

FORT DEARBORN INCOME SECURITIES INC
Form N-Q
August 29, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

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 G. Leto, Esq.
Stradley Ronon Stevens & Young LLP
2600 One Commerce Square
Philadelphia, PA 19103

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

Date of fiscal year end: September 30

Date of reporting period: June 30, 2012

Item 1. Schedule of Investments**Fort Dearborn Income Securities, Inc.****Industry diversification (unaudited)**

As a percentage of net assets as of June 30, 2012

| | |
|--|--------|
| <hr/> | |
| Bonds | |
| Corporate bonds | |
| Aerospace & defense | 0.95% |
| Automobiles | 0.98 |
| Banks | 0.31 |
| Beverages | 0.50 |
| Biotechnology | 0.07 |
| Building products | 0.35 |
| Capital markets | 3.38 |
| Chemicals | 0.81 |
| Commercial banks | 2.48 |
| Commercial services & supplies | 0.89 |
| Communications equipment | 0.31 |
| Computers & peripherals | 0.20 |
| Diversified financial services | 6.73 |
| Diversified telecommunication services | 4.05 |
| Electric utilities | 4.44 |
| Energy equipment & services | 0.98 |
| Food & staples retailing | 2.05 |
| Food products | 1.37 |
| Gas utilities | 0.59 |
| Health care providers & services | 0.64 |
| Hotels, restaurants & leisure | 0.23 |
| Household durables | 0.24 |
| Independent power producers & energy traders | 0.66 |
| Industrial conglomerates | 0.05 |
| Insurance | 3.22 |
| Leisure equipment & products | 0.28 |
| Life sciences tools & services | 0.10 |
| Machinery | 0.15 |
| Media | 4.27 |
| Metals & mining | 2.63 |
| Multiline retail | 0.54 |
| Multi-utilities | 1.02 |
| Office electronics | 0.42 |
| Oil, gas & consumable fuels | 8.03 |
| Paper & forest products | 0.57 |
| Pharmaceuticals | 0.94 |
| Real estate investment trust (REIT) | 1.23 |
| Road & rail | 0.79 |
| Semiconductors & semiconductor equipment | 0.25 |
| Software | 0.29 |
| Specialty retail | 0.16 |
| Tobacco | 2.08 |
| Wireless telecommunication services | 0.84 |
| <hr/> | |
| Total corporate bonds | 61.07% |
| Asset-backed securities | 0.60 |
| Commercial mortgage-backed securities | 0.66 |
| Mortgage & agency debt securities | 9.14 |
| Municipal bonds | 6.96 |

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| | |
|---|---------|
| US government obligations | 17.01 |
| Non-US government obligations | 2.62 |
| Supranational bond | 0.17 |
| | <hr/> |
| Total bonds | 98.23% |
| Common stocks | 0.01 |
| Preferred stock | 0.02 |
| Short-term investment | 0.89 |
| | <hr/> |
| Total investments | 99.15% |
| Cash and other assets, less liabilities | 0.85 |
| | <hr/> |
| Net assets | 100.00% |
| | <hr/> |

Fort Dearborn Income Securities, Inc. Portfolio of investments

June 30, 2012 (unaudited)

| Security description | Face amount | Value |
|---|-------------|------------|
| Bonds 98.23% | | |
| Corporate bonds 61.07% | | |
| Australia 0.87% | | |
| Rio Tinto Finance USA Ltd., | | |
| 3.750%, due 09/20/21 | \$ 400,000 | \$ 429,635 |
| 5.200%, due 11/02/40 | 750,000 | 886,449 |
| | | 1,316,084 |
| Total Australia corporate bonds | | 1,316,084 |
| Austria 0.26% | | |
| PE Paper Escrow GmbH, | | |
| 12.000%, due 08/01/14 ¹ | 375,000 | 400,313 |
| | | 400,313 |
| Bermuda 0.11% | | |
| Validus Holdings Ltd., | | |
| 8.875%, due 01/26/40 | 150,000 | 168,020 |
| | | 168,020 |
| Brazil 0.56% | | |
| Petrobras International Finance Co., | | |
| 5.375%, due 01/27/21 | 400,000 | 430,432 |
| 6.875%, due 01/20/40 | 350,000 | 415,310 |
| | | 845,742 |
| Total Brazil corporate bonds | | 845,742 |
| Canada 2.29% | | |
| Anadarko Finance Co., | | |
| Series B, 7.500%, due 05/01/31 | 490,000 | 616,878 |
| Barrick Gold Corp., | | |
| 3.850%, due 04/01/22 | 350,000 | 362,364 |
| Canadian Natural Resources Ltd., | | |
| 5.850%, due 02/01/35 | 435,000 | 497,716 |
| EnCana Corp., | | |
| 6.625%, due 08/15/37 | 250,000 | 279,685 |
| Petro-Canada, | | |
| 6.800%, due 05/15/38 | 520,000 | 649,046 |
| Teck Resources Ltd., | | |
| 6.250%, due 07/15/41 | 375,000 | 419,842 |
| TransCanada PipeLines Ltd., | | |
| 7.125%, due 01/15/19 | 500,000 | 639,867 |
| | | 3,465,398 |
| Total Canada corporate bonds | | 3,465,398 |
| Cayman Islands 1.49% | | |
| Transocean, Inc., | | |
| 6.800%, due 03/15/38 | 535,000 | 601,531 |
| 7.500%, due 04/15/31 | 575,000 | 669,370 |
| Vale Overseas Ltd., | | |
| 4.375%, due 01/11/22 | 965,000 | 982,682 |
| | | 2,253,583 |
| Total Cayman Islands corporate bonds | | 2,253,583 |

