC shortly after the completion of the proposed merger. This description of the federal income tax consequences of the proposed merger is made without regard to the particular facts and circumstances of any shareholder. Shareholders are urged to consult their own tax advisors as to the specific consequences to them of the proposed merger, including the applicability and effect of state, local and other tax laws.

Premier Income Trust's ability to carry forward the pre-merger losses of Master Income Trust will be limited as a result of the merger. The effect of this limitation, however, will depend on the amount of losses in each fund at the time of the merger. For example, if the merger were to have occurred on July 31, 2004, approximately 12% of Master Income Trust's losses would have been unavailable post-merger due to the tax law's loss limitation rules. Premier Income Trust's losses, however, would have been available to mitigate the effect of this limitation. In addition, there would have been no spreading of losses as a result of the merger due to the similarity between the funds with respect to each fund's losses relative to its net assets (22% and 23%, respectively). As a result, although Master Income Trust's losses would have been limited due to the tax law's limitation rules, the net effect to shareholders of Master Income Trust would have been minimal because the amount of losses limited would have been small and Premier Income Trust, which was significantly larger than Master Income Trust at that time, had a similar percentage of losses, so the spreading of Master Income Trust's tax attributes over the combined asset base of the two funds would also have had little effect.

Capitalization. The following table shows the capitalization of the funds as of July 31, 2004, and on a pro forma combined basis, giving effect to the proposed acquisition of assets at net asset value as of that date:

(Unaudited)

	Premier Income Trust	Master Income Trust	Premier Income Trust Pro Forma Combined
Net assets (000's omitted)	$992,676	$380,022	$1,372,376*
Shares outstanding (000's omitted)	141,199	53,330	195,233**
Net asset value per share	$7.03	$7.13	$7.03

* Pro forma combined net assets reflect estimated proxy, legal, accounting and SEC registration merger-related costs of $157,343 for Premier Income Trust and $164,551 for Master Income Trust.

** Reflects the issuance of an estimated 54,033,849 shares of Premier Income Trust in a tax-free exchange for the net assets of Master Income Trust.

Unaudited pro forma combining financial statements of the funds as of July 31, 2004, and for the twelve-month period then ended, are included in the SAI. Because the Agreement provides that Premier Income Trust will be the surviving fund following the proposed merger and because Premier Income Trust's investment objective and policies will remain unchanged, the pro forma combining financial statements reflect the transfer of the assets and liabilities of Master Income Trust to Premier Income Trust as contemplated by the Agreement.

The Trustees, including the independent Trustees, unanimously recommend approval of the proposed merger.

IV. Information about the Funds

Premier Income Trust and Master Income Trust are both Massachusetts business trusts and are both closed-end management companies. Master

Income Trust is a diversified company while Premier Income Trust is a non-diversified company (although in recent years Premier Income Trust has not taken advantage, to a significant extent, of its ability to concentrate its investments among fewer issuers). Premier Income Trust was organized on January 14, 1988, and Master Income Trust was organized on September 30, 1987.

Financial Highlights. The financial highlights tables are intended to help you understand the funds' recent financial performance. Certain information reflects financial results for a single fund share. The total returns represent the rate that an investor would have earned or lost on an investment in the relevant fund, assuming reinvestment of all dividends and distributions. This information has been derived from the funds' financial statements, which, for the last five fiscal years (excluding the unaudited information for Master Income Trust for the six months ended April 30, 2004), have been audited by KPMG LLP. Its reports and the funds' financial statements are included in each fund's annual report to shareholders, which is available upon request.

FINANCIAL HIGHLIGHTS

PUTNAM PREMIER INCOME TRUST
(For a common share outstanding throughout the period)

	Year ended July 31						
Per-share operating performance	2004	2003	2002	2001	2000	1999	1998
Net asset value, beginning of period	$6.75	$6.22	$6.68	$7.19	$7.62	$8.71	$8.88
Investment operations:							
Net investment income (a)	.44(e)	.51	.55	.61	.63	.64	.74
Net realized and unrealized gain (loss) on investments	.31	.54	(.47)	(.50)	(.39)	(.99)	(.18)
Total from investment operations	.75	1.05	.08	.11	.24	(.35)	.56
Less distributions:							
From net investment income	(.47)	(.52)	(.53)	(.51)	(.67)	(.62)	(.66)
From net realized gain	--	--	--	--	--	(.12)	(.07)
From return of capital	--	--	(.01)	(.11)	--	--	--
Total distributions	(.47)	(.52)	(.54)	(.62)	(.67)	(.74)	(.73)
Net asset value, end of period	$7.03	$6.75	$6.22	$6.68	$7.19	$7.62	$8.71

