

FORT DEARBORN INCOME SECURITIES INC
Form N-CSRS
June 08, 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: 811-02319

Fort Dearborn Income Securities, Inc.

(Exact name of registrant as specified in charter)

One North Wacker Drive, Chicago, IL 60606-2807

(Address of principal executive offices) (Zip code)

Joseph J. Alessie, Esq.
UBS Global Asset Management
1285 Avenue of the Americas
New York, NY 10019
(Name and address of agent for service)

Copy to:
Bruce Leto, Esq.
Stradley Ronon Stevens & Young, LLP
2600 One Commerce Square
Philadelphia, PA 19103-7098

Registrant's telephone number, including area code: 212-821 3000

Date of fiscal year end: September 30

Date of reporting period: March 31, 2012

Item 1. Reports to Stockholders.

Closed-end funds

Fort Dearborn Income
Securities, Inc.
Semiannual Report
March 31, 2012

Fort Dearborn Income Securities, Inc.

May 9, 2012

Dear shareholder,

We present you with the semiannual report for Fort Dearborn Income Securities, Inc. (the "Fund") for the six months ended March 31, 2012.

Performance

For the six months ended March 31, 2012, the Fund returned 3.31% on a net asset value ("NAV") basis, and 7.53% on a market price basis. Over the same period, the Fund's benchmark, the Investment Grade Bond Index (the "Index"), returned 3.08%, while the Fund's peer group, as measured by the Lipper Corporate Debt Funds BBB-Rated median, posted a return of 5.18% on a NAV basis, and 9.38% on a market price basis.¹ (For more performance information, please refer to "Performance at a glance" on page 7.)

Fort Dearborn Income Securities, Inc.

Investment goal:

Current income consistent with external interest rate conditions and total return.

Portfolio manager:

Michael Dow
UBS Global Asset Management (Americas) Inc.

Commencement:

December 19, 1972

NYSE symbol:

FDI

Dividend payments:

Quarterly.

On a NAV and market price basis, the Fund outperformed its benchmark during the reporting period. During the period, neither the Fund nor the Index used leverage, although some funds in its Lipper peer group may have. (Leverage magnifies returns on both the upside and on the downside, creating a wider range of returns.)

The Fund traded at a discount to its NAV throughout the reporting period. When the period began, the Fund was trading at a 7.1% discount to its

¹ The Investment Grade Bond Index is an unmanaged index compiled by the Advisor, constructed as follows: From 12/31/81 to present—5% Barclays US Agency Index (7+ years), 75% Barclays US Credit Index (7+ years), 10% Barclays US Mortgage-Backed Securities Index (all maturities) and 10% Barclays US Treasury Index (7+ years). Investors should note that indices do not reflect the deduction of fees and expenses.

Fort Dearborn Income Securities, Inc.

NAV. This was less than the Fund's Lipper peer group median discount, which was 7.5% as of the same date. As of March 31, 2012, the Fund traded at a 3.6% discount versus its NAV, the same as its Lipper peer group median.

A fund trades at a discount when the market price at which its shares trade is less than its NAV. Alternately, a fund trades at a premium when the market price at which its shares trade is more than its NAV per share. The market price is the price the market is willing to pay for shares of a fund at a given time, and may be influenced by a range of factors, including supply and demand and market conditions. NAV per share is determined by dividing the value of the Fund's securities, cash and other assets, less all liabilities, by the total number of common shares outstanding.

An interview with Portfolio Manager Michael Dow

Q. How would you describe the economic environment during the reporting period?

A. Although the overall US economy continued to grow, elevated unemployment and ongoing strains in the housing market held back a more robust expansion. Looking back, the Commerce Department reported that gross domestic product ("GDP") growth in the US was a tepid 1.3% during the second quarter of 2011, and then grew 1.8% and 3.0% over the third and fourth quarters. On April 27, 2012, after the Fund's reporting period had ended, the Commerce Department's initial estimate for first quarter 2012 GDP growth was 2.2%.