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|---|---------|-----------|
| France 0.47% | | |
| Electricite De France, 6.950%, due 01/26/39 ¹ | 300,000 | 355,297 |
| France Telecom SA, 8.500%, due 03/01/31 | 75,000 | 105,257 |
| Vivendi SA, 4.750%, due 04/12/22 ¹ | 250,000 | 246,717 |
| | | <hr/> |
| Total France corporate bonds | | 707,271 |
| | | <hr/> |
| Luxembourg 0.69% | | |
| Covidien International Finance SA, 4.200%, due 06/15/20 | 440,000 | 486,571 |
| Enel Finance International SA, 6.000%, due 10/07/39 ¹ | 365,000 | 286,546 |
| Telecom Italia Capital SA, 6.375%, due 11/15/33 | 350,000 | 274,750 |
| | | <hr/> |
| Total Luxembourg corporate bonds | | 1,047,867 |
| | | <hr/> |

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|--|---------|-----------|
| Mexico 0.78% | | |
| America Movil SAB de CV, 5.000%, due 03/30/20 | 625,000 | 709,778 |
| Petroleos Mexicanos, 6.500%, due 06/02/41 | 410,000 | 478,675 |
| | | <hr/> |
| Total Mexico corporate bonds | | 1,188,453 |
| | | <hr/> |
| Netherlands 0.68% | | |
| Rabobank Nederland NV, 3.375%, due 01/19/17 | 200,000 | 205,838 |
| EDP Finance BV, 6.000%, due 02/02/18 ¹ | 350,000 | 304,472 |
| Koninklijke Philips Electronics NV, 5.000%, due 03/15/42 | 75,000 | 80,628 |
| Siemens Financieringsmaatschappij NV, 6.125%, due 08/17/26 ¹ | 350,000 | 434,996 |
| | | <hr/> |
| Total Netherlands corporate bonds | | 1,025,934 |
| | | <hr/> |
| Netherlands Antilles 0.09% | | |
| Teva Pharmaceutical Finance IV BV, 3.650%, due 11/10/21 | 125,000 | 131,472 |
| | | <hr/> |
| Norway 0.12% | | |
| Statoil ASA, 4.250%, due 11/23/41 | 175,000 | 185,428 |
| | | <hr/> |
| Qatar 0.37% | | |
| Qtel International Finance Ltd., 7.875%, due 06/10/19 ¹ | 455,000 | 566,475 |
| | | <hr/> |
| South Africa 0.29% | | |
| AngloGold Ashanti Holdings PLC, 5.375%, due 04/15/20 | 430,000 | 441,924 |
| | | <hr/> |
| Sweden 0.15% | | |
| Nordea Bank AB, 4.875%, due 05/13/21 ¹ | 230,000 | 224,098 |
| | | <hr/> |
| United Kingdom 1.16% | | |
| Barclays Bank PLC, 5.140%, due 10/14/20 | 60,000 | 56,705 |
| British Telecommunications PLC, 9.625%, due 12/15/30 | 555,000 | 834,682 |
| HSBC Holdings PLC, 4.000%, due 03/30/22 | 275,000 | 285,559 |
| 6.100%, due 01/14/42 | 150,000 | 183,701 |
| Vodafone Group PLC, 5.450%, due 06/10/19 | 325,000 | 390,004 |
| | | <hr/> |
| Total United Kingdom corporate bonds | | 1,750,651 |
| | | <hr/> |
| United States 50.69% | | |
| AEP Texas Central Co., Series E, 6.650%, due 02/15/33 | 495,000 | 628,627 |
| Aflac, Inc., | | |

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| 6.450%, due 08/15/40 | 325,000 | 376,283 |
| Alabama Power Co., | | |
| 4.100%, due 01/15/42 | 550,000 | 558,803 |
| Allergan, Inc., | | |
| 5.750%, due 04/01/16 | 495,000 | 573,727 |
| Alltel Corp., | | |
| 7.875%, due 07/01/32 | 300,000 | 448,290 |
| Altria Group, Inc., | | |
| 9.700%, due 11/10/18 | 310,000 | 428,968 |
| 9.950%, due 11/10/38 | 480,000 | 763,233 |