Market value, end of period	$6.29	$6.31	$6.03	$6.29	$6.38	$7.19	$8.50	
Total return at market value (%)(b)	7.18	13.41	4.44	8.56	(1.51)	(7.24)	8.06	
Per-share operating performance	2004	2003	2002	2001	2000	1999	1998	
Ratios and supplemental data								
Net assets, end of period (in thousands)	$992,676	$952,730	$877,649	$942,125	$1,013,487	$1,073,980	$1,221,188	$1
Ratio of expenses to average net assets (%) (c)(d)	.83(e)	.85	.86	.85	.83	.86	.89	
Ratio of net investment income to average net assets (%) (c)	6.19(e)	7.91	8.39	8.87	8.48	8.05	8.34	
Portfolio turnover (%)	78.43	96.21(d)	175.78(d)	231.58	133.80	165.79	209.50	

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

(b) Total return assumes dividend reinvestment.

(c) The ratio of expenses to average net assets for the period ended July 31, 1996 and thereafter includes amounts paid through expense offset arrangements. Prior period ratios exclude these amounts.

(d) Portfolio turnover excludes certain treasury note transactions executed in connection with a short-term trading strategy.

(e) Reflects waivers of certain fund expenses during the period. As a result of such waivers, the expenses of the fund for the period ended July 31, 2004 reflect a reduction of less than 0.01% of average net assets.

FINANCIAL HIGHLIGHTS

PUTNAM MASTER INCOME TRUST
(For a common share outstanding throughout the period)

Per-share operating	Six months ended April 30 2004	Year ended October 31

performance	(unaudited)	2003	2002	2001	2000	1999	1998	1997
Net asset value, beginning of period	$7.18	$6.37	$6.80	$7.13	$7.72	$8.27	$9.26	$9.33
Investment operations:								
Net investment income (a)	.22	.50	.55	.61	.66	.64	.71	.66
Net realized and unrealized gain (loss) on investments	.13	.83	(.40)	(.31)	(.58)	(.48)	(.96)	.13
Total from investment operations	.35	1.33	.15	.30	.08	.16	(.25)	.79
Less distributions:								
From net investment income	(.37)	(.52)	(.58)	(.58)	(.56)	(.65)	(.65)	(.52
From net realized gain on investments	--	--	--	--	--	--	--	(.33
From return of capital	--	--	--	(.05)	(.11)	(.06)	(.09)	(.01
Total distributions	(.37)	(.52)	(.58)	(.63)	(.67)	(.71)	(.74)	(.86
Net asset value, end of period	$7.16	$7.18	$6.37	$6.80	$7.13	$7.72	$8.27	$9.26
Market value, end of period	$6.25	$6.57	$6.15	$6.53	$6.44	$6.63	$8.13	$8.50
Total return at market value (%)(b)	0.41*	15.48	2.71	11.27	7.70	(10.50)	4.15	11.34
Ratios and supplemental data								
Net assets, end of period (total funds) (in thousands)	$382,204	$382,818	$339,228	$361,297	$378,800	$410,012	$438,972	$491,652
Ratio of expenses to average net assets (%) (c)	.47*	.94	.98	.94	.94	.94	1.00	.96
Ratio of net investment income to average net assets (%) (c)	3.03*	7.36	8.22	8.63	8.66	7.93	7.18	7.18
Portfolio turnover (%)	45.20*	118.17(d)	205.33(d)	131.14(d)	147.33	124.21	202.83	246.84

* Not annualized.

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

(b) Total return assumes dividend reinvestment.

(c) The ratio of expenses to average net assets for the periods ended October 31, 1995 and thereafter includes amounts paid through expense offset arrangements. Prior period ratios exclude these amounts.

(d) Portfolio turnover excludes certain treasury note transactions executed in connection with a short-term trading strategy.

Investment Restrictions. Each fund has adopted the following investment restrictions which may not be changed without the affirmative vote of a "majority of the outstanding voting securities" of the fund, which is defined in the 1940 Act to mean the affirmative vote of the lesser of (1) more than 50% of the outstanding shares of the fund, or (2) 67% or more of the shares present at a meeting if more than 50% of the outstanding shares of the fund are represented at the meeting in person or by proxy. Each fund may not:

(i) Borrow money or issue senior securities (as defined in the 1940 Act), except that the fund may borrow amounts not exceeding 15% of the value (taken at the lower of cost or current value) of its total assets (not including the amount borrowed) at the time the borrowing is made for temporary purposes (including repurchasing its shares while effecting an orderly liquidation of portfolio securities) or for emergency purposes.

(ii) Underwrite securities issued by other persons except to the extent that, in connection with the disposition of its portfolio investments, it may be deemed to be an underwriter under the federal securities laws.

