

PUTNAM MUNICIPAL OPPORTUNITIES TRUST
Form DEFA14A
March 17, 2010

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

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Check the appropriate box:

- / / Preliminary Proxy Statement
- / / Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))
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PUTNAM MUNICIPAL OPPORTUNITIES TRUST

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement,
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Putnam Municipal Opportunities Trust

Investor Presentation

John A. Hill

Chairman of the Board of Trustees,
The Putnam Funds

Jameson A. Baxter

Vice Chairman of the Board of Trustees,
The Putnam Funds

Rob A. Bloemker

Head of Fixed Income,

Putnam Investments

Overview

1. About Putnam Municipal Opportunities Trust (PMO)
2. PMO's Independent Trustees have actively advanced the interests of shareholders
3. PMO's closed-end structure at this time continues to provide benefits to shareholders that are not available under an open-end structure
4. Karpus seeks a liquidity event that serves its own interests at the expense of other shareholders, and Karpus would not be an appropriate fiduciary
5. Vote to re-elect the Independent Trustees and maintain their approach to PMO's closed-end structure in this market environment

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1. About Putnam Municipal Opportunities Trust (PMO)

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1. About Putnam Municipal Opportunities Trust

A solid performance history in line with closed-end fund peers

PMO's peer group is the LippeGeneral Municipal Debt Funds (Leveraged Closed-End) category

PMO at market price has outperformed its Lipper peer group average over 1, 3, and 5 years

PMO at net asset value has outperformed its Lipper peer group average over 3 and 5 years

PMO was rated 3 stars out of 5 by Morningstar as of 12/31/09 in the Muni Nat Long-Term Bond category

Putnam Municipal Opportunities Trust, annualized total returns as of December 31, 2009

	1 year	3 years	5 years
Net asset value	33.88%	1.92%	3.78%
Market price	37.06%	3.47%	4.03%
Lipper General Municipal Debt Funds (Leveraged Closed-End) category average	35.07%	1.30%	3.43%
Barclays Capital Municipal Bond Index	12.91%	4.41%	4.32%

PMO's expenses are competitive with its Lipper peer group

	Expense ratio
PMO as of FYE April 30, 2009	1.38%
Lipper General Municipal Debt Funds (Leveraged Closed-End) category average as of March 10, 2010	1.38%

1. About Putnam Municipal Opportunities Trust

PMO has skilled managers

Fund objective:

Putnam Municipal Opportunities Trust seeks to provide as high a level of current income free from federal income tax as Putnam Management believes is consistent with the preservation of capital

Portfolio managers	Investment experience (years)	Titles / Responsibilities*
Thalia Meehan, CFA	27	Managing Director Team Leader, Tax Exempt Group
Paul M. Drury, CFA	21	Senior Vice President Tax Exempt Specialist
Susan A. McCormack, CFA	24	Senior Vice President Tax Exempt Specialist

The portfolio managers are backed by Putnam Investments' fixed-income resources

• Nearly 70 investment professionals and \$50 billion in assets under management

• Research coverage of every global fixed-income sector

Putnam's fixed-income funds have a strong track record

• More than 74% of Putnam fixed-income funds' closed-end and open-end ranked above average in their Lipper groups

□% of Putnam fixed-income funds that ranked above average in their Lipper groups as of December 31, 2009:

1 year	3 years	5 years	10 years
77% (17 of 22 funds)	91% (20 of 22 funds)	86% (19 of 22 funds)	90% (19 of 21 funds)

* See Appendix A for investment manager biographies.

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1. About Putnam Municipal Opportunities Trust

The fund is managed by Putnam Investments, a leading money manager

□Over 70 years of investment experience, managing money for individuals and institutions since 1937

□Nearly \$114 billion in assets under management, for nearly 6 million shareholder accounts*

□190 institutional clients, including pension funds of several states and many large corporations □

□78 mutual funds across asset classes, and six investment categories □ growth, blend, value, income, absolute return, and global sector

□24 variable annuity and variable life product choices, with subaccounts for The Hartford Financial Services Group and Allstate Life Insurance Company

□11 401(k) plans including a range of Putnam funds

□56 investment professionals with a balance of skill and backgrounds

□Offices in Boston, London, Frankfurt, Amsterdam, Tokyo, Sydney, and Singapore

Managed by experienced investment managers who seek superior results over time backed by original, fundamental research

* As of February 28, 2010.