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|-------------------------------------|-----------|-----------|
| American International Group, Inc., | | |
| 4.250%, due 09/15/14 | 275,000 | 284,991 |
| 4.875%, due 06/01/22 | 175,000 | 179,064 |
| 5.850%, due 01/16/18 | 525,000 | 580,400 |
| Amgen, Inc., | | |
| 5.650%, due 06/15/42 | 100,000 | 111,592 |
| Anadarko Petroleum Corp., | | |
| 6.450%, due 09/15/36 | 375,000 | 433,548 |
| Anheuser-Busch Cos., Inc., | | |
| 6.450%, due 09/01/37 | 400,000 | 543,004 |
| Apache Corp., | | |
| 5.100%, due 09/01/40 | 625,000 | 717,677 |
| Archer-Daniels-Midland Co., | | |
| 4.535%, due 03/26/42 | 418,000 | 448,527 |
| AT&T, Inc., | | |
| 6.500%, due 09/01/37 | 1,665,000 | 2,116,824 |
| AXA Financial, Inc., | | |
| 7.000%, due 04/01/28 | 165,000 | 180,447 |
| Bank of America Corp., | | |
| 3.875%, due 03/22/17 | 360,000 | 366,731 |
| 5.700%, due 01/24/22 | 90,000 | 99,116 |
| 5.875%, due 02/07/42 | 225,000 | 246,460 |
| Bank of America N.A., | | |
| 6.000%, due 10/15/36 | 250,000 | 262,921 |
| Bear Stearns Cos. LLC, | | |
| 7.250%, due 02/01/18 | 1,310,000 | 1,566,142 |
| Boeing Co., | | |
| 6.875%, due 03/15/39 | 400,000 | 585,270 |
| Burlington Northern Santa Fe LLC, | | |
| 5.400%, due 06/01/41 | 480,000 | 548,859 |
| Caterpillar, Inc., | | |
| 6.050%, due 08/15/36 | 175,000 | 229,287 |
| CenterPoint Energy Resources Corp., | | |
| 6.000%, due 05/15/18 | 285,000 | 331,944 |
| CenturyLink, Inc., | | |
| Series P, 7.600%, due 09/15/39 | 200,000 | 193,142 |
| Cisco Systems, Inc., | | |
| 5.900%, due 02/15/39 | 175,000 | 225,494 |
| Citigroup, Inc., | | |
| 4.450%, due 01/10/17 | 355,000 | 372,126 |
| 4.500%, due 01/14/22 | 200,000 | 206,571 |
| 5.875%, due 01/30/42 | 155,000 | 169,286 |
| 6.125%, due 05/15/18 | 810,000 | 904,425 |
| 6.875%, due 03/05/38 | 125,000 | 152,898 |
| 8.125%, due 07/15/39 | 375,000 | 500,436 |
| Comcast Corp., | | |
| 6.950%, due 08/15/37 | 1,750,000 | 2,247,728 |
| ConocoPhillips, | | |
| 6.500%, due 02/01/39 | 925,000 | 1,280,946 |
| Consolidated Edison Co., Inc., | | |
| Series 2012 A, 4.200%, due 03/15/42 | 125,000 | 133,224 |
| 7.125%, due 12/01/18 | 400,000 | 517,895 |
| CSX Corp., | | |
| 6.220%, due 04/30/40 | 150,000 | 184,988 |
| CVS Caremark Corp., | | |
| 6.250%, due 06/01/27 | 500,000 | 620,257 |
| Daimler Finance North America LLC, | | |
| 8.500%, due 01/18/31 | 150,000 | 229,487 |
| Dell, Inc., | | |
| 5.400%, due 09/10/40 | 290,000 | 304,832 |
| Devon Energy Corp., | | |

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|--------------------------------|---------|---------|
| 4.750%, due 05/15/42 | 375,000 | 393,507 |
| DirecTV Holdings LLC, | | |
| 6.000%, due 08/15/40 | 445,000 | 484,927 |
| Dominion Resources, Inc., | | |
| Series B, 5.950%, due 06/15/35 | 495,000 | 612,782 |
| Dow Chemical Co., | | |
| 4.125%, due 11/15/21 | 750,000 | 804,452 |
| 8.550%, due 05/15/19 | 222,000 | 295,276 |
| Duke Energy Carolinas LLC, | | |
| 6.050%, due 04/15/38 | 350,000 | 464,250 |