(iii) Purchase or sell real estate, although it may purchase securities of issuers which deal in real estate, securities which are secured by interests in real estate, and securities representing interests in real estate, and it may acquire and dispose of real estate or interests in real estate acquired through the exercise of its rights as a holder of debt obligations secured by real estate or interests therein.

(iv) Purchase or sell commodities or commodity contracts, except that the fund may purchase and sell financial futures contracts and options and may enter into foreign exchange contracts and other financial transactions not involving physical commodities.

(v) Make loans, except by purchase of debt obligations in which the fund may invest consistent with its investment policies (including without limitation debt obligations issued by other Putnam funds), by entering into repurchase agreements or by lending its portfolio securities.

(vi) With respect to 75% (50% in the case of Premier Income Trust) of its total assets, invest in securities of any issuer if, immediately after such investment, more than 5% of the total assets of the fund (taken at current value) would be invested in the securities of such issuer; provided that this limitation does not apply to obligations issued or guaranteed as to interest or principal by the U.S. Government or its agencies or instrumentalities.

(vii) With respect to 75% (50% in the case of Premier Income Trust) of its total assets, acquire more than 10% of the outstanding voting securities of any issuer.

(viii) Invest more than 25% of the value of its total assets in any one industry. (Securities of the U.S. Government, its agencies or instrumentalities, or of any foreign government, its agencies or instrumentalities, securities of supranational entities, and securities backed by the credit of a governmental entity are not considered to represent industries.)

The following non-fundamental investment policy may be changed by the Trustees without shareholder approval:

Each fund will not invest in the securities of registered open-end investment companies, except as they may be acquired as part of a merger or consolidation or acquisition of assets or by purchases in the open market involving only customary brokers' commissions.

All percentage limitations on investments will apply at the time of investment and shall not be considered violated unless an excess or deficiency occurs or exists immediately after and as a result of such investment. Except for the fundamental investment restrictions listed above, the other investment policies described in this Prospectus/Proxy Statement are not fundamental and may be changed by approval of the Trustees. As a matter of policy, the Trustees would not materially change the fund's investment objective without shareholder approval.

Management. Each fund's Trustees oversee the general conduct of each fund's business. The funds have the same Trustees. The Trustees have retained Putnam Management to be each fund's investment manager, responsible for making investment decisions for each fund and managing each fund's other affairs and business. Putnam Management's address is One Post Office Square, Boston, MA 02109.

Putnam Management is paid for management and investment advisory services quarterly based on the average net assets of each fund. Each fund pays such fee at the following rates: 0.75% on the first $500 million of average weekly net assets, 0.65% of the next $500 million, 0.60% of the next $500 million and 0.55% of any excess over $1.5 billion of such average net asset value. Premier Income Trust and Master Income Trust pay no separate administrative services fee.

Putnam Management is one of America's oldest and largest money management firms. Putnam Management's staff of experienced portfolio managers and research analysts selects securities and constantly supervises each fund's portfolio. By pooling an investor's money with that of other investors, a greater variety of securities can be purchased than would be the case individually; the resulting diversification helps reduce investment risk. Putnam Management has been managing mutual funds since 1937.

Putnam Management is a subsidiary of Putnam Investment Management Trust, a Massachusetts business trust owned by Putnam, LLC, which is also the parent company of Putnam Retail Management Limited Partnership, Putnam Advisory Company, LLC (a wholly-owned subsidiary of The Putnam Advisory Company Trust) and Putnam Fiduciary Trust Company. Putnam, LLC, which generally conducts business under the name Putnam Investments, is a wholly-owned subsidiary of Putnam Investments Trust, a holding company that, except for a minority stake owned by employees, is owned by Marsh & McLennan Companies, Inc., a publicly-owned holding company whose principal businesses are international insurance and reinsurance brokerage, employee benefit consulting and investment management.

Putnam Management has retained its affiliate, Putnam Investments Limited ("PIL"), to manage a separate portion of the assets of each fund as determined by Putnam Management from time to time. Subject to the supervision of Putnam Management, PIL is responsible for making investment decisions for the portion of the assets of each fund that it manages.

PIL provides a full range of international investment advisory services to institutional and retail clients.

Putnam Management (and not each fund) pays a quarterly sub-management fee to PIL for its services at the annual rate of 0.40% of the average aggregate net asset value of the portion of the assets of each fund that may be managed by PIL from time to time. PIL's address is Cassini House, 57-59 St James's Street, London, England, SW1A 1LD.

Putnam Management's and PIL's investment professionals are organized into investment management teams, with a particular team dedicated to a specific asset class. The members of the Core Fixed Income Team are responsible for the day-to-day management of each fund. The names of all team members can be found at www.putnaminvestments.com.

