PUTNAM MASTER INTERMEDIATE INCOME TRUST
Form N-CSR
November 28, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number:	(811-05498)
Exact name of registrant as specified in charter:	Putnam Master Intermediate Income Trust
Address of principal executive offices:	One Post Office Square, Boston, Massachusetts 02109
Name and address of agent for service:	Robert T Burns, Vice President One Post Office Square Boston, Massachusetts 02109
Copy to:	John W. Gerstmayr, Esq. Ropes & Gray LLP 800 Boylston Street Boston, Massachusetts 02199-3600
Registrant’s telephone number, including area code:	(617) 292-1000
Date of fiscal year end:	September 30, 2012
Date of reporting period:	October 1, 2011 — September 30, 2012

Item 1. Report to Stockholders:

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

Putnam
Master Intermediate
Income Trust

Annual report
9 | 30 | 12

Consider these risks before investing: International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Additional risks may be associated with emerging-market securities, including illiquidity and volatility. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk. The use of derivatives involves additional risks, such as the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. Bond investments are subject to interest-rate risk, which means the prices of the fund’s bond investments are likely to fall if interest rates rise. Bond investments also are subject to credit risk, which is the risk that the issuer of the bond may default on payment of interest or principal. Interest-rate risk is generally greater for longer-term bonds, and credit risk is generally greater for below-investment-grade bonds, which may be considered speculative. Unlike bonds, funds that invest in bonds have ongoing fees and expenses. The fund’s shares trade on a stock exchange at market prices, which may be lower than the fund’s net asset value.

Message from the Trustees

Dear Fellow Shareholder:

Coordinated action by central banks on both sides of the Atlantic helped lift both equity and fixed-income markets this year. Global markets continue to show signs of vulnerability, however, with investors growing more concerned about economic slowdowns in the United States, Europe, and emerging markets, particularly China. The outcome of the U.S. presidential election and the impending “fiscal cliff” are additional sources of potential volatility.

Putnam’s veteran investment team relies on fundamental research and experienced judgment to seek opportunities and manage risk in this environment. In the same way, it is prudent for long-term investors to rely on the expertise of a trusted financial advisor, who can help you work toward your financial goals.

We would like to take this opportunity to announce the arrival of two new Trustees, Liaquat Ahamed and Katinka Domotorffy, CFA, to your fund’s Board of Trustees. Mr. Ahamed, who in 2010 won the Pulitzer Prize for History with his book, *Lords of Finance: The Bankers Who Broke the World*, also serves on the Board of Aspen Insurance and the Board of the Rohatyn Group, an emerging-market fund complex that manages money for institutional investors.

Ms. Domotorffy, who until year-end 2011 was a Partner, Chief Investment Officer, and Global Head of Quantitative Investment Strategies at Goldman Sachs Asset Management, currently serves as a member of the Anne Ray Charitable Trust’s Investment Committee, Margaret A. Cargill Philanthropies, and director for Reach Out and Read of Greater New York, an organization dedicated to promoting early childhood literacy.

We would also like to extend a welcome to new shareholders of the fund and to thank all of our investors for your continued confidence in Putnam.

About the fund

Seeking broad diversification across bond markets

When Putnam Master Intermediate Income Trust was launched in 1988, its three-pronged focus on U.S. investment-grade bonds, high-yield corporate bonds, and non-U.S. bonds was considered innovative. Lower-rated, higher-yielding corporate bonds were relatively new, having just been established in the late 1970s. In addition, at the time of the fund’s launch, few investors were venturing outside the United States for fixed-income opportunities.

In the two decades since then, the bond investment landscape has undergone a transformation. New sectors such as mortgage- and asset-backed securities now make up a sizable portion of the U.S. investment-grade market. The high-yield corporate bond sector has also grown significantly. Outside the United States, the introduction of the euro fostered the development of a large market of European government bonds. There are also growing opportunities to invest in the debt of emerging-market countries.

The fund’s managers believe that the fund’s multi-strategy approach is well suited to the expanding opportunities in today’s global bond marketplace. To respond to the market’s increasing complexity, Putnam’s Fixed Income group aligns teams of specialists with varied investment opportunities. Working with these teams, the fund managers strive to build a diversified portfolio that carefully balances risk and return.

As different factors drive the performance of the various bond market sectors, the managers use the fund’s flexible strategy to seek opportunities for investors.

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

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

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

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

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Investment return and net asset value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. Fund returns in the bar chart are at NAV. See pages 5 and 11–12for additional performance information, including fund returns at market price. Index and Lipper results should be compared with fund performance at NAV. Lipper calculates performance differently than the closed-end funds it ranks, due to varying methods for determining a fund's monthly reinvestment NAV. To obtain the most recent month-end performance, visit putnam.com.