□ As of September 30, 2009.

All other data as of December 31, 2009.

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1. About Putnam Municipal Opportunities Trust

Two matters for the April 8, 2010 shareholder meeting

Election of Trustees

□ The Trustees of the Putnam Funds are independent, highly qualified, and active fiduciaries who have proactively protected the long-term interests of shareholders. The Trustees meet regularly with the fund's investment manager, Putnam

□ The dissident slate of Trustee nominees submitted by Karpus Investment Management does not appear to be composed of individuals with significant experience in fiduciary responsibility and closed-end fund governance

Shareholder Proposal to Consider Open-Ending the Fund

□ The merits of maintaining the fund's closed-end fund structure at this time are especially compelling when one takes into account the current market circumstances, narrow trading price discount, advantageous preferred share leverage, and significant outperformance by the fund relative to a comparable open-end Putnam fund

□ The Independent Trustees have a significant and lengthy history of approving open-ending mergers for closed-end funds when they are in the best interests of fund shareholders

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2. PMO's Independent Trustees have actively advanced the interests of shareholders

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2. PMO's Independent Trustees have actively advanced the interests of shareholders

The Trustees are independent, experienced, and highly qualified fiduciaries

Independent

The Trustees have an independent Chairman, John Hill

Jameson Baxter, the Vice Chairman of the Board and Chairman of its Contract Committee, is the Chairman of the Mutual Fund Directors Forum, which serves investment company directors, promotes vigilant, dedicated and well-informed independent directors, and serves as their voice and advocate on important policy matters

13 of 14 Trustees are, and would be if elected, Independent Trustees. As Independent Trustees, they are not interested persons of PMO or of Putnam

The Independent Trustees are assisted by an independent administrative staff and by auditors and legal counsel who are selected by the Independent Trustees and are independent of Putnam

Highly qualified, with significant current and past experience (for complete biographies, see Appendix B)

Six Chief Executive Officers of investment firms

Chief Investment Officer of major retirement plans

Chief Financial Officer of Johnson & Johnson

President of Mount Holyoke College

Professor of Economics at MIT

Strong fund governance practices

A combination of long-tenured and newer members, bringing diverse perspectives to fund oversight

No staggered board or other takeover defenses; every PMO board member stands for election each fiscal year

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2. PMO's Independent Trustees have actively advanced the interests of

The Trustees and Putnam have actively addressed the specific concerns of closed-end fund shareholders

The Independent Trustees have held regularly scheduled monthly meetings and have conducted additional meetings as necessary

The Independent Trustees meet regularly with Putnam regarding closed-end funds, and they carefully monitor the funds' performance, the trading prices (including any discounts or premiums) of fund shares, and the expressed views of shareholders in the funds

Putnam and the Independent Trustees have taken actions that benefit the best interests of fund shareholders:

They have merged funds.

They have merged closed-end funds together, twice in 2005 and twice in 2008

They have merged closed-end funds into open-end funds, once in 2006 and twice in 2007

They have initiated tender offers. In 2007, tender offers were conducted to purchase up to 10% of the outstanding common shares of each of eight closed-end funds (including PMO) at a price per share equal to 98% of NAV. In 2008, a tender offer for another fund was conducted to purchase up to 15% of its outstanding common shares at a price per share equal

to 99% of NAV

They have instituted a share repurchase program. In 2005, the Trustees approved a share repurchase plan and have renewed it ever since. To date, the program has made a meaningful contribution to investment return

They reduced management fees for the closed-end funds, effective January 1, 2006. PMO's management fee decreased by 15%, from 65 basis points to 55 basis points

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2. PMO's Independent Trustees have actively advanced the inter

Putnam and the Independent Trustees have acted in shareholders' best interests since the auction-rate securities market collapsed

Putnam and the Independent Trustees took action when PMO's preferred shareholders faced significant liquidity issues, and PMO's common shareholders faced potentially higher costs of preferred share leverage