The following team members coordinate the team's management of each fund's portfolio. Their experience as investment professionals over the last five years is shown.

Portfolio leader	Since	Employer	Positions Over Past Five Years
D. William Kohli	2002	Putnam Management 1994 -- Present	Director, Core Fixed Income Team

Portfolio member	Since	Employer	Positions Over Past Five Years
David L. Waldman	1998	Putnam Management 1997 -- Present	Director, Fixed Income Quantitative Research; Previously, Senior Portfolio Manager

The funds pay all expenses not assumed by Putnam Management, including Trustees' fees, auditing, legal, custodial, investor servicing and shareholder reporting expenses. The funds also reimburse Putnam Management for the compensation and related expenses of certain fund officers and their staff who provide administrative services. The total reimbursement is determined annually by the Trustees.

Putnam Fiduciary Trust Company, One Post Office Square, Boston, Massachusetts 02109, is the custodian of the funds' securities. Putnam Investor Services, P.O. Box 41203, Providence, Rhode Island 02940-1203, a division of Putnam Fiduciary Trust Company, is the investor servicing, transfer and dividend disbursing agent for the funds.

Regulatory matters and litigation. On April 8, 2004, Putnam Management entered into agreements with the SEC and the Massa chusetts Securities Division representing a final settlement of all charges brought against Putnam Management by those agencies on October 28, 2003 in connection with excessive short-term trading by Putnam employees and, in the case of the charges brought by the Massachusetts Securities Division, by participants in some Putnam-administered 401(k) plans. The settlement with the SEC requires Putnam Management to pay $5 million in disgorgement plus a civil monetary penalty of $50 million and the settlement with the Massachu setts Securities Division requires Putnam Management to pay $5 million in restitution and an administrative fine of $50 million. The settlements also leave intact the process established under an earlier partial settlement with the SEC under which Putnam Management agreed to pay the amount of restitution determined by an independent consultant, which may exceed the disgorgement and restitution amounts specified above, pursuant to a plan to be developed by the independent consultant.

Putnam Management, and not the investors in any Putnam fund, will bear all costs, including restitution, civil penalties and associated legal fees stemming from both of these proceedings. The SEC's and Massachusetts Securities Division's allegations and related matters also serve as the general basis for numerous lawsuits, including purported class action lawsuits filed against Putnam Management and certain related parties, including certain Putnam funds. Putnam Management has agreed to bear any costs incurred by Putnam funds in connection with these lawsuits. Based on currently available information, Putnam Management believes that the likelihood that the pending private lawsuits and purported class action lawsuits will have a material adverse financial impact on the fund is remote, and the pending actions are not likely to materially affect its ability to provide investment management services to its clients, including the Putnam funds.

Review of these matters by counsel for Putnam Management and by separate independent counsel for the Putnam funds and their independent Trustees is continuing.

Description of Fund Shares. The Trustees of each fund have authority to issue an unlimited number of shares of beneficial interest without par value. Except for the Merger Shares to be issued in the merger, neither fund has a present intention of offering additional shares, other than under its dividend reinvestment plan. See "Dividend Reinvestment Plan" below. All other offerings of a fund's shares require approval of the Trustees. Any additional offering would be subject to the requirements of the 1940 Act that such shares may not be sold at a price below the then current net asset value per share, exclusive of underwriting discounts and commissions, except in connection with an offering to existing shareholders or with the consent of the holders of a majority of a fund's outstanding common shares.

The outstanding shares of each fund are, and the Merger Shares, when issued and sold, will be fully paid and non-assessable by the fund. The outstanding shares of each fund have, and the Merger Shares will have, no preemptive, conversion, exchange or redemption rights. Each share of a fund has one vote, with fractional shares voting proportionately, and is freely transferable. Common shares of Premier Income Trust are traded on the NYSE, with an average weekly trading volume for the year ended December 31, 2003 of 1,180,000 shares. Common shares of Master Income Trust also are traded on the NYSE, with an average weekly trading volume for the year ended December 31, 2003 of 465,489 shares.

Set forth below is information about each fund's securities as of July 31, 2004 (except where otherwise noted):

Premier Income Trust

Title of Class	Amount Authorized	Amount Held by Fund	Amount Outstanding

Common Shares	Unlimited	0	141,198,870

Master Income Trust

Title of Class	Amount Authorized	Amount Held by Fund	Amount Outstanding
Common Shares	Unlimited	0	53,329,917

Repurchase of shares. Because each fund is a closed-end investment company, shareholders of each fund do not, and will not, have the right to redeem their shares. A fund, however, may repurchase its shares from time to time in open-market or private transactions when it can do so at prices below the current net asset value per share and on terms that represent a favorable investment opportunity. The funds currently are authorized to make periodic repurchases of shares in open-market transactions at times when discount levels make such purchases an attractive investment, although neither fund has recently done so or has any current plan to do so.