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|---|-----------|-----------|
| EI du Pont de Nemours & Co., 5.600%, due 12/15/36 | 50,000 | 62,975 |
| Energy Transfer Partners LP, 5.200%, due 02/01/22 | 500,000 | 535,456 |
| Enterprise Products Operating LLC, 6.125%, due 10/15/39 | 500,000 | 566,412 |
| ERAC USA Finance Co., 7.000%, due 10/15/37 ¹ | 175,000 | 210,952 |
| ERP Operating LP, 4.750%, due 07/15/20 | 485,000 | 533,525 |
| Fidelity National Financial, Inc., 6.600%, due 05/15/17 | 150,000 | 162,037 |
| Florida Power Corp., 6.350%, due 09/15/37 | 215,000 | 290,242 |
| Ford Motor Co., 7.450%, due 07/16/31 | 1,000,000 | 1,252,500 |
| FPL Group Capital, Inc., 6.650%, due 06/15/67 ² | 200,000 | 204,800 |
| Freeport-McMoRan Copper & Gold, Inc., 3.550%, due 03/01/22 | 200,000 | 196,776 |
| General Electric Capital Corp., 4.650%, due 10/17/21 | 800,000 | 888,421 |
| 5.875%, due 01/14/38 | 1,000,000 | 1,148,004 |
| Genworth Financial, Inc., 7.625%, due 09/24/21 | 300,000 | 283,450 |
| Goldman Sachs Group, Inc., 3.625%, due 02/07/16 | 425,000 | 425,047 |
| 5.750%, due 01/24/22 | 1,355,000 | 1,430,343 |
| 6.750%, due 10/01/37 | 570,000 | 558,630 |
| Halliburton Co., 4.500%, due 11/15/41 | 200,000 | 209,731 |
| Harris Corp., 6.375%, due 06/15/19 | 200,000 | 235,438 |
| Hasbro, Inc., 6.350%, due 03/15/40 | 365,000 | 424,004 |
| HSBC Bank USA N.A., 4.875%, due 08/24/20 | 250,000 | 257,173 |
| 5.625%, due 08/15/35 | 855,000 | 863,571 |
| Intel Corp., 4.800%, due 10/01/41 | 335,000 | 383,653 |
| International Lease Finance Corp., 7.125%, due 09/01/18 ¹ | 750,000 | 826,875 |
| International Paper Co., 7.500%, due 08/15/21 | 365,000 | 465,573 |
| JP Morgan Chase Capital XXV, Series Y, 6.800%, due 10/01/37 | 1,100,000 | 1,099,994 |
| JPMorgan Chase & Co., 3.150%, due 07/05/16 | 800,000 | 822,723 |
| 4.500%, due 01/24/22 | 185,000 | 199,285 |
| 5.400%, due 01/06/42 | 350,000 | 384,307 |
| Kinder Morgan Energy Partners LP, 5.800%, due 03/15/35 | 710,000 | 751,925 |
| 6.500%, due 09/01/39 | 75,000 | 85,655 |
| Kraft Foods, Inc., 6.875%, due 02/01/38 | 430,000 | 562,358 |
| 6.875%, due 01/26/39 | 440,000 | 571,686 |
| Kroger Co., 6.900%, due 04/15/38 | 650,000 | 796,577 |
| Lehman Brothers Holdings, Inc., 6.750%, due 12/28/17 ^{3,4} | 585,000 | 0 |
| 6.875%, due 05/02/18 ⁴ | 785,000 | 182,513 |

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|---|-----------|-----------|
| Life Technologies Corp., 6.000%, due 03/01/20 | 135,000 | 158,378 |
| Lowe's Cos., Inc., 4.650%, due 04/15/42 | 225,000 | 238,928 |
| Marathon Oil Corp., 6.600%, due 10/01/37 | 180,000 | 222,607 |
| Massachusetts Mutual Life Insurance Co., 8.875%, due 06/01/39 ¹ | 275,000 | 394,040 |
| McDonald's Corp., 3.700%, due 02/15/42 | 140,000 | 139,321 |
| Merck & Co., Inc., 5.700%, due 02/01/39 | 160,000 | 208,426 |
| Merck & Co., Inc., 6.400%, due 03/01/28 | 520,000 | 710,664 |
| Merrill Lynch & Co., Inc., 6.875%, due 04/25/18 | 1,000,000 | 1,118,936 |
| MetLife, Inc., 5.875%, due 02/06/41 | 650,000 | 798,115 |