Putnam and the Independent Trustees devoted, and continue to devote, considerable efforts to addressing the situation in a manner that takes into account the interests of both common and preferred shareholders

PMO today remains leveraged in a manner comparable to its industry peers, while having provided significant liquidity to the fund's preferred shareholders and having reduced the risk to the fund's common shareholders associated with potentially increasing preferred share maximum dividend rates

Chronology:

Beginning in early 2008, the auction (remarketing) process for PMO's preferred shares, and similar preferred shares across the closed-end fund industry, ceased to function

From June 2008 to August 2008, PMO redeemed 15% (\$59.1M) of its outstanding preferred shares, substituting tender option bonds (TOBs)

In September 2008, Putnam recommended, and the Trustees approved, the merger of PMO into a similarly managed open-end Putnam fund in light of the following factors: (i) marketplace developments at that time for leveraged closed-end funds; (ii) the risks and costs to PMO's common shareholders of maintaining the then-current preferred share leverage over time; (iii) the cost and availability of alternative leverage financing sources for PMO;

(iv) the level of discount then prevailing in the trading price of PMO's shares as compared with NAV; and (v) general conditions in the municipal bond market

The announcement of the formal approval of the merger in October 2008 noted that completion of the merger would be subject to a number of conditions and that completion could be delayed in light of changing market conditions

From November 2008 to January 2009, an additional 47% (\$156.05M) of preferred shares were redeemed in preparation for the merger

\$215.15M of \$394M of preferred share leverage was redeemed. PMO's leverage was reduced from 42% to 26% (30% including TOB leverage), to a level reasonably comparable to other funds in its Lipper category

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2. PMO's Independent Trustees have actively advanced the interests

Putnam and the Independent Trustees have acted in shareholders' best interests since the auction-rate securities market collapsed (cont.)

The Independent Trustees determined to suspend the proposed merger as in the shareholders' best interests because of fundamental changes in market conditions

Putnam and the Independent Trustees will continue to monitor market conditions in light of the shareholders' best interests

The Independent Trustees believe that the proposed merger may ultimately represent the best long-term option for PMO's common shareholders if conditions emerge to make it advisable (for both PMO and the open-end fund into which it would merge)

Putnam and the Trustees will continue to monitor the marketplace for alternative financing solutions that would permit additional redemption of preferred shares without material detriment to PMO's common shareholders

The Independent Trustees owe a fiduciary duty to the fund to act in a manner that protects its interests, taking into account the interests of all shareholders, both common and preferred

Fiduciary duties to common shareholders limit the ability of PMO's board, regardless of its members, to redeem the remaining preferred shares

The Independent Trustees elected by the preferred shareholders do not have special responsibilities to those shareholders

PMO continues to comply with all of the terms of the preferred shares and continues to pay the maximum dividend rate

Chronology:

The significant decline in liquidity across major markets in the wake of Lehman Brothers' September 2008 bankruptcy caused Putnam to recommend to the Trustees in January 2009 that further redemptions of preferred shares would not be advisable at that time

By the summer of 2009, while liquidity conditions in all markets had generally improved, liquidity challenges persisted in certain credit quality segments of the municipal bond market, including the BBB-rated segments heavily represented in the portfolio (see Appendix C). At the same time, due to Federal Reserve actions that had reduced short-term borrowing costs to historical lows, the benefits of preferred share leverage to PMO's common shareholders increased significantly. Moreover, Putnam advised the Trustees of its expectation that preferred share leverage would continue to be advantageous to PMO's common shareholders for the foreseeable future

Consequently, in June 2009, Putnam advised the Trustees that market conditions made the proposed open-ending merger inadvisable, based on the costs of funding anticipated redemptions and on the disadvantages of removing preferred share leverage at that time. On June 26, 2009, it was announced that the Trustees authorized Putnam to suspend further efforts to implement the merger at that time

3. PMO's closed-end structure at this time continues to provide benefits to shareholders that are not available under an open-end structure

3. PMO's closed-end structure at this time continues to provide shareholders that are not available under an open-end structure

PMO's closed-end structure today offers advantages over open-end funds

Investments in higher-yielding securities. Because a closed-end fund's shares are not redeemable, PMO is not required to maintain short-term, lower-yielding investments in anticipation of possible redemptions