Interview with your fund's portfolio manager

Bill, what was the bond-market environment like during the 12 months ended September 30, 2012?

The early months of the period were difficult ones for credit-sensitive fixed-income securities, as concerns about Europe's sovereign debt crisis and a weakening U.S. economic outlook caused investors to move away from risk. In December, however, riskier assets began to reverse course, as investors grew more optimistic about U.S. growth prospects and less pessimistic about the European situation. Investor confidence was buoyed by the European Central Bank's Long-Term Refinancing Operation, which provided much-needed stability to global credit markets by injecting liquidity into the European banking system, thereby reducing banks' short-term funding risk.

In the United States, the Federal Reserve remained firm in its resolve to hold its benchmark federal funds rate near zero, announcing that it would do so into 2015, with the dual objectives of promoting growth and maintaining liquidity in the financial system. The Fed's accommodative stance was further evidenced when it extended "Operation Twist," under which it helped keep long-term Treasury yields low by selling short-term bonds and buying longer-term ones.

Within this environment, bonds in sectors entailing greater credit or market risk that trade at a yield premium to U.S.

This comparison shows your fund's performance in the context of broad market indexes for the 12 months ended 9/30/12. See pages 4 and 11–12 for additional fund performance information. Index descriptions can be found on page 13.

Treasuries — so-called “spread sectors” —rallied broadly from December through March. However, the rally stalled during the April through June period, as global economic data came in below expectations and rising eurozone risk once again dampened investor sentiment.

The final three months of the period were characterized by light trading volumes, interest rates moving higher globally, and yield curves steepening. The benchmark 10-year Treasury yield hit an intra-month high of 1.83% in August, a level not reached since the beginning of May, before ending the period lower at 1.65%. Against this backdrop, fixed-income spread sectors continued to outperform other parts of the market, led by higher-yielding categories, such as non-agency residential mortgage-backed securities [RMBS], high-yield bonds, and emerging-market debt.

In a much-anticipated development, the Fed launched “QE3” in mid September, announcing that it would buy $40 billion of government-agency mortgage-backed securities [agency MBS] every month until the job market improves. The central bank also affirmed that it would continue Operation Twist through December.

Credit qualities are shown as a percentage of net assets as of 9/30/12. A bond rated Baa or higher (Prime-3 or higher, for short-term debt) is considered investment grade. The chart reflects Moody’s ratings; percentages may include bonds or derivatives not rated by Moody’s but rated by Standard & Poor’s (S&P) or, if unrated by S&P, by Fitch, and then included in the closest equivalent Moody’s rating. Ratings will vary over time.

Credit quality represents only the fixed-income portion of the portfolio. Convertible bonds are excluded from the calculation. Derivative instruments, including currency forwards, are only included to the extent of any unrealized gain or loss on such instruments and are shown in the not-rated category. Cash is also shown in the not-rated category. The fund itself has not been rated by an independent rating agency.

A negative percentage reflects the effect of fund strategies that are designed to enhance performance if certain securities decline in value.

The fund outpaced its benchmark by a considerable margin. What factors drove this solid relative performance?

Our sizable allocations to high-yield bonds and emerging-market debt, both of which were among the best-performing asset classes during the period, drove the fund’s performance versus the index. Investmentsin non-agency RMBS also meaningfully contributed. Returns for high-yield and emerging-market bonds were bolstered by investor willingness to assume more risk in exchange for higher yields. Non-agency RMBS benefited from nascent signs of strength in the housing market, along with the anticipation of heightened demand for the securities. While not the direct target of Fed purchases, non-agency RMBS may become an attractive alternative for investors should the central bank’s bond buying absorb most of the supply in the agency MBS market. Within our emerging-market debt allocation,

This table shows the fund’s top holdings across three key sectors and the percentage of the fund’s net assets that each represented as of 9/30/12. Short-term holdings, derivatives, and TBA commitments are excluded. Holdings will vary over time.

positions in Argentina, Russia, Venezuela, and Ukraine performed particularly well. Holdings of investment-grade corporate bonds and commercial mortgage-backed securities also aided the fund's relative return.

Which strategies detracted from the fund's performance?

The biggest detractor was our conservative term-structure positioning [meaning the fund's duration — or interest-rate sensitivity —and yield-curve strategy]. Given the low level of Treasury yields and expectations for modestly improving U.S. economic growth, we took a cautious approach toward interest-rate risk by maintaining minimal duration exposure within the portfolio. However, this positioning, which can be beneficial when rates are rising, dampened performance because interest rates, while volatile during the period, ended the period lower across the yield curve.