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|---|-----------|-----------|
| Monsanto Co., | | |
| 5.500%, due 08/15/25 | 65,000 | 81,221 |
| Morgan Stanley, | | |
| 4.750%, due 03/22/17 | 360,000 | 359,209 |
| Series F, | | |
| 5.625%, due 09/23/19 | 575,000 | 569,078 |
| 6.625%, due 04/01/18 | 450,000 | 470,506 |
| Motiva Enterprises LLC, | | |
| 6.850%, due 01/15/40 ¹ | 340,000 | 428,861 |
| National Rural Utilities Cooperative Finance Corp., | | |
| 10.375%, due 11/01/18 | 160,000 | 231,838 |
| News America, Inc., | | |
| 6.200%, due 12/15/34 | 695,000 | 790,706 |
| 7.750%, due 12/01/45 | 350,000 | 427,999 |
| Norfolk Southern Corp., | | |
| 5.590%, due 05/17/25 | 200,000 | 241,609 |
| Oncor Electric Delivery Co. LLC, | | |
| 6.800%, due 09/01/18 | 425,000 | 507,985 |
| 7.000%, due 09/01/22 | 380,000 | 461,581 |
| ONEOK Partners LP, | | |
| 8.625%, due 03/01/19 | 215,000 | 279,010 |
| Oracle Corp., | | |
| 6.500%, due 04/15/38 | 320,000 | 436,629 |
| Owens Corning, | | |
| 6.500%, due 12/01/16 | 475,000 | 528,162 |
| Pacific Gas & Electric Co., | | |
| 6.050%, due 03/01/34 | 400,000 | 504,075 |
| 8.250%, due 10/15/18 | 275,000 | 370,680 |
| Pacific Life Insurance Co., | | |
| 9.250%, due 06/15/39 ¹ | 210,000 | 266,696 |
| Pemex Project Funding Master Trust, | | |
| 5.750%, due 03/01/18 | 685,000 | 774,050 |
| Philip Morris International, Inc., | | |
| 5.650%, due 05/16/18 | 1,200,000 | 1,449,227 |
| Phillips 66, | | |
| 4.300%, due 04/01/22 ¹ | 225,000 | 236,693 |
| Progress Energy, Inc., | | |
| 7.750%, due 03/01/31 | 95,000 | 133,585 |
| Prudential Financial, Inc., | | |
| 5.625%, due 05/12/41 | 110,000 | 112,338 |
| Series B, 5.750%, due 07/15/33 | 40,000 | 41,455 |
| Series D, | | |
| 6.100%, due 06/15/17 | 505,000 | 576,157 |
| 6.625%, due 12/01/37 | 260,000 | 294,070 |
| PSEG Power LLC, | | |
| 8.625%, due 04/15/31 | 695,000 | 1,004,126 |
| Republic Services, Inc., | | |
| 6.200%, due 03/01/40 | 425,000 | 511,314 |
| Reynolds American, Inc., | | |
| 7.250%, due 06/15/37 | 425,000 | 513,594 |
| SABMiller Holdings, Inc., | | |
| 3.750%, due 01/15/22 ¹ | 200,000 | 212,691 |
| Safeway, Inc., | | |
| 7.450%, due 09/15/27 | 725,000 | 828,755 |
| San Diego Gas & Electric Co., | | |
| 3.950%, due 11/15/41 | 275,000 | 289,420 |
| Simon Property Group LP, | | |
| 6.750%, due 02/01/40 | 325,000 | 404,504 |
| Southern California Edison Co., | | |
| 4.050%, due 03/15/42 | 175,000 | 182,517 |
| 6.650%, due 04/01/29 | 320,000 | 420,082 |

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| Southern Copper Corp., 6.750%, due 04/16/40 | 250,000 | 264,740 |
| Southern Natural Gas Co., 8.000%, due 03/01/32 | 430,000 | 557,692 |

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| Sprint Capital Corp., | | |
| 6.875%, due 11/15/28 | 200,000 | 161,000 |
| SunTrust Bank, | | |
| 7.250%, due 03/15/18 | 495,000 | 572,861 |
| Swiss Re Solutions Holding Corp., | | |
| 7.000%, due 02/15/26 | 295,000 | 346,636 |
| Target Corp., | | |
| 6.350%, due 11/01/32 | 315,000 | 417,974 |
| 6.500%, due 10/15/37 | 185,000 | 246,406 |
| 7.000%, due 01/15/38 | 105,000 | 147,496 |
| Time Warner Cable, Inc., | | |
| 7.300%, due 07/01/38 | 600,000 | 770,599 |
| 8.750%, due 02/14/19 | 410,000 | 545,125 |
| Time Warner, Inc., | | |
| 7.625%, due 04/15/31 | 710,000 | 917,065 |
| Tupperware Brands Corp., | | |
| 4.750%, due 06/01/21 | 355,000 | 367,767 |
| Union Pacific Corp., | | |
| 5.780%, due 07/15/40 | 180,000 | 223,933 |
| United Technologies Corp., | | |
| 4.500%, due 06/01/42 | 250,000 | 274,601 |
| 5.700%, due 04/15/40 | 290,000 | 367,799 |
| 6.700%, due 08/01/28 | 160,000 | 210,241 |
| UnitedHealth Group, Inc., | | |
| 5.800%, due 03/15/36 | 50,000 | 61,697 |
| 6.875%, due 02/15/38 | 300,000 | 417,036 |
| Valero Energy Corp., | | |
| 6.625%, due 06/15/37 | 150,000 | 168,193 |
| 7.500%, due 04/15/32 | 465,000 | 538,726 |
| Verizon New York, Inc., | | |
| Series B, 7.375%, due 04/01/32 | 1,085,000 | 1,343,531 |
| Viacom, Inc., | | |
| 4.500%, due 02/27/42 | 300,000 | 294,823 |
| Virginia Electric & Power Co., | | |
| 6.350%, due 11/30/37 | 165,000 | 224,630 |
| Vornado Realty LP, REIT, | | |
| 4.250%, due 04/01/15 | 880,000 | 928,056 |
| Wal-Mart Stores, Inc., | | |
| 6.500%, due 08/15/37 | 600,000 | 846,252 |
| Washington Mutual Bank, | | |
| 5.500%, due 01/15/13 ^{3,4} | 750,000 | 75 |
| Wells Fargo & Co., | | |
| 2.100%, due 05/08/17 | 300,000 | 300,671 |
| Wells Fargo Bank N.A., | | |
| 5.950%, due 08/26/36 | 450,000 | 530,877 |
| Wells Fargo Capital X, | | |
| 5.950%, due 12/15/36 | 475,000 | 476,781 |
| Williams Cos., Inc., | | |
| 8.750%, due 03/15/32 | 177,000 | 240,193 |
| Williams Partners LP, | | |
| 6.300%, due 04/15/40 | 275,000 | 325,685 |
| Wisconsin Power & Light Co., | | |
| 7.600%, due 10/01/38 | 175,000 | 278,471 |
| WM Wrigley Jr. Co., | | |
| 3.700%, due 06/30/14 ¹ | 465,000 | 480,445 |
| Xcel Energy, Inc., | | |
| 4.800%, due 09/15/41 | 475,000 | 531,533 |
| Xerox Corp., | | |
| 6.350%, due 05/15/18 | 540,000 | 629,565 |