No sales and redemption costs. PMO does not experience the cash flows associated with sales and redemptions of open-end fund shares, which create transaction costs that are borne by long-term shareholders

Ability to use leverage. Unlike open-end funds, closed-end funds are permitted to engage in investment leverage by issuing preferred shares. Leverage is a viable investment tool to:

Adjust duration

Take advantage of relative value along the yield curve

Increase yield

Increase exposure to attractive securities and/or sectors

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3. PMO's closed-end structure at this time continues to provide shareholders that are not available under an open-end structure

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3. PMO's closed-end structure at this time continues to provide shareholders that are not available under an open-end structure

As a closed-end fund, PMO has outperformed Putnam's comparable open-end fund, which has the same investment goal and portfolio managers

PMO's returns at NAV over 1, 5, and 10 years exceed those of Putnam Tax Exempt Income Fund

PMO's returns at market price exceed those of Putnam Tax Exempt Income Fund for all periods

PMO's shareholders benefited from the Trustees' decision to suspend the merger because in 2009 PMO nearly doubled the return of Putnam Tax Exempt Income Fund, the fund into which it would have merged

PMO vs. Putnam Tax Exempt Income Fund, its open-end counterpart, as of December 31, 2009

	1 year	3 years	5 years	10 years
PMO at net asset value	33.88%	1.92%	3.78%	6.03%
PMO at market price	37.06%	3.47%	4.03%	6.86%
Putnam Tax Exempt Income Fund	17.94%	3.01%	3.31%	4.85%

3. PMO's closed-end structure at this time continues to provide shareholders that are not available under an open-end structure

PMO's discounts not a reason for open-ending

While PMO's common shares have traded at a discount to their NAV over certain periods, the discount has fluctuated over time, and at times PMO's common shares have traded at a premium to NAV

In no period has PMO experienced a deep, persistent discount

The narrowing of PMO's discount currently gives common shareholders opportunities to liquidate their positions at market prices relatively close to NAV, without open-ending the fund

PMO's discount levels (-4.01%, -9.24%, and -5.97%) in the period between the merger suspension (6/26/09) and the announcement of Karpus's proposals (12/24/09) were more favorable than PMO's discount levels for calendar year 2008 or 2009

	Narrowest discount (or highest premium)	Widest discount (or lowest premium)	Average discount/ Premium
YTD 2010	-3.16%	-5.85%	-4.67%
2009	-4.01%	-11.77%	-6.70%
2008	-4.16%	-13.93%	-9.98%
2007	-5.85%	-13.95%	-9.16%
2006	-8.66%	-13.86%	-11.24%
2005	-4.80%	-14.14%	-10.03%
2004	+4.38%	-7.00%	-1.67%
2003	+2.49%	-8.06%	-2.81%
2002	+1.68%	-8.49%	-2.26%
2001	+7.05%	-5.24%	+2.34%
2000	+2.70%	-12.42%	-4.31%
1999	+8.83%	-12.57%	+1.46%
1998	+10.99%	-1.72%	+3.07%
1997	+6.01%	+0.47%	+3.22%

1996	+4.17%	-3.71%	+0.70%
1995	+1.25%	-8.22%	-2.98%

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3. PMO's closed-end structure at this time continues to provide shareholders that are not available under an open-end structure

The Independent Trustees authorized a tender offer and repurchase program that provided liquidity and helped PMO's returns

The tender offer: In 2007, the fund conducted a tender offer to purchase 10% of PMO's outstanding common shares at a price per share equal to 98% of the NAV per share

The repurchase program: Recognizing the benefit of share repurchases for less than NAV, Putnam and the Trustees have, since 2005, authorized for PMO and all Putnam closed-end funds a program to conduct open-market repurchases of outstanding common shares.