Q. How did the Federal Reserve Board (the "Fed") react to the economic environment?

A. In August 2011, prior to the beginning of the reporting period, the Fed, acknowledging that economic growth had been considerably slower than it expected, declared that it would keep the extremely low federal funds rate of between 0% and 0.25% on hold until at least through mid-2013. (The federal funds rate, or "fed funds" rate, is the rate that banks charge one another for funds they borrow on an overnight basis.) In January 2012, the Fed extended this period, noting that economic conditions warranted maintaining exceptionally

Fort Dearborn Income Securities, Inc.

low levels at least through late 2014. Additionally, the Fed also announced its plan to purchase \$400 billion of longer-term Treasury securities, and to sell an equal amount of shorter-term Treasury securities by June 2012. Dubbed "Operation Twist," the Fed noted that its intention with this program was to "put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative."

Q. How did the bond market perform during the reporting period?

- A. Despite some setbacks, the US taxable spread sectors (non-US Treasury fixed income securities) generated solid results during the reporting period. Positive investor sentiment was due, in part, to some positive economic news in the US. In particular, unemployment declined, consumer spending was solid, the manufacturing sector continued to expand and there were indications that the housing market may be finally reaching a bottom. In addition, during the second half of the period, concerns regarding the European sovereign debt crisis moderated as Greece restructured its debt and the European Central Bank's Long-Term Refinancing Operation (LTRO) helped alleviate a European banking crisis, at least for now. Against this backdrop, the spread sectors (non-US Treasuries) generated positive results and outperformed comparable duration Treasuries during the period. All told, during the six months ended March 31, 2012, the overall US bond market, as measured by the Barclays US Aggregate Index, returned 1.43%.

Q. How was the Fund managed from a duration and yield curve perspective during the reporting period?

- A. We tactically adjusted the Fund's duration, which measures a portfolio's sensitivity to changes in interest rates, over the reporting period. To a great extent, the Fund had a neutral duration during the first half of the period given uncertainties regarding the economy. As the period progressed and the economy showed signs of improvement, we adjusted the Fund's duration and had a bias of being generally short duration versus the Index. Overall, duration positioning did not significantly impact results during the six-month reporting period.

Fort Dearborn Income Securities, Inc.

The Fund's yield curve positioning was largely in line with that of the Index during the reporting period and it did not meaningfully impact performance. (The yield curve plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates.)

Q. How did you manage the Fund's portfolio during the reporting period?

A. The key driver of the Fund's outperformance versus the Index during the quarter was its allocation to the spread sector. One notable area of strength was security selection across the corporate bond subsectors, especially within financials and industrials. In particular, as the reporting period progressed, the Fund benefited from security selection of higher beta (riskier) financials, such as select US banks. On the heels of generally improving macroeconomic data in the US and diminished intensity of sovereign and banking risks in Europe, higher beta issuers/issues across the corporate bond market performed well. In addition to US banks, exposures and security selection in more economically sensitive sectors (most of which we were overweight), such as energy, basic industries, communications and consumer discretionary enhanced the Fund's results.

A small allocation to commercial mortgage-backed securities (CMBS) was rewarded given the sector's strong results during the period. Positive security selection of Build America Bonds (BABs) also positively contributed to performance. BABs, while no longer issued, represent a key allocation within broad US credit indexes. As a result of the supply/demand characteristics of that market segment, certain issues have generated relatively strong performance. Elsewhere, during the second half of the period, we increased the Fund's mortgage-backed security (MBS) exposure from an underweight to a near neutral weight relative to the Index. This had a small positive impact on results.

Somewhat detracting from results during the period was our positioning in non-corporate credit. Overall, the Fund was underweight

Fort Dearborn Income Securities, Inc.

sovereign issuers during a period when global sovereign performance was rather strong. In addition, sector allocation within the corporate sector was a slight negative. In particular, while an overweight in financials was beneficial, it was not enough to offset our underweight to industrials.

Q. What factors do you believe will affect the Fund over the coming months?

- A. We feel that the US economic expansion will continue in 2012, although growth will likely be far from robust. Against this backdrop, we expect the Fed to maintain its accommodative monetary policy to support the economy. This was evident in January 2012, when the Fed indicated its intention of keeping the federal funds rate within a historically low range of 0% to 0.25% until at least late 2014. In Europe, we believe the sovereign debt crisis will spur continued market volatility.