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| | |
|--|-------------------|
| Total United States corporate bonds | <u>76,721,288</u> |
| Total corporate bonds (cost \$83,771,622) | <u>92,440,001</u> |

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| | | |
|--|-----------|------------|
| Asset-backed securities 0.60% | | |
| United States 0.60% | | |
| Ameriquest Mortgage Securities, Inc., | | |
| Series 2005-R6, Class A2, | | |
| 0.445%, due 08/25/35 ² | 72,305 | 69,605 |
| Citibank Credit Card Issuance Trust, | | |
| Series 2007-A3, Class A3, | | |
| 6.150%, due 06/15/39 | 390,000 | 528,328 |
| Continental Airlines, Inc., | | |
| Series 2009-2, Class A, | | |
| 7.250%, due 11/10/19 | 270,524 | 305,015 |
| <hr/> | | |
| Total asset-backed securities | | 902,948 |
| (cost \$714,972) | | <hr/> |
| Commercial mortgage-backed securities 0.66% | | |
| United States 0.66% | | |
| Banc of America Commercial Mortgage, Inc., | | |
| Series 2007-2, Class AM, | | |
| 5.644%, due 04/10/49 ² | 475,000 | 482,171 |
| JP Morgan Chase Commercial Mortgage Securities Corp., | | |
| Series 2007-LD11, Class A4, | | |
| 5.815%, due 06/15/49 ² | 475,000 | 521,457 |
| <hr/> | | |
| Total commercial mortgage-backed securities | | 1,003,628 |
| (cost \$883,908) | | <hr/> |
| Mortgage & agency debt securities 9.14% | | |
| United States 9.14% | | |
| Federal Home Loan Mortgage Corp., ⁵ | | |
| 5.000%, due 01/30/14 | | |
| | 30,000 | 32,198 |
| Federal Home Loan Mortgage Corp. Gold Pools, ⁵ | | |
| #E01127, 6.500%, due 02/01/17 | | |
| | 37,037 | 39,894 |
| Federal National Mortgage Association Pools, ⁵ | | |
| #AE1568, 4.000%, due 09/01/40 | | |
| | 746,337 | 795,584 |
| #AI7381, 4.000%, due 09/01/41 | | |
| | 1,942,636 | 2,071,429 |
| #AL0160, 4.500%, due 05/01/41 | | |
| | 1,086,001 | 1,168,814 |
| #688066, 5.500%, due 03/01/33 | | |
| | 163,690 | 181,851 |
| #793666, 5.500%, due 09/01/34 | | |
| | 698,260 | 770,708 |
| #802481, 5.500%, due 11/01/34 | | |
| | 141,694 | 156,396 |
| #596124, 6.000%, due 11/01/28 | | |
| | 110,205 | 122,789 |
| #253824, 7.000%, due 03/01/31 | | |
| | 62,441 | 73,753 |
| Federal National Mortgage Association Re-REMIC, ⁵ | | |
| Series 1993-106, Class Z, | | |
| 7.000%, due 06/25/13 | | |
| | 6,638 | 6,795 |
| Government National Mortgage Association Pools, | | |
| #4696, 4.500%, due 05/20/40 | | |
| | 6,283,758 | 6,943,182 |
| #781029, 6.500%, due 05/15/29 | | |
| | 34,142 | 40,211 |
| GSR Mortgage Loan Trust, | | |
| Series 2006-2F, Class 3A4, | | |
| 6.000%, due 02/25/36 | | |
| | 1,219,190 | 1,117,009 |
| Wells Fargo Mortgage Backed Securities Trust, | | |
| Series 2003-18, Class A2, | | |
| 5.250%, due 12/25/33 | | |
| | 296,058 | 308,184 |
| <hr/> | | |
| Total mortgage & agency debt securities | | 13,828,797 |
| (cost \$13,637,790) | | <hr/> |