Our active currency strategy, which is implemented with long and short positions using currency forward contracts, also proved detrimental. Currency markets were volatile during the period, and our exposure to commodity-linked currencies, such as the Australian and Canadian dollars, as well as tactical trading in the British pound sterling, detracted from performance. Slowing global growth, particularly in China, led to falling commodity prices during much of the period, which weighed on the currencies of major commodity-exporting countries. Conversely, short positions in the euro and the Czech koruna aided performance and partially offset the overall negative outcome of our currency strategy.

How did you use derivatives during the period?

We used bond futures and interest-rate swaps — which allow two parties to exchange one stream of future interest payments for another, based on a specified principal amount — to take tactical positions at various points along the yield curve.

In addition, we employed interest-rate swaps and "swaptions" — which give us the option to enter into a swap contract — to hedge the interest-rate risk associated with our collateralized-mortgage-obligation [CMO] holdings.

This chart shows how the fund's top weightings have changed over the past six months. Weightings are shown as a percentage of net assets. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities and the exclusion of as-of trades, if any. Holdings will vary over time. Cash positions may represent collateral used to cover certain derivative contracts.

Lastly, we used forward currency contracts to hedge the foreign exchange risk associated with non-U.S. bonds, and to efficiently gain exposure to foreign currencies as part of our active strategy involving global currency pairings.

The fund reduced its distribution rate during the period. What led to that decision?

The fund's per-share distribution rate was lowered to $0.026 from $0.029 in July, due to an overall decline in the amount of interest income earned by the fund — a result of generally lower yields in the marketplace.

What is your outlook for the coming months, and how are you positioning the fund?

The latest data show that the U.S. economy is continuing on a sluggish growth path. We believe third-quarter gross domestic product may come in slightly above 1.5% on an annualized basis, which would be weaker than we expected at the beginning of 2012. With Europe in recession, Japan slowing sharply, and China growing at a rate that is slow by its own standards, the areas of the U.S. economy that are heavily dependent on global trade have weakened. On the other hand, U.S. consumer demand remains reasonably solid, as illustrated by stronger automobile sales. All told, we believe U.S. growth may strengthen in 2013 if the so-called “fiscal cliff” of currently legislated spending cuts and expiring tax reductions looming at year-end can be avoided.

As has been the case for some time, we continue to believe non-government sectors remain the most attractive areas of the bond market. While the “spreads” — or yield advantage — in many sectors of the market have tightened in recent months, they still appear attractive relative to their pre-2008 historical averages.

In our view, investors seem to be slowly returning to employing long-term strategies rather than timing the next risk trade, and

A word about derivatives

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

For example, the fund’s managers might use forward currency contracts to capitalize on an anticipated change in exchange rates between two currencies. This approach would require a significantly smaller outlay of capital than purchasing traditional bonds denominated in the underlying currencies. In another example, the managers may identify a bond that they believe is undervalued relative to its risk of default, but may seek to reduce the interest-rate risk of that bond by using interest-rate swaps, a derivative through which two parties “swap” payments based on the movement of certain rates.

Like any other investment, derivatives may not appreciate in value and may lose money. Derivatives may amplify traditional fixed-income risks through the creation of leverage and may be less liquid than traditional securities. And because derivatives typically represent contractual agreements between two financial institutions, derivatives entail “counterparty risk,” which is the risk that the other party is unable or unwilling to pay. Putnam monitors the counterparty risks we assume. For some types of derivatives, Putnam also seeks to mitigate the level of ongoing counterparty credit risk by entering into collateral agreements with counterparties that require the counterparties to post collateral on a regular basis to cover their obligations to the fund.

See pages 52–76 for more information on the types of derivatives used.

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we believe that makes for a more supportive investment environment overall, particularly for active managers like Putnam.

In terms of positioning, we continue to prefer credit risk via allocations to corporate bonds and non-agency RMBS, and prepayment risk through certain types of CMOs, over interest-rate risk. While the potential for short-term price volatility still remains high, we believe our actively managed, risk-conscious approach remains a prudent strategy for investing in today’s bond markets.

Thanks for your time and for bringing us up to date, Bill.

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

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

Portfolio Manager **D. William Kohli** is Co-Head of Fixed Income at Putnam. He has an M.B.A. from the Haas School of Business at the University of California, Berkeley, and a B.A. from the University of California, San Diego. Bill joined Putnam in 1994 and has been in the investment industry since 1986.

In addition to Bill, your fund's portfolio managers are Michael J. Atkin, Kevin F. Murphy, Michael V. Salm, and Paul D. Scanlon, CFA.