Fort Dearborn Income Securities, Inc.

We thank you for your continued support and welcome any comments or questions you may have. For additional information regarding the Fund, please contact your Financial Advisor, or visit us at www.ubs.com/globalam-us.

Sincerely,

Mark E. Carver
President
Fort Dearborn Income
Securities, Inc.
Managing Director
UBS Global Asset Management
(Americas) Inc.
Michael Dow
Portfolio Manager
Fort Dearborn Income
Securities, Inc.
Head of US Long Duration Fixed Income
UBS Global Asset Management (Americas) Inc.

This letter is intended to assist shareholders in understanding how the Fund performed during the six months ended March 31, 2012. The views and opinions in the letter were current as of May 9, 2012. They are not guarantees of future performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and we reserve the right to change our views about individual securities, sectors and markets at any time. As a result, the views expressed should not be relied upon as a forecast of the Fund's future investment intent. We encourage you to consult your financial advisor regarding your personal investment program.

Fort Dearborn Income Securities, Inc.

Performance at a glance (unaudited)

Average annual total returns for periods ended 03/31/2012

Net asset value returns	6 months	1 year	5 years	10 years
Fort Dearborn Income Securities, Inc.	3.31%	13.47%	8.43%	7.56%
Lipper Corporate Debt Funds BBB-Rated median	5.18	7.91	6.64	6.85

Market price returns

Fort Dearborn Income Securities, Inc.	7.53	21.17	9.62	8.06
Lipper Corporate Debt Funds BBB-Rated median	9.38	14.24	6.96	7.87

Index returns

Investment Grade Bond Index ¹	3.08	14.16	8.11	7.67
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Past performance does not predict future performance. The return and value of an investment will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. The Fund's net asset value ("NAV") returns assume, for illustration only, that dividends and other distributions, if any, were reinvested at the NAV on the payable dates. The Fund's market price returns assume that all dividends and other distributions, if any, were reinvested at prices obtained under the Fund's Dividend Reinvestment Plan. NAV and market price returns for the period of less than one year have not been annualized. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund dividends and other distributions, if any, or the sale of Fund shares.

Lipper peer group data calculated by Lipper Inc.; used with permission. The Lipper median is the return of the fund that places in the middle of the peer group.

¹ The Investment Grade Bond Index is an unmanaged index compiled by the Advisor, constructed as follows: From 12/31/81 to present—5% Barclays US Agency (7+ years), 75% Barclays US Credit Index (7+ years), 10% Barclays US Mortgage-Backed Securities Index (all maturities) and 10% Barclays US Treasury Index (7+ years). Investors should note that indices do not reflect the deduction of fees and expenses.

Fort Dearborn Income Securities, Inc.

Portfolio statistics (unaudited)

Characteristics ¹	03/31/12	09/30/11	03/31/11
Net asset value	\$16.77	\$17.29	\$16.10
Market price	\$16.17	\$16.07	\$14.61
12-month dividends/distributions	\$1.4610	\$1.3500	\$1.4700
Dividend/distribution at period-end	\$0.1750	\$0.1900	\$0.1900
Net assets (mm)	\$147.2	\$151.7	\$141.3
Weighted average maturity (yrs.)	17.9	16.6	15.9
Duration (yrs.) ²	9.7	10.0	8.9

Credit quality ³	03/31/12	09/30/11	03/31/11
AAA	1.1%	0.9%	5.4%
US Treasury ⁴	12.2	23.8	15.3
US Agency ^{4,5}	8.8	1.9	2.5
AA	6.3	5.9	3.9
A	32.1	28.1	32.5
BBB	30.4	32.8	36.4
BB	1.8	1.8	1.5
B	0.1		0.9
CCC and Below	0.8	0.7	
Non-rated	2.2	1.9	0.2
Cash equivalents	3.2	1.3	0.4
Other assets, less liabilities	1.0	0.9	1.0
Total	100.0%	100.0%	100.0%

¹ Prices and other characteristics will vary over time.