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| | | |
|---|-----------|------------------|
| Municipal bonds 6.96% | | |
| California 1.07% | | |
| Los Angeles Unified School District, 6.758%, due 07/01/34 | 150,000 | 194,469 |
| State of California, GO, 7.300%, due 10/01/39 | 570,000 | 712,067 |
| 7.550%, due 04/01/39 | 365,000 | 472,850 |
| University of California Revenue Bonds, Series 2009, 5.770%, due 05/15/43 | 195,000 | 237,970 |
| | | <u>1,617,356</u> |
| Georgia 0.12% | | |
| Municipal Electric Authority of Georgia Revenue Bonds, 6.637%, due 04/01/57 | 150,000 | 174,922 |
| | | <u>174,922</u> |
| Illinois 1.47% | | |
| Illinois State Taxable Pension, Series 2003, 5.100%, due 06/01/33 | 2,350,000 | 2,218,494 |
| | | <u>2,218,494</u> |
| Massachusetts 0.10% | | |
| Commonwealth of Massachusetts, GO, 5.456%, due 12/01/39 | 125,000 | 156,780 |
| | | <u>156,780</u> |
| New Jersey 3.30% | | |
| New Jersey Economic Development Authority Revenue Bonds, Series B, 4.851%, due 02/15/18 ⁶ | 5,000,000 | 4,126,300 |
| New Jersey State Turnpike Authority Revenue Bonds, Series F, 7.414%, due 01/01/40 | 140,000 | 204,873 |
| New Jersey Transportation Trust Fund Authority Revenue Bonds, 6.561%, due 12/15/40 | 500,000 | 671,395 |
| | | <u>5,002,568</u> |
| New York 0.39% | | |
| Metropolitan Transportation Authority Revenue Bonds, 6.668%, due 11/15/39 | 200,000 | 261,002 |
| New York State Urban Development Corp. Revenue Bonds, 5.770%, due 03/15/39 | 265,000 | 328,179 |
| | | <u>589,181</u> |
| Pennsylvania 0.22% | | |
| Commonwealth of Pennsylvania, GO, 5.350%, due 05/01/30 | 300,000 | 332,970 |
| | | <u>332,970</u> |
| Tennessee 0.22% | | |
| Metropolitan Government of Nashville & Davidson County Convention Center Authority Revenue Bonds, 6.731%, due 07/01/43 | 300,000 | 339,021 |
| | | <u>339,021</u> |
| Texas 0.07% | | |
| Texas Transportation Commission Revenue Bonds, Series B, 5.178%, due 04/01/30 | 90,000 | 109,841 |
| | | <u>109,841</u> |

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| | | |
|---|-----------|------------|
| Total municipal bonds | | 10,541,133 |
| (cost \$9,089,180) | | |
| US government obligations 17.01% | | |
| US Treasury Bonds, | | |
| 3.125%, due 11/15/41 | 4,305,000 | 4,627,875 |
| 3.125%, due 02/15/42 | 8,125,000 | 8,726,754 |
| US Treasury Notes, | | |
| 0.250%, due 05/31/14 | 45,000 | 44,944 |
| 0.625%, due 05/31/17 | 1,540,000 | 1,532,902 |
| 0.875%, due 04/30/17 | 2,890,000 | 2,911,900 |
| 1.750%, due 05/15/22 | 1,845,000 | 1,859,991 |
| 2.000%, due 02/15/22 | 5,840,000 | 6,036,644 |
| Total US government obligations | | 25,741,010 |
| (cost \$25,030,735) | | |

| | | |
|--|-----------|----------------|
| Non-US government obligations 2.62% | | |
| Brazil 1.64% | | |
| Brazilian Government International Bond, | | |
| 8.250%, due 01/20/34 | 900,000 | 1,410,750 |
| 8.875%, due 04/15/24 | 700,000 | 1,081,500 |
| | | 2,492,250 |
| Mexico 0.98% | | |
| United Mexican States, | | |
| 4.750%, due 03/08/44 | 225,000 | 241,313 |
| 8.300%, due 08/15/31 | 800,000 | 1,238,000 |
| | | 1,479,313 |
| Total Non-US government obligations (cost \$3,077,296) | | 3,971,563 |
| Supranational bond 0.17% | | |
| Inter-American Development Bank, | | |
| 7.000%, due 06/15/25 (cost \$244,539) | 175,000 | 250,515 |
| Total bonds (cost \$136,450,042) | | 148,679,595 |
| Shares | | |
| Common stocks 0.01% | | |
| United States 0.01% | | |
| Washington Mutual Funding Tranche III ^{3,7} | 1,300 | 13 |
| WMI Holdings Corp.* | 25,741 | 12,870 |
| Total common stocks (cost \$14,157) | | 12,883 |
| Preferred stock 0.02% | | |
| United States 0.02% | | |
| Ally Financial, Inc., | | |
| 7.000% ^{1,8} (cost \$34,713) | 42 | 37,418 |
| Short-term investment 0.89% | | |
| Investment company 0.89% | | |
| UBS Cash Management Prime Relationship Fund ⁹ | | |
| (cost \$1,340,456) | 1,340,456 | 1,340,456 |
| Total investments ¹⁰ 99.15% (cost \$137,839,368) | | 150,070,352 |
| Cash and other assets, less liabilities 0.85% | | 1,289,594 |
| Net assets 100.00% | | \$ 151,359,946 |

Notes to portfolio of investments

Aggregate cost for federal income tax purposes was substantially the same as for book purposes; and net unrealized appreciation consisted of:

| | |
|--|---------------|
| Gross unrealized appreciation | \$ 14,587,977 |
| Gross unrealized depreciation | (2,356,993) |
| | <hr/> |
| Net unrealized appreciation of investments | \$ 12,230,984 |
| | <hr/> |

For a listing of defined portfolio acronyms, counterparty abbreviations and currency abbreviations that are used throughout the Portfolio of investments as well as the tables that follow, please refer to the end of this report.