The benefit: From October 2005 to August 2009, share repurchases under both the share repurchase program and the 2007 issuer tender offer contributed approximately 1.27% to PMO's total return during a low-interest-rate environment for fixed income investing

Benefit to fund through repurchase, in \$	Contribution to returns at NAV, 10/25/05-8/31/09	Fund's actual total returns at NAV, 10/25/05-8/31/09
\$3,286,245	1.27%	8.18%

3. PMO's closed-end structure at this time continues to provide shareholders that are not available under an open-end structure

Putnam and the Independent Trustees have a demonstrated history of advancing the interests of PMO's shareholders

October 2005	Trustees authorized repurchase of PMO shares
January 2006	Trustees reduced PMO management fees 15%
March 2006	Trustees doubled repurchase limit from 5% to 10% of outstanding shares
September 2006	Trustees extended share repurchase program
February 2007	Trustees made a tender offer to repurchase PMO shares
September 2007	Trustees renewed share repurchase program
June 2008	PMO distribution increased
June 2008	Trustees authorized a plan to redeem preferred shares and substitute TOBs
September 2008	Trustees renewed share repurchase program
	Trustees proposed merging PMO into a similar open-end fund
Fourth quarter 2008	Market liquidity crisis raised cost of merging funds
	Lower interest rates improved returns on fund's leverage
December 2008	PMO distribution increased
January 2009	Trustees delayed proposed merger

2008-09 (continuous) Significant preferred share redemptions

April 2009 PMO distribution increased

June 2009 Trustees suspended proposed merger

October 2009 PMO distribution increased

December 2009 PMO registered 33.88% return at NAV for 2009

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4. Karpus seeks a liquidity event that serves its own interests at the expense of other shareholders, and Karpus would not be an appropriate fiduciary

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4. Karpus seeks a liquidity event that serves its own interests at shareholders, and Karpus would not be an appropriate fiduciary

Karpus's pursuit of short-term profits would burden other shareholders with significant costs

□ Karpus specializes in taking positions in closed-end funds when trading price discounts are large and then seeking short-term profits by pressing for liquidity events that extract value from other shareholders

□ The significant potential costs of an open-ending conversion is a reason to vote against the shareholder proposal

□ **Costs associated with redeeming preferred shares.** PMO would need to sell a significant portion of its portfolio in order to redeem its outstanding preferred shares prior to a conversion

□ This would cause the fund to incur transaction costs as well as the risk of potential market losses associated with liquidating large positions in a short time frame

□ **Asset liquidation to meet redemptions after open-ending.** Following a conversion, PMO would likely need to liquidate additional assets in order to meet redemption requests from investors who do not wish to remain shareholders of an open-end fund

□ The Trustees considered that such mechanisms as redemption fees and in-kind payments might mitigate the transaction costs associated with such additional redemptions, but might not fully insulate the remaining shareholders from bearing a portion of these costs

□ Other costs associated with open-ending. PMO would likely incur legal, accounting, proxy solicitation, and other costs in connection with soliciting a shareholder vote for conversion and effecting a conversion

□ Increased expense ratio. Significant shareholder redemptions would reduce the size of PMO, which could result in an increased expense ratio for remaining shareholders

□ PMO's shareholders would be forced to incur costs in locating and acquiring an alternative fund in which to invest following any open-ending

4. Karpus seeks a liquidity event that serves its own interests at shareholders, and Karpus would not be an appropriate fiduciary

Karpus has put forward trustee candidates less qualified than the

Trustees of the Putnam Funds

□ limited financial market experience

□ limited fund oversight experience

□ limited academic background in finance

Karpus's proposal to open-end PMO would hurt long-term shareholders

□ Karpus neglects the interests of shareholders who consciously selected PMO for the

advantages of its closed-end structure

□ Karpus's pursuit of short-term profits through a liquidity event with an investment vehicle

not structured to provide liquidity would impose costs on PMO's shareholders

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5. Vote to re-elect the Independent Trustees and maintain their approach to PMO's closed-end structure in this market environment

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5. Vote to re-elect the Independent Trustees and maintain their approach to PMO's closed-end structure in this market environment

Re-elect PMO's Independent Trustees

The Trustees are independent, experienced, and highly qualified fiduciaries

PMO's Independent Trustees have actively advanced the interests of shareholders

The Independent Trustees and Putnam have a demonstrated history of actively pursuing the interests of PMO's shareholders

Reject Karpus's proposal to change PMO's closed-end structure