- ² Duration is a measure of price sensitivity of a fixed-income investment or portfolio (expressed as % change in price) to a 1 percentage point (i.e. 100 basis points) change in interest rates, accounting for optionality in bonds such as prepayment risk and call/put features.
- ³ Weightings represent percentages of net assets as of the dates indicated. The Fund's portfolio is actively managed and its composition will vary over time. Credit quality ratings shown are based on those assigned by Standard & Poor's, a division of the McGraw-Hill Companies, Inc. (S&P), to individual portfolio holdings. S&P is an independent ratings agency.
- ⁴ S&P downgraded long-term US government debt on August 5, 2011 to AA+. Other rating agencies continue to rate long-term US government debt in their highest ratings categories. The Fund's aggregate exposure to AA rated debt as of March 31, 2012 would include both the percentages indicated above for AA and US government debt but has been broken out into two separate categories to facilitate understanding.
- ⁵ Includes agency debentures and agency mortgage-backed securities.
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Fort Dearborn Income Securities, Inc.

Industry diversification (unaudited)

As a percentage of net assets

As of March 31, 2012

Bonds

Corporate bonds

Aerospace & defense	0.76%
Automobiles	1.28
Banks	0.33
Beverages	0.50
Biotechnology	0.07
Building products	0.36
Capital markets	2.97
Chemicals	0.81
Commercial banks	2.29
Commercial services & supplies	0.90
Communications equipment	0.30
Computers & peripherals	0.21
Diversified financial services	5.85
Diversified telecommunication services	4.13
Electric utilities	4.67
Energy equipment & services	0.99
Food & staples retailing	2.06
Food products	1.36
Gas utilities	0.22
Health care providers & services	0.76
Hotels, restaurants & leisure	0.23
Household durables	0.42
Independent power producers & energy traders	0.67
Industrial conglomerates	0.05
Insurance	3.18
Leisure equipment & products	0.27
Life sciences tools & services	0.10
Machinery	0.40
Media	4.31
Metals & mining	3.25
Multiline retail	0.52
Multi-utilities	1.00
Office electronics	0.43
Oil, gas & consumable fuels	7.83
Paper & forest products	0.59
Pharmaceuticals	0.93
Real estate investment trust (REIT)	0.62
Road & rail	0.77

Fort Dearborn Income Securities, Inc.

Industry diversification (unaudited) (concluded)

As a percentage of net assets

As of March 31, 2012

Bonds (concluded)

Corporate bonds (concluded)

Semiconductors & semiconductor equipment	0.24%
Software	0.28
Specialty retail	0.16
Tobacco	2.10
Wireless telecommunication services	0.83

Total corporate bonds	60.00%
Asset-backed securities	0.61
Commercial mortgage-backed securities	1.42
Mortgage & agency debt securities	9.85
Municipal bonds	7.32
US government obligations	12.21
Non-US government obligations	4.18
Supranational bond	0.16

Total bonds	95.75%
Preferred stock	0.02
Short-term investment	3.21

Total investments	98.98%
Cash and other assets, less liabilities	1.02

Net assets	100.00%
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Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2012
(unaudited)

Security description	Face amount	Value
Bonds 95.75%		
Corporate bonds 60.00%		
Australia 1.15%		
Rio Tinto Finance USA Ltd., 3.750%, due 09/20/21	\$400,000	\$412,943
5.200%, due 11/02/40	750,000	792,374
9.000%, due 05/01/19	355,000	479,651
Total Australia corporate bonds		1,684,968
Austria 0.28%		
PE Paper Escrow GmbH, 12.000%, due 08/01/14 ¹	375,000	406,875
Bermuda 0.11%		
Validus Holdings Ltd., 8.875%, due 01/26/40	150,000	165,806
Brazil 0.57%		
Petrobras International Finance Co., 5.375%, due 01/27/21	400,000	432,052
6.875%, due 01/20/40	350,000	411,134
Total Brazil corporate bonds		843,186
Canada 2.09%		
Anadarko Finance Co., Series B, 7.500%, due 05/01/31	490,000	605,319
Canadian Natural Resources Ltd., 5.850%, due 02/01/35	435,000	498,355
EnCana Corp., 6.625%, due 08/15/37	250,000	272,170