Raman Srivastava left the fund in September 2012.

IN THE NEWS

Global economic growth is losing steam, according to the International Monetary Fund (IMF), with the majority of the world's advanced economies expected to contract in 2012, or expand at anemicrates of less than 2%. Several issues are challenging economic growth, including Europe's sovereign debt troubles, the impending "fiscal cliff" in the United States, and high unemployment in various economies. Unless leaders take meaningful steps to address these issues, the current global economic expansion may slow to the weakest level since 2009's Great Recession. These issues are weighing increasingly on the global economy. In July, the IMF predicted that global growth would be 3.5% in 2012, rising to 3.9% in 2013, but now, in its recently released *World Economic Outlook*, the IMF has revised its growth forecasts downwards, to growth of just 3.3% this year, and 3.6% in 2013.

Your fund's performance

This section shows your fund's performance, price, and distribution information for periods ended September 30, 2012, the end of its most recent fiscal year. Performance should always be considered in light of a fund's investment strategy. Data represent past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate, and you may have a gain or a loss when you sell your shares.

Fund performance Total return for periods ended 9/30/12

	NAV	Market price
Annual average		
Life of fund (since 4/29/88)	7.16%	6.64%
10 years	101.13	88.61
Annual average	7.24	6.55
5 years	27.59	35.64
Annual average	4.99	6.29
3 years	26.05	19.46
Annual average	8.02	6.11
1 year	8.42	9.56

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

Comparative index returns For periods ended 9/30/12

	Barclays Government/Credit Bond Index	Citigroup Non-U.S. World Government Bond Index	JPMorgan Global High Yield Index	Lipper Flexible Income Funds (closed-end) category average*
Annual average				
Life of fund (since 4/29/88)	7.30%	6.70%	—†	6.82%
10 years	69.00	101.69	182.46%	98.21
Annual average	5.39	7.27	10.94	7.06
5 years	37.87	37.38	57.69	37.31
Annual average	6.63	6.56	9.54	6.45
3 years	20.79	12.56	45.42	29.64
Annual average	6.50	4.02	13.29	9.00
1 year	5.66	3.46	19.71	12.57

Index and Lipper results should be compared with fund performance at net asset value. Lipper calculates performance differently than the closed-end funds it ranks, due to varying methods for determining a fund’s monthly reinvestment net asset value.

* Over the 1-year, 3-year, 5-year, 10-year, and life-of-fund periods ended 9/30/12, there were 5, 5, 4, 3, and 2 funds, respectively, in this Lipper category.

† The JPMorgan Global High Yield Index was introduced on 12/31/93, which post-dates the fund’s inception.

Fund price and distribution information For the 12-month period ended 9/30/12

Distributions		
Number	12	
Income	$0.089638	
Return of capital*	0.249362	
Capital gains	—	
Total	**$0.339000**	
Share value	**NAV**	**Market price**

9/30/11	$5.34	$5.05
9/30/12	5.42	5.18
Current yield (end of period)	**NAV**	**Market price**
Current dividend rate†	5.76%	6.02%

The classification of distributions, if any, is an estimate. Final distribution information will appear on your year-end tax forms.

* See page 92.

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

Terms and definitions

Important terms

Total return shows how the value of the fund's shares changed over time, assuming you held the shares through the entire period and reinvested all distributions in the fund.

Net asset value (NAV) is the value of all your fund's assets, minus any liabilities, divided by the number of outstanding shares.

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

Fixed-income terms

Current yield is the annual rate of return earned from dividends or interest of an investment. Current yield is expressed as a percentage of the price of a security, fund share, or principal investment.

Mortgage-backed security (MBS), also known as a mortgage "pass-through", is a type of asset-backed security that is secured by a mortgage or collection of mortgages. The following are types of MBSs:

• **Agency "pass-through"** has its principal and interest backed by a U.S. government agency, such as the Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac).

• **Collateralized mortgage obligation (CMO)** represents claims to specific cash flows from pools of home mortgages. The streams of principal and interest payments on the mortgages are distributed to the different classes of CMO interests in "tranches". Each tranche may have different principal balances, coupon rates, prepayment risks, and maturity dates. A CMO is highly sensitive to changes in interest rates and any resulting change in the rate at which homeowners sell their properties, refinance, or otherwise prepay loans. CMOs are subject to prepayment, market, and liquidity risks.

• **Interest-only (IO) security** is a type of CMO in which the underlying asset is the interest portion of mortgage, Treasury, or bond payments.

• **Non-agency residential mortgage-backed security (RMBS)**is an MBS not backed by Fannie Mae, Ginnie Mae, or Freddie Mac. One type of RMBS is an Alt-A mortgage-backed security.