Shares of the funds trade in the open market at a price which will be a function of several factors. Shares of closed-end investment companies frequently trade at a discount from net asset value, but in some cases trade at a premium. When a fund repurchases its shares at a price below their net asset value, the net asset value of those shares that remain outstanding will be increased, but this does not necessarily mean that the market price of those outstanding shares will be affected either positively or negatively.

Determination of net asset value. The net asset value of each fund's shares are valued as of the close of regular trading on the NYSE each day the exchange is open by dividing the total value of its assets, less liabilities, by the number of its shares outstanding.

Securities for which market quotations are readily available are valued at market values. Short-term investments that have remaining maturities of 60 days or less are valued at amortized cost, which approximates market value. All other securities and assets are valued at their fair value following procedures approved by the Trustees.

Dividend reinvestment plan. Each fund offers a dividend reinvestment plan (each, a "Plan"). If a shareholder has elected to participate in a Plan, all income dividends and capital gains distributions are automatically reinvested in additional shares of a fund. Reinvestment transactions are executed by Investors Bank and Trust Company, 200 Clarendon Street, Boston, MA (617-937-6300) (the "Plan Agent"). If a shareholder is not participating in a Plan, every month the shareholder will receive all dividends and/or capital gains distributions in cash, paid by check and mailed directly to the shareholder. If a shareholder would like to participate in a Plan, the shareholder may instruct Putnam Investor Services (which provides certain administrative and bookkeeping services to a Plan) to enroll the shareholder. The Plan Agent will automatically reinvest subsequent distributions, and Putnam Investor Services will send the shareholder a confirmation in the mail telling the shareholder how many additional shares were issued to the shareholder's account. For both Premier Income Trust and Master Income Trust shareholders, shareholders are automatically enrolled in a Plan and must elect not to participate in a Plan. Holders of Master Income Trust shares who have elected not to participate in Master Income

Trust's Plan will, if the merger is approved, be deemed to have elected not to participate in Premier Income Trust's Plan.

Shareholders may contact Putnam Investor Services either in writing, at P.O. Box 41203, Providence, RI 02940-1203, or by telephone at 1-800-225-1581 during normal East Coast business hours.

If the market price of a fund's shares is equal to or exceed their net asset value on the payment date, the shareholder will be issued shares of the fund at a value equal to the higher of the net asset value or 95% of the market price on that date. This discount reflects savings in underwriting and other costs that the fund would otherwise incur. If net asset value exceeds the market price of the shares at the time, or if a fund declares any distribution payable only in cash, the Plan Agent will buy fund shares for participating accounts in the open market. If the market price of fund shares rises to exceed the net asset value before the open-market purchase has been completed, or if the Plan Agent is not able to complete the open-market purchases within a specified time (generally seven days), the Plan Agent will invest the uninvested portion in newly issued shares at a value equal to the greatest of:

* The net asset value of the shares on the date they are issued,

* 95% of the fair market value of shares on the payment date for the distribution, or

* 95% of the fair market value of shares on the date they are issued.

Participants may withdraw from a Plan at any time by notifying Putnam Investor Services, either in writing or by telephone. If a participant withdraws from a Plan (or if a Plan is terminated), the participant will receive certificates for whole shares credited to the participant's account, as well as a cash payment for any fraction of a share credited to the participant's account. There is no penalty for withdrawing from or not participating in a Plan.

Putnam Investor Services maintains all participants' accounts in a Plan on behalf of the Plan Agent and furnishes written confirmation of all transactions, including information needed by participants for tax records. Each participant's shares will be held by Putnam Investor Services in the participant's name, and each participant's proxy will include those shares purchased through a Plan.

There are no brokerage charges applied to shares issued directly by a fund as a result of dividends or capital gains distributions. However, each participant pays a proportionate share of brokerage commissions incurred if the Plan Agent purchases additional shares on the open market, in accordance with a Plan. In each case, the cost of shares purchased for each participant's account will be the average cost (including brokerage commissions) of any shares so purchased, plus the cost of any shares issued by a fund. If a participant instructs the Plan Agent to sell the participant's shares, the participant will incur brokerage commissions for the sale.

Reinvesting dividends and capital gains distributions in shares of a fund does not relieve a participant of tax obligations, which are the same as if the participant had received cash distributions. Putnam Investor Services supplies tax information to the participant and to the IRS annually and complies with all IRS withholding requirements. A fund reserves the right to amend a Plan to include service charges, to make other changes or to terminate a Plan upon 30-days' written notice.