Petro-Canada, 6.800%, due 05/15/38	520,000	663,454
Teck Resources Ltd., 6.250%, due 07/15/41	375,000	406,821
TransCanada PipeLines Ltd., 7.125%, due 01/15/19	500,000	633,810
Total Canada corporate bonds		3,079,929
Cayman Islands 2.06%		
Transocean, Inc., 6.800%, due 03/15/38	535,000	598,303
7.500%, due 04/15/31	575,000	652,734

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2012
(unaudited)

Security description	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
Cayman Islands (concluded)		
Vale Overseas Ltd., 4.375%, due 01/11/22	\$965,000	\$969,290
4.625%, due 09/15/20	765,000	804,687
Total Cayman Islands corporate bonds		3,025,014
France 0.31%		
Electricite de France, 6.950%, due 01/26/39 ¹	300,000	356,167
France Telecom SA, 8.500%, due 03/01/31	75,000	106,358
Total France corporate bonds		462,525
Luxembourg 0.76%		
Covidien International Finance SA, 4.200%, due 06/15/20	440,000	475,510
Enel Finance International SA, 6.000%, due 10/07/39 ¹	365,000	331,266
Telecom Italia Capital SA, 6.375%, due 11/15/33	350,000	315,000
Total Luxembourg corporate bonds		1,121,776
Malaysia 0.13%		
Petronas Capital Ltd., 5.250%, due 08/12/19 ¹	175,000	195,182
Mexico 0.79%		
America Movil SAB de CV, 5.000%, due 03/30/20	625,000	694,997

Petroleos Mexicanos, 6.500%, due 06/02/41	410,000	461,250
Total Mexico corporate bonds		1,156,247

Netherlands 0.34%

Koninklijke Philips Electronics NV, 5.000%, due 03/15/42	75,000	74,846
Siemens Financieringsmaatschappij NV, 6.125%, due 08/17/26 ¹	350,000	425,896
Total Netherlands corporate bonds		500,742

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2012
(unaudited)

Security description	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
Netherlands Antilles 0.09%		
Teva Pharmaceutical Finance IV BV, 3.650%, due 11/10/21	\$125,000	\$126,535
Norway 0.12%		
Statoil ASA, 4.250%, due 11/23/41	175,000	174,319
Portugal 0.21%		
EDP Finance BV, 6.000%, due 02/02/18 ¹	350,000	309,325
Qatar 0.38%		
Qtel International Finance Ltd., 7.875%, due 06/10/19 ¹	455,000	558,513
South Africa 0.30%		
AngloGold Ashanti Holdings PLC, 5.375%, due 04/15/20	430,000	442,613
Sweden 0.15%		
Nordea Bank AB, 4.875%, due 05/13/21 ¹	230,000	223,839
United Kingdom 1.31%		
Barclays Bank PLC, 5.140%, due 10/14/20	60,000	57,801
British Telecommunications PLC, 9.625%, due 12/15/30	555,000	816,584
HSBC Bank PLC, 3.100%, due 05/24/16 ¹	215,000	219,002

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HSBC Holdings PLC, 4.000%, due 03/30/22	275,000	272,585
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6.100%, due 01/14/42	150,000	174,529
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Vodafone Group PLC, 5.450%, due 06/10/19	325,000	383,270
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Total United Kingdom corporate bonds		1,923,771
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United States 48.85%

AEP Texas Central Co., Series E, 6.650%, due 02/15/33	495,000	596,894
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Aflac, Inc., 6.450%, due 08/15/40	325,000	361,861
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Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2012
(unaudited)

Security description	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
Alabama Power Co., 4.100%, due 01/15/42	\$550,000	\$527,759
Allergan, Inc., 5.750%, due 04/01/16	495,000	574,711
Alltel Corp., 7.875%, due 07/01/32	300,000	428,836
Altria Group, Inc., 9.700%, due 11/10/18	310,000	421,236
9.950%, due 11/10/38	480,000	730,103
American International Group, Inc., 4.250%, due 09/15/14	275,000	283,719
5.850%, due 01/16/18	525,000	570,941
Amgen, Inc., 5.650%, due 06/15/42	100,000	106,920
Anadarko Petroleum Corp., 6.450%, due 09/15/36	375,000	434,101
Anheuser-Busch Cos., Inc., 6.450%, due 09/01/37	400,000	527,411
Apache Corp., 5.100%, due 09/01/40	625,000	682,327
Archer-Daniels-Midland Co., 4.535%, due 03/26/42	418,000	420,872
AT&T, Inc., 6.500%, due 09/01/37	1,665,000	1,999,402
AXA Financial, Inc., 7.000%, due 04/01/28	165,000	175,793