• **Commercial mortgage-backed security (CMBS)**is secured by the loan on a commercial property.

Yield curve is a graph that plots the yields of bonds with equal credit quality against their differing maturity dates, ranging from shortest to longest. It is used as a benchmark for other debt, such as mortgage or bank lending rates.

Comparative indexes

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

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

BofA (Bank of America) Merrill Lynch U.S. 3-Month Treasury Bill Index is an unmanaged index that seeks to measure the performance of U.S. Treasury bills available in the marketplace.

Citigroup Non-U.S. World Government Bond Index is an unmanaged index generally considered to be representative of the world bond market excluding the United States.

JPMorgan Global High Yield Index is an unmanaged index that is designed to mirror the investable universe of the U.S. dollar global high-yield corporate debt market, including domestic (U.S.) and international (non-U.S.) issues. International issues are composed of both developed and emerging markets.

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

Indexes assume reinvestment of all distributions and do not account for fees. Securities and performance of a fund and an index will differ. You cannot invest directly in an index.

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

Other information for shareholders

Important notice regarding share repurchase program

In September 2012, the Trustees of your fund approved the renewal of a share repurchase program that had been in effect since 2005. This renewal will allow your fund to repurchase, in the 12 months beginning October 8, 2012, up to 10% of the fund’s common shares outstanding as of October 7, 2012.

Important notice regarding Putnam’s privacy policy

In order to conduct business with our shareholders, we must obtain certain personal information such as account holders’ names, addresses, Social Security numbers, and dates of birth. Using this information, we are able to maintain accurate records of accounts and transactions.

It is our policy to protect the confidentiality of our shareholder information, whether or not a shareholder currently owns shares of our funds. In particular, it is our policy not to sell information about you or your accounts to outside marketing firms. We have safeguards in place designed to prevent unauthorized access to our computer systems and procedures to protect personal information from unauthorized use.

Under certain circumstances, we must share account information with outside vendors who provide services to us, such as mailings and proxy solicitations. In these cases, the service providers enter into confidentiality agreements with us, and we provide only the information necessary to process transactions and perform other services related to your account. Finally, it is our policy to share account information with your financial representative, if you've listed one on your Putnam account.

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2012, are available in the Individual Investors section at putnam.com, and on the Securities and Exchange Commission (SEC) website, www.sec.gov. If you have questions about finding forms on the SEC's website, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

Fund portfolio holdings

The fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Forms N-Q on the SEC's website at www.sec.gov. In addition, the fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's website or the operation of the Public Reference Room.

Trustee and employee fund ownership

Putnam employees and members of the Board of Trustees place their faith, confidence, and, most importantly, investment dollars in Putnam mutual funds. As of September 30, 2012, Putnam employees had approximately $342,000,000 and the Trustees had approximately $81,000,000 invested in Putnam mutual funds. These amounts include investments by the Trustees' and employees' immediate family members as well as investments through retirement and deferred compensation plans.

Trustee approval of management contract

General conclusions

The Board of Trustees of the Putnam funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of your fund's management contract with Putnam Investment Management ("Putnam Management") and the sub-management contract with respect to your fund between Putnam Management and its affiliate, Putnam Investments Limited ("PIL").

The Board of Trustees, with the assistance of its Contract Committee, requests and evaluates all information it deems reasonably necessary under the circumstances in connection with its annual contract review. The Contract Committee consists solely of Trustees who are not "interested persons" (as this term is defined in the Investment Company Act of 1940, as amended (the "1940 Act")) of the Putnam funds ("Independent Trustees").

At the outset of the review process, members of the Board's independent staff and independent legal counsel met with representatives of Putnam Management to review the annual contract review materials furnished to the Contract Committee during the course of the previous year's review and to discuss possible changes in these materials that might be necessary or desirable for the coming year. Following these discussions and in consultation with the Contract Committee, the Independent Trustees' independent legal counsel requested that Putnam Management furnish specified information, together with any additional information that Putnam Management considered relevant, to the Contract Committee. Over the course of several months ending in June 2012, the Contract Committee met on a number of occasions with representatives of Putnam Management, and separately in executive session, to consider the information that Putnam Management provided. Throughout this process, the Contract Committee was assisted by the members of the Board's independent staff and by independent legal counsel for the Putnam funds and the Independent Trustees.