If a shareholder's shares are held in the name of a broker or nominee offering a dividend reinvestment service, the shareholder should consult the shareholder's broker or nominee to ensure that an appropriate election is made on the shareholder's behalf. If the broker or nominee holding the shareholder's shares does not provide a reinvestment service, the shareholder may need to register the shareholder's shares in the shareholder's own name in order to participate in a Plan.

In situations where a bank, broker or nominee holds shares for others, a Plan will be administered according to instructions and information provided by the bank, broker or nominee.

It may be necessary to suspend operation of Master Income Trust's Plan for one or two dividend payments immediately prior to the combination so that all purchase activity under the Plan is settled in advance of the effective date of merger. In that event all shareholders, including those in the Plan, will receive those dividends in cash.

Dividends and distributions. Each fund has a policy to make monthly distributions to shareholders from net investment income.

Net investment income of each fund consists of all interest and other income (excluding capital gains and losses) accrued on portfolio assets, less all expenses of each fund allocable thereto. Income and expenses of each fund are accrued each day.

To permit each fund to maintain a more stable monthly distribution, each fund may from time to time pay out less than the entire amount of available net investment income to shareholders earned in any particular period. Any such amount retained by a fund would be available to stabilize future distributions. As a result, the distributions paid by a fund for any particular period may be more or less than the amount of net investment income actually earned by that fund during such period. For information concerning the tax treatment of distributions to common shareholders, see the discussion under "Taxation" below. Both funds intend, however, to make such distributions as are necessary to maintain qualification as a regulated investment company.

Common shareholders may have their dividend or distribution checks sent to parties other than themselves. A "Dividend Order" form is available from Putnam Investor Services, mailing address: P.O. Box 41203, Providence, Rhode Island 02940-1203. After Putnam Investor Services receives this completed form with all registered owners' signatures guaranteed, the shareholder's distribution checks will be sent to the bank or other person that the shareholder has designated.

For information concerning the tax treatment of such dividends and distributions to shareholders, see the discussion under "Taxation" below.

Declaration of Trust and Bylaws. Each fund's agreement and declaration of trust, as amended, includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the fund, or to cause it to engage in certain transactions or to modify its structure. The affirmative vote of at least two-thirds of the outstanding shares of a fund is required to authorize any of the following actions:

(1) merger or consolidation of the fund,

(2) sale of all or substantially all of the assets of the fund,

(3) conversion of the fund to an open-end investment company, or

(4) amendment of the agreement and declaration of trust, as amended, to reduce the two-thirds vote required to authorize the actions in (1) through (3) above,

unless, with respect to the actions in (1) through (3) above, such action has been authorized by the affirmative vote of two-thirds of the total number of Trustees, in which case the affirmative vote of a majority of the shares entitled to vote is required.

The Trustees have determined that the two-thirds voting requirements described above, which are greater than the minimum requirements under the 1940 Act, are in the best interests of each fund and its shareholders generally. Reference is made to the agreement and declaration of trust, as amended, of each fund, on file with the SEC, for the full text of these provisions.

These provisions could have the effect of depriving shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of a fund in a tender offer or similar transaction and may have the effect of inhibiting the fund's conversion to open-end status.

Taxation. The following federal tax discussion is based on the advice of Ropes & Gray LLP, counsel to the funds, and reflects provisions of the Code, existing treasury regulations, rulings published by the Service, and other applicable authority, as of the date of this Prospectus/Proxy Statement.

These authorities are subject to change by legislative or administrative action.

The following discussion is only a summary of some of the important tax considerations generally applicable to investments in Premier Income Trust. For more detailed information regarding tax considerations, see the SAI. There may be other tax considerations applicable to particular investors. In addition, income earned through an investment in Premier Income Trust may be subject to state and local taxes. Because Premier Income Trust will be the surviving fund if the merger is approved, the discussion deals only with the taxation of Premier Income Trust.

Premier Income Trust intends to qualify each year for taxation as a regulated investment company under Subchapter M of the Code. If the fund so qualifies, it will not be subject to federal income tax on income distributed timely to its shareholders in the form of dividends or capital gain distributions.

To satisfy the distribution requirement applicable to regulated investment companies, amounts paid as dividends by Premier Income Trust to its shareholders must qualify for the dividends-paid deduction.

Fund distributions designated as "tax-exempt dividends" are not generally subject to federal income tax. In addition, an investment in the fund may result in liability for federal alternative minimum tax, both for individual and corporate shareholders.

The fund may at times buy tax-exempt investments at a discount from the price at which they were originally issued, especially during periods of rising interest rates. For federal income tax purposes, some or all of this market discount will be included in the fund's ordinary income and will be taxable to shareholders as such when it is distributed.