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Bank of America Corp., 5.875%, due 02/07/42	120,000	119,353
Bank of America N.A., 6.000%, due 10/15/36	250,000	247,367
Bear Stearns Cos. LLC, 7.250%, due 02/01/18	1,310,000	1,579,629
Boeing Co., 6.875%, due 03/15/39	400,000	558,312

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2012
(unaudited)

Security description	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
Burlington Northern Santa Fe LLC, 5.400%, due 06/01/41	\$480,000	\$521,495
Caterpillar, Inc., 3.900%, due 05/27/21	330,000	361,674
6.050%, due 08/15/36	175,000	221,476
CenterPoint Energy Resources Corp., 6.000%, due 05/15/18	285,000	328,607
CenturyLink, Inc., Series P, 7.600%, due 09/15/39	200,000	189,183
Cisco Systems, Inc., 5.900%, due 02/15/39	175,000	212,555
Citigroup, Inc., 4.500%, due 01/14/22	800,000	803,132
6.125%, due 05/15/18	810,000	907,999
6.875%, due 03/05/38	125,000	144,325
Comcast Corp., 6.950%, due 08/15/37	1,750,000	2,215,629
ConocoPhillips, 6.500%, due 02/01/39	925,000	1,228,507
Consolidated Edison Co., Inc., Series 2012 A, 4.200%, due 03/15/42	125,000	123,255
7.125%, due 12/01/18	400,000	517,872
CSX Corp., 6.220%, due 04/30/40	150,000	178,134
CVS Caremark Corp.,		

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6.250%, due 06/01/27	500,000	597,318
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Daimler Finance North America LLC, 8.500%, due 01/18/31	460,000	669,606
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Dell, Inc., 5.400%, due 09/10/40	290,000	301,947
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DirectTV Holdings LLC, 6.000%, due 08/15/40	445,000	475,201
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Dominion Resources, Inc., Series B, 5.950%, due 06/15/35	495,000	590,204
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Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2012
(unaudited)

Security description	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
Dow Chemical Co., 4.125%, due 11/15/21	\$750,000	\$771,559
8.550%, due 05/15/19	222,000	290,935
Duke Energy Carolinas LLC, 6.050%, due 04/15/38	350,000	442,603
El du Pont de Nemours & Co., 5.600%, due 12/15/36	50,000	59,037
Enterprise Products Operating LLC, 6.125%, due 10/15/39	500,000	563,077
ERAC USA Finance Co., 7.000%, due 10/15/37 ¹	415,000	473,446
ERP Operating LP, 4.750%, due 07/15/20	485,000	517,883
Fidelity National Financial, Inc., 6.600%, due 05/15/17	150,000	158,817
Florida Power Corp., 6.350%, due 09/15/37	215,000	277,112
Ford Motor Co., 7.450%, due 07/16/31	1,000,000	1,222,500
FPL Group Capital, Inc., 6.650%, due 06/15/67 ²	200,000	205,000
Freeport-McMoRan Copper & Gold, Inc., 3.550%, due 03/01/22	200,000	192,084
General Electric Capital Corp., 4.650%, due 10/17/21	800,000	851,456
5.875%, due 01/14/38	1,000,000	1,099,235

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Genworth Financial, Inc., 7.625%, due 09/24/21	300,000	310,341
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Goldman Sachs Group, Inc., 5.750%, due 01/24/22	1,355,000	1,393,943
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6.750%, due 10/01/37	570,000	556,932
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Halliburton Co., 4.500%, due 11/15/41	200,000	202,499
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Harris Corp., 6.375%, due 06/15/19	200,000	231,223
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Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2012
(unaudited)