In May 2012, the Contract Committee met in executive session with the other Independent Trustees to discuss the Contract Committee's preliminary recommendations with respect to the continuance of the contracts. At the Trustees' June 22, 2012 meeting, the Contract Committee met in executive session with the other Independent Trustees to review a summary of the key financial data that the Contract Committee considered in the course of its review. The Contract Committee then presented its written report, which summarized the key factors that the Committee had considered and set forth its final recommendations. The Contract Committee then recommended, and the Independent Trustees approved, the continuance of your fund's management and sub-management contracts, effective July 1, 2012. (Because PIL is an affiliate of Putnam Management and Putnam Management remains fully responsible for all services provided by PIL, the Trustees have not evaluated PIL as a separate entity, and all subsequent references to Putnam Management below should be deemed to include reference to PIL as necessary or appropriate in the context.)

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

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

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

These conclusions were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations and how the Trustees considered these factors are described below, although individual Trustees may have evaluated the information presented differently, giving different weights to various factors. It is also important to recognize that the management arrangements for your fund and the other Putnam funds are the result of many years of review and discussion between the Independent Trustees and Putnam Management, that some aspects of the arrangements may receive greater scrutiny in some years than others, and that the Trustees' conclusions may be based, in part, on their consideration of fee arrangements in previous years.

Management fee schedules and total expenses

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints. In reviewing management fees, the Trustees generally focus their attention on material changes in circumstances — for example, changes in assets under management, changes in a fund's investment style, changes in Putnam Management's operating costs, or changes in competitive practices in the mutual fund industry — that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not warrant changes to the management fee structure of your fund.

Your fund has the benefit of breakpoints in its management fee that provide shareholders with significant economies of scale in the form of reduced fee levels as the fund's assets under management increase. In recent years, the Trustees have examined the operation of the existing breakpoint structure during periods of both growth and decline in asset levels. The Trustees concluded that the fee schedule in effect for your fund represented an appropriate sharing of economies of scale at that time.

The Trustees reviewed comparative fee and expense information for a custom group of competitive funds selected by Lipper Inc. This comparative information included your fund's percentile ranking for effective management fees and total expenses, which provides a general indication of your fund's relative standing. In the custom peer group, your fund ranked in the 5th quintile in effective management fees (determined for your fund and the other funds in the custom peer group based on fund asset size and the applicable contractual management fee schedule) and in the 1st quintile in total expenses as of December 31, 2011 (the first quintile representing the least expensive funds and the fifth quintile the most expensive funds). The fee and expense data reported by Lipper as of December 31, 2011 reflected the most recent fiscal year-end data available in Lipper's database at that time.

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

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appropriate sharing of such economies of scale as may exist in the management of the funds at that time.

The information examined by the Trustees as part of their annual contract review for the Putnam funds has included for many years information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans, college endowments, and the like. This information included comparisons of those fees with fees charged to the funds, as well as an assessment of the differences in the services provided to these different types of clients. The Trustees observed that the differences in fee rates between institutional clients and mutual funds are by no means uniform when examined by individual asset sectors, suggesting that differences in the pricing of investment management services to these types of clients may reflect historical competitive forces operating in separate markets. The Trustees considered the fact that in many cases fee rates across different asset classes are higher on average for mutual funds than for institutional clients, as well as the differences between the services that Putnam Management provides to the Putnam funds and those that it provides to its institutional clients. The Trustees did not rely on these comparisons to any significant extent in concluding that the management fees paid by your fund are reasonable.

Investment performance

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

The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing each fund's performance with various benchmarks and, where applicable, with the performance of competitive funds or targeted annualized return. They noted that since 2009, when Putnam Management began implementing major changes to strengthen its investment personnel and processes, there has been a steady improvement in the number of Putnam funds showing above-median three-year performance results. They also noted the disappointing investment performance of some funds for periods ended December 31, 2011 and considered information provided by Putnam Management regarding the factors contributing to the underperformance and actions being taken to improve the performance of these particular funds. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these efforts and to evaluate whether additional actions to address areas of underperformance are warranted.

In the case of your fund, the Trustees considered that its common share cumulative total return performance at net asset value was in the following quartiles of its Lipper Inc. peer group (Lipper Flexible Income Funds (closed-end)) for the one-year, three-year and five-year periods ended December 31, 2011 (the first quartile representing the best-performing funds and the fourth quartile the worst-performing funds):

One-year period	4th
Three-year period	2nd
Five-year period	4th

Over the one-year, three-year and five-year periods ended December 31, 2011, there were 5, 4 and 4 funds, respectively, in your fund’s Lipper peer group. (When considering performance information, shareholders should be mindful that past performance is not a guarantee of future results.)