The fund's investments in certain debt obligations may cause the fund to recognize taxable income in excess of the cash generated by such obligations. Thus, the fund could be required at times to liquidate other investments in order to satisfy its distribution requirements.

Each fund's investments in foreign securities may be subject to foreign withholding taxes. In that case, the fund's yield on those securities would be decreased. Shareholders generally will not be entitled to claim a credit or deduction with respect to foreign taxes. In addition, each fund's investments in foreign securities or foreign currencies may increase or accelerate the fund's recognition of ordinary income and may affect the timing or amount of the fund's distributions.

For federal income tax purposes, distributions of investment income other than "tax-exempt dividends" are taxable as ordinary income. Generally, gains realized by a fund on the sale or exchange of investments will be taxable to its shareholders, even though the income from such investments generally will be tax-exempt.

Taxes on distributions of capital gains are determined by how long the fund owned the investments that generated them, rather than how long a shareholder has owned his or her shares. Distributions are taxable to shareholders even if they are paid from income or gains earned by the fund before a shareholder's investment (and thus were included in the price the shareholder paid). Distributions of gains from investments that the fund owned for more than one year will be taxable as capital gains. Distributions of gains from investments that the fund owned for one year or less will be taxable as ordinary income. Distributions are taxable whether shareholders receive them in cash or reinvest them in additional shares through the Dividend Reinvestment Plan.

Any gain resulting from the sale of fund shares will generally also be subject to tax. You should consult your tax advisor for more information on your own tax situation, including possible state and local taxes.

For taxable years beginning on or before December 31, 2008, each fund may designate distributions of investment income derived from dividends of U.S. corporations and some foreign corporations as "qualified dividend income," provided the fund meets holding period and other requirements. Qualified dividend income will be taxed in the hands of individuals at the rates applicable to long-term capital gain, provided the shareholder meets the same holding period and other requirements. Fund dividends representing distributions of interest income and short-term capital gains cannot be designated as qualified dividend income and will not qualify for the reduced rates. In light of this, each fund does not expect a significant portion of fund distributions to be derived from qualified dividend income.

The long-term capital gain rates applicable to most shareholders will be 15% (with lower rates applying to taxpayers in the 10% and 15% ordinary income tax brackets) for taxable years beginning on or before December 31, 2008.

Under current law, the backup withholding tax rate is 28% for amounts paid through 2010 and will be 31% for amounts paid after December 31, 2010. Each fund is required to apply backup withholding to certain taxable distributions including, for example, distributions paid to any individual shareholder who fails to properly furnish the fund with a correct taxpayer identification number.

Trading Information. The following chart shows quarterly per share trading information for the past two fiscal years and the current fiscal year of the funds, as listed on the NYSE:

Premier Income Trust

(Unaudited)

Quarter Ended	Market High Price ($)	Market Low Price ($)	Closing Market Price ($)	Closing NAV ($)	(Discount) or Premium to NAV (%)
7/31/02	6.58	5.70	6.03	6.22	(3.05)
10/31/02	6.38	5.85	6.07	6.16	(1.46)
1/31/03	6.56	6.07	6.54	6.45	1.40
4/30/03	6.69	6.28	6.28	6.73	(6.69)
7/31/03	6.72	6.22	6.31	6.75	(6.52)
10/31/03	6.50	6.06	6.29	6.97	(9.76)
1/31/04	6.72	6.21	6.71	7.22	(7.06)
4/30/04	6.82	6.15	6.15	7.08	(13.14)
7/31/04	6.33	6.00	6.29	7.03	(10.53)
10/31/04	6.64	6.29	6.60	7.21	(8.46)

Master Income Trust

(Unaudited)

Quarter Ended	Market High Price ($)	Market Low Price ($)	Closing Market Price ($)	Closing NAV ($)	(Discount) or Premium to NAV (%)
10/31/02	6.96	5.99	6.15	6.37	(3.45)
1/31/03	6.92	6.18	6.73	6.65	1.20
4/30/03	6.92	6.24	6.45	6.94	(7.06)
7/31/03	6.85	6.55	6.68	6.96	(4.02)
10/31/03	6.88	6.50	6.57	7.18	(8.50)
1/31/04	7.05	6.47	6.68	7.30	(8.49)
4/30/04	6.77	6.21	6.25	7.16	(12.71)
7/31/04	6.39	6.06	6.24	7.13	(12.48)
10/31/04	6.52	6.23	6.51	7.33	(11.19)

On October 31, 2004, the market price, net asset value per share and discount to net asset value were $6.51, $7.33, and 11.19% respectively, for Master Income Trust and $6.60, $7.21, and 8.46% respectively, for Premier Income Trust.