Security description	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
Hasbro, Inc., 6.350%, due 03/15/40	\$365,000	\$395,636
HSBC Bank USA N.A., 4.875%, due 08/24/20	250,000	256,163
5.625%, due 08/15/35	855,000	869,689
Intel Corp., 4.800%, due 10/01/41	335,000	356,843
International Lease Finance Corp., 7.125%, due 09/01/18 ¹	750,000	817,500
International Paper Co., 7.500%, due 08/15/21	365,000	460,085
JP Morgan Chase Capital XXV, Series Y, 6.800%, due 10/01/37	1,100,000	1,106,160
JPMorgan Chase & Co., 3.150%, due 07/05/16	500,000	515,432
5.400%, due 01/06/42	150,000	159,272
Kinder Morgan Energy Partners LP, 5.800%, due 03/15/35	710,000	733,505
6.500%, due 09/01/39	75,000	83,344
Kraft Foods, Inc., 6.875%, due 02/01/38	430,000	540,085
6.875%, due 01/26/39	440,000	551,663
Kroger Co., 6.900%, due 04/15/38	650,000	809,561
Lehman Brothers Holdings, Inc.,		

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6.750%, due 12/28/17 ^{3,4}	585,000	0
6.875%, due 05/02/18 ⁴	785,000	235,500
Life Technologies Corp., 6.000%, due 03/01/20	135,000	154,444
Lowe's Cos., Inc., 5.125%, due 11/15/41	210,000	228,983
Massachusetts Mutual Life Insurance Co., 8.875%, due 06/01/39 ¹	275,000	390,244

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2012
(unaudited)

Security description	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
McDonald's Corp., 3.700%, due 02/15/42	\$140,000	\$129,422
5.700%, due 02/01/39	160,000	200,104
Merck & Co., Inc., 6.400%, due 03/01/28	520,000	664,889
Merrill Lynch & Co., Inc., 6.875%, due 04/25/18	1,015,000	1,128,374
MetLife, Inc., 5.875%, due 02/06/41	650,000	777,694
Monsanto Co., 5.500%, due 08/15/25	65,000	77,488
Morgan Stanley, Series F, 5.625%, due 09/23/19	575,000	568,341
6.625%, due 04/01/18	450,000	473,856
Motiva Enterprises LLC, 6.850%, due 01/15/40 ¹	340,000	422,339
National Rural Utilities Cooperative Finance Corp., 10.375%, due 11/01/18	160,000	232,052
News America, Inc., 6.200%, due 12/15/34	695,000	770,770
7.750%, due 12/01/45	350,000	409,823
Norfolk Southern Corp., 5.590%, due 05/17/25	200,000	235,165
Oncor Electric Delivery Co. LLC, 6.800%, due 09/01/18	425,000	513,764

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7.000%, due 09/01/22	380,000	461,138
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ONEOK Partners LP, 8.625%, due 03/01/19	215,000	277,227
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Oracle Corp., 6.500%, due 04/15/38	320,000	415,029
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Owens Corning, 6.500%, due 12/01/16	475,000	527,711
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Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2012
(unaudited)

Security description	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
Pacific Gas & Electric Co., 6.050%, due 03/01/34	\$400,000	\$486,230
8.250%, due 10/15/18	275,000	364,034
Pacific Life Insurance Co., 9.250%, due 06/15/39 ¹	210,000	271,978
Pemex Project Funding Master Trust, 5.750%, due 03/01/18	685,000	770,625
Philip Morris International, Inc., 5.650%, due 05/16/18	1,200,000	1,430,237
Phillips 66, 4.300%, due 04/01/22 ¹	200,000	203,440
Prudential Financial, Inc., 5.625%, due 05/12/41	110,000	114,548
Series B, 5.750%, due 07/15/33	40,000	41,124
Series D, 6.100%, due 06/15/17	505,000	583,157
6.625%, due 12/01/37	260,000	300,215
PSEG Power LLC, 8.625%, due 04/15/31	695,000	986,496
Qwest Corp., 7.625%, due 06/15/15	340,000	394,069
Republic Services, Inc., 6.200%, due 03/01/40	425,000	506,847