The Trustees, while noting that your fund’s investment performance over the three-year period ended December 31, 2011 had been favorable, expressed concern about your fund’s fourth quartile performance over the one- and five-year periods ended December 31, 2011 and considered the circumstances that may have contributed to this disappointing performance. The Trustees considered Putnam Management’s view that the fund’s underperformance over the one-year period was due in significant part to the fund’s relative emphasis on shorter duration investments, which reduced the fund’s sensitivity to interest rate changes but detracted from performance. In addition, performance in 2011 was hurt by the fund’s exposure to high yield, non-Agency residential mortgage-backed securities, and its exposure to emerging markets coupled with currency exposure to the Australian dollar. The Trustees also considered Putnam Management’s observation that the fund’s underperformance over the five-year period was due in significant part to the fund’s investments in commercial and residential mortgage-backed securities, which exhibited significant volatility and under-performed during the economic downturn in 2008.

The Trustees considered that, although the fund had not performed well over the one- and five-year periods ended December 31, 2011, the fund ranked in the second quartile for the three-year period, and that Putnam Management remained confident in the fund’s portfolio managers and their investment process. TheTrustees also considered a number of other changes that Putnam Management had made in recent years in efforts to support and improve fund performance generally. In particular, the Trustees recognized that Putnam Management has adjusted the compensation structure for portfolio managers and research analysts so that only those who achieve top-quartile returns over a rolling three-year basis are eligible for full bonuses.

As a general matter, the Trustees believe that cooperative efforts between the Trustees and Putnam Management represent the most effective way to address investment performance problems. The Trustees noted that investors in the Putnam funds have, in effect, placed their trust in the Putnam organization, under the oversight of the funds’ Trustees, to make appropriate decisions regarding the management of the funds. Based on the responsiveness of Putnam Management in the recent past to performance issues, the Trustees concluded that it is preferable to seek change within Putnam Management to address performance shortcomings. In the Trustees’ view, the alternative of engaging a new investment adviser for an underperforming fund would entail significant disruptions and would not provide any greater assurance of improved investment performance.

Brokerage and soft-dollar allocations; investor servicing

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the management contract with your fund. These include benefits related to brokerage allocation and the use of soft dollars, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that are expected to be useful to Putnam Management in managing the assets of the fund and of other clients. Subject to policies established by the Trustees, soft-dollar credits acquired through these means are

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used primarily to acquire research services that supplement Putnam Management's internal research efforts. However, the Trustees noted that a portion of available soft-dollar credits continues to be allocated to the payment of fund expenses. The Trustees indicated their continued intent to monitor regulatory developments in this area with the assistance of their Brokerage Committee and also indicated their continued intent to monitor the potential benefits associated with fund brokerage and soft-dollar allocations and trends in industry practices to ensure that the principle of seeking best price and execution remains paramount in the portfolio trading process.

Putnam Management may also receive benefits from payments that the funds make to Putnam Management's affiliates for investor services. In conjunction with the annual review of your fund's management and sub-management contracts, the Trustees reviewed your fund's investor servicing agreement with Putnam Investor Services, Inc. ("PSERV"), an affiliate of Putnam Management. The Trustees concluded that the fees payable by the funds to PSERV for such services are reasonable in relation to the nature and quality of such services.

Financial statements

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

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

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

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

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

Financial highlights provide an overview of the fund's investment results, per-share distributions, expense ratios, net investment income ratios, and portfolio turnover in one summary table, reflecting the five most recent reporting periods. In a semiannual report, the highlights table also includes the current reporting period.

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders
Putnam Master Intermediate Income Trust:

We have audited the accompanying statement of assets and liabilities of Putnam Master Intermediate Income Trust (the fund), including the fund's portfolio, as of September 30, 2012, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2012, by correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Putnam Master Intermediate Income Trust as of September 30, 2012, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts
November 14, 2012

The fund's portfolio 9/30/12

MORTGAGE-BACKED SECURITIES (45.7%)*	Principal amount	Value
American Home Mortgage Assets Ser. 07-5, Class XP, PO, IO, 2.781s, 2047	$9,787,136	$1,174,455
American Home Mortgage Investment Trust Ser. 07-1, Class GIOP, IO, 2.078s, 2047	1,265,447	177,163