V. Information about Voting and the Shareholder Meeting

General. This Prospectus/Proxy Statement is furnished in connection with the proposed merger of Master Income Trust into Premier Income Trust and the solicitation of proxies by and on behalf of the Trustees for use at the Joint Meeting of Shareholders (the "Meeting"). The Meeting is to be held on Thursday, January 13, 2005 at 11:00 a.m. at One Post Office Square, Twelfth Floor, Boston, Massachusetts, or at such later time as is made necessary by adjournment. The Notice of the Meeting, the combined Prospectus/ Proxy Statement and the enclosed form of proxy are being mailed to shareholders on or about November 15, 2004.

As of July 31, 2004, there were 53,329,917 outstanding shares of beneficial interest of Master Income Trust, and 141,198,870 outstanding shares of beneficial interest of Premier Income Trust. Only shareholders of record at the close of business on October 22, 2004 will be entitled to notice of and to vote at the Meeting. Each share is entitled to one vote, with fractional shares voting proportionally.

The Trustees know of no matters other than those set forth herein to be brought before the Meeting. If, however, any other matters properly come before the Meeting, it is the Trustees' intention that proxies will be voted on such matters in accordance with the judgment of the persons named in the enclosed form of proxy.

Shareholders who object to the proposed merger will not be entitled under Massachusetts law or the agreement and declaration of trust, as amended, of each fund to demand payment for, or an appraisal of, their shares. However, shareholders should be aware that the merger as proposed is not expected to result in recognition of gain or loss to shareholders for federal income tax purposes and that shares of each fund may be sold at any time prior to the consummation of the proposed merger.

Required vote. Proxies are being solicited from each fund's shareholders by its Trustees for the Meeting. Unless revoked, all valid proxies will be voted in accordance with the specification thereon or, in the absence of specifications, FOR approval of the Agreement. The transactions contemplated by the Agreement will be consummated only if approved by the affirmative vote of the holders of:

* a majority of the outstanding shares of Premier Income Trust voted, if holders of more than 50% of such shares vote, and

* a majority of the outstanding shares of Master Income Trust.

Record date, quorum and method of tabulation. Shareholders of record of each fund at the close of business on October 22, 2004 (the "Record Date") will be entitled to vote at the Meeting or any adjournment thereof. The holders of a majority of the shares of Premier Income Trust outstanding at the close of business on the Record Date present in person or represented by proxy will constitute a quorum for action by shareholders of Premier Income Trust at the Meeting, and the holders of 30% of the shares of Master Income Trust outstanding at the close of business on the Record Date will constitute a quorum for action by shareholders of Master Income Trust.

Votes cast by proxy or in person at the meeting will be counted by persons appointed by the relevant fund as tellers for the Meeting. The tellers will count the total number of votes cast "for" approval of the proposal for purposes of determining whether sufficient affirmative votes have been cast. The tellers will count shares represented by proxies that reflect abstentions and "broker non-votes" (i.e., shares held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or the persons entitled to vote and (ii) the broker or nominee does not have the discretionary voting power on a particular matter) as shares that are present and entitled to vote on the matter for purposes of determining the presence of a quorum. Abstentions and broker non-votes have the effect of a negative vote on the proposal.

Share ownership. As of October 31, 2004, the officers and Trustees of each fund as a group beneficially owned less than 1% of the outstanding shares of such fund and, to the knowledge of each fund, no person (other than The Depository Trust Company ("DTC")), owned of record or beneficially 5% or more of the outstanding shares of the fund. In addition, upon consummation of the proposed merger, to the knowledge of the fund, no person (other than DTC) is expected to own of record or beneficially 5% or more of the outstanding shares of the combined fund.

Solicitation of proxies. In addition to soliciting proxies by mail, the Trustees of each fund and employees of Putnam Management, Putnam Fiduciary Trust Company and Putnam Retail Management may solicit proxies in person or by telephone. Each fund may also arrange to have a proxy solicitation firm call you to record your voting instructions by telephone. If you wish to speak to a representative, call 1-877-519-9667. The procedure for solicitation of proxies by telephone is designed to authenticate shareholders' identities, to allow them to authorize the voting of their shares in accordance with their instructions and to confirm that their instructions have been properly recorded. Each fund has been advised by counsel that these procedures are consistent with the requirements of applicable law. If these procedures were subject to a successful legal challenge, such votes would not be counted at the Meeting. Each fund is unaware of any such challenge at this time. Shareholders would be called at the phone number Putnam Management has in its records for their accounts, and would be asked for their Social Security number or other identifying information. The shareholders would then be given an opportunity to authorize the proxies to vote their shares at the meeting in accordance with their instructions. To ensure that shareholders' instructions have been recorded correctly, they will also receive