Banc of America Commercial Mortgage, Inc.		
FRB Ser. 08-1, Class AJ, 6.438s, 2051	571,000	535,313
FRB Ser. 05-5, Class D, 5.405s, 2045	600,000	522,000
Banc of America Commercial Mortgage, Inc. 144A		
Ser. 01-1, Class J, 6 1/8s, 2036	163,000	128,770
Ser. 01-1, Class K, 6 1/8s, 2036	346,443	47,684
Ser. 07-5, Class XW, IO, 0.555s, 2051	101,911,055	1,328,104
Banc of America Funding Corp.		
FRB Ser. 06-A, Class 3A1, 2.942s, 2036	2,028,998	1,359,428
FRB Ser. 07-C, Class 07-C, 2.711s, 2036	2,152,673	1,781,336
FRB Ser. 06-G, Class 2A5, 0.499s, 2036	561,689	440,926
Barclays Capital, LLC Trust 144A		
FRB Ser. 11-RR4, Class 6A4, 15.143s, 2037	1,141,416	850,355
Ser. 09-RR7, Class 1A7, IO, 1.769s, 2046	18,422,114	782,940
Ser. 09-RR7, Class 2A7, IO, 1.589s, 2047	37,458,482	1,558,272
Ser. 09-RR7, Class 2A1, IO, 0 3/4s, 2047	45,861,145	1,169,458
Ser. 09-RR7, Class 1A1, IO, 0 3/4s, 2046	41,628,402	1,061,524
Bear Stearns Adjustable Rate Mortgage Trust		
FRB Ser. 05-10, Class A3, 2.648s, 2035	3,535,059	3,269,928
FRB Ser. 06-1, Class A1, 2.37s, 2036	391,128	358,860
Bear Stearns Commercial Mortgage Securities, Inc.		
FRB Ser. 07-PW17, Class AJ, 6.089s, 2050	1,492,000	1,193,600
FRB Ser. 06-PW12, Class AJ, 5.933s, 2038	718,000	648,920
Ser. 05-PWR7, Class D, 5.304s, 2041	441,000	386,292
Ser. 05-PWR7, Class B, 5.214s, 2041	697,000	648,210
Bear Stearns Mortgage Funding Trust		
Ser. 06-AR2, Class 1X, IO, 0.7s, 2046	6,838,078	179,158
Ser. 07-AR5, Class 1X2, IO, 0 1/2s, 2047	4,279,329	91,150
Ser. 06-AR5, Class 1X, IO, 0 1/2s, 2046	9,060,665	172,153
Ser. 06-AR3, Class 1X, IO, 0.4s, 2036	4,839,010	68,230
Citigroup Commercial Mortgage Trust FRB Ser. 05-C3, Class B, 5.029s, 2043	1,720,000	1,499,840
Citigroup Commercial Mortgage Trust 144A FRB Ser. 04-C1, Class G, 5.534s, 2040	3,000,000	2,889,000
Citigroup Mortgage Loan Trust, Inc. FRB Ser. 06-AR3, Class 1A2A, 5.584s, 2036	1,394,318	1,268,828

Citigroup Mortgage Loan Trust, Inc. 144A			
FRB Ser. 11-12, Class 2A2, 0.587s, 2035		900,000	587,250
FRB Ser. 12-1, Class 1A2, 0.587s, 2035		870,000	550,274
Citigroup/Deutsche Bank Commercial Mortgage Trust 144A			
Ser. 07-CD5, Class XS, IO, 0.074s, 2044		30,013,418	115,161
Cornerstone Titan PLC 144A			
FRB Ser. 05-CT1A, Class D, 1.88s, 2014 (United Kingdom)	GBP	444,023	602,287
FRB Ser. 05-CT2A, Class E, 1.789s, 2014 (United Kingdom)	GBP	145,267	208,774

MORTGAGE-BACKED SECURITIES (45.7%)* *cont.*	**Principal amount**	**Value**
Countrywide Alternative Loan Trust		
Ser. 06-0A19, Class XP, IO, 2.588s, 2047	$12,411,066	$961,857
Ser. 07-HY9, Class X, IO, 0.65s, 2047	5,657,648	229,701
Countrywide Home Loans		
Ser. 07-17, Class 1A2, 6s, 2037	1,693,251	1,627,408
Ser. 07-1, Class A8, 6s, 2037	1,733,136	1,627,003
Ser. 06-21, Class A1, 6s, 2037	824,166	725,266
Ser. 06-10, Class 1A16, 6s, 2036	1,064,524	926,136
Ser. 06-6, Class 06-6, 6s, 2036	488,871	436,195
Ser. 06-1, Class A2, 6s, 2036	931,021	821,625
FRB Ser. 05-HY10, Class 3A1B, 2.747s, 2036	2,516,068	1,761,247
Credit Suisse Mortgage Capital Certificates FRB Ser. 06-C1, Class AJ, 5.588s, 2039	184,000	188,361
CS First Boston Mortgage Securities Corp. Ser. 05-C6, Class AJ, 5.23s, 2040	613,000	648,211
CS First Boston Mortgage Securities Corp. 144A Ser. 02-CP5, Class M, 5 1/4s, 2035	344,030	17,202