The Board has delegated to the UBS Global Asset Management Global Valuation Committee (GVC) the responsibility for making fair value determinations with respect to the Fund s portfolio holdings. The GVC is comprised of representatives of management, including members of the investment team.

The GVC provides reports to the Board at each quarterly meeting regarding any securities or instruments that have been fair valued, valued pursuant to standing instructions approved by the GVC, or where non vendor pricing sources had been used to make fair value determinations when sufficient information exists during the prior quarter. Fair valuation determinations are subject to review at least monthly by the GVC during scheduled meetings. Pricing decisions, processes, and controls over fair value determinations are subject to internal and external reviews, including annual internal compliance reviews, periodic internal audit reviews and annual review of securities valuations by the Fund s independent auditors.

The types of securities or instruments for which such fair value pricing may be necessary include, but are not limited to: foreign securities and instruments under some circumstances, as discussed below, securities of an issuer that has entered into a restructuring; securities or instruments whose trading has been halted or suspended; fixed income securities that are in default and for which there is no current market value quotation; and securities or instruments that are restricted as to transfer or resale. The need to fair value a Fund s portfolio securities and other instruments may also result from low trading volume in foreign markets or thinly traded domestic securities or instruments, and when a security is subject to a trading limit or collar on the exchange or market on which it is primarily traded reaches the limit up or limit down price and no trading has taken place at that price. Various factors may be reviewed in order to make a good faith determination of a security s or instrument s fair value. These factors include, but are not limited to, fundamental analytical data relating to the investment; the nature and duration of restrictions on disposition of the securities or instruments; and the evaluation of forces which influence the market in which the securities or instruments are purchased and sold. Valuing securities and other instruments at fair value involves greater reliance on judgment than valuing securities and other instruments that have readily available market quotations. Fair value determinations can also involve reliance on quantitative models employed by a fair value pricing service.

US generally accepted accounting principles (GAAP) requires disclosure regarding the various inputs that are used in determining the value of the Fund s investments. These inputs are summarized into the three broad levels listed below:

Level 1 Unadjusted quoted prices in active markets for identical investments.

Level 2 Other significant observable inputs, including but not limited to, quoted prices for similar investments, interest rates, prepayment speeds and credit risk.

Level 3 Unobservable inputs inclusive of the Fund s own assumptions in determining the value of investments.

In May 2011, FASB issued Accounting Standards Update No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and International Financial Reporting Standards (IFRS) (ASU 2011-04). ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between US GAAP and IFRS. ASU 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU 2011-04 and its impact on the financial statements.

The following is a summary of the fair valuations according to the inputs used as of June 30, 2012 in valuing the Fund s investments:

| Description | Unadjusted quoted prices in active markets for identical investments (Level 1) | Other significant observable inputs (Level 2) | Unobservable inputs (Level 3) | Total |
|-------------------------|--|---|-------------------------------|---------------|
| Corporate bonds | \$ | \$ 92,439,926 | \$ 75 | \$ 92,440,001 |
| Asset-backed securities | | 902,948 | | 902,948 |

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| | | | | |
|---------------------------------------|------------------|-----------------------|--------------|-----------------------|
| Commercial mortgage-backed securities | | 1,003,628 | | 1,003,628 |
| Mortgage & agency debt securities | | 13,828,797 | | 13,828,797 |
| Municipal bonds | | 10,541,133 | | 10,541,133 |
| US government obligations | | 25,741,010 | | 25,741,010 |
| Non-US government obligations | | 3,971,563 | | 3,971,563 |
| Supranational bonds | | 250,515 | | 250,515 |
| Common stocks | 12,870 | | 13 | 12,883 |
| Preferred stock | | 37,418 | | 37,418 |
| Short-term investment | | 1,340,456 | | 1,340,456 |
| Total | \$ 12,870 | \$ 150,057,394 | \$ 88 | \$ 150,070,352 |

Level 3 rollforward disclosure

The following is a rollforward of the Fund's investments that were valued using unobservable inputs for the period:

| | Corporate bonds | Common stock | Total |
|--|-----------------|--------------|--------------|
| Assets | | | |
| Beginning balance | \$ 19,500 | \$ | \$ 19,500 |
| Purchases | | | |
| Issuances | | 0 | 0 |
| Sales | (14,157) | | (14,157) |
| Settlements | | | |
| Accrued discounts (premiums) | 5,799 | | 5,799 |
| Total realized gain (loss) | (1,288,995) | | (1,288,995) |
| Change in net unrealized appreciation/depreciation | 1,277,853 | 13 | 1,277,866 |
| Transfers into Level 3 ¹¹ | 75 | | 75 |
| Transfers out of Level 3 | | | |
| Ending balance | \$ 75 | \$ 13 | \$ 88 |

The change in net unrealized appreciation/depreciation relating to the Level 3 investments held at June 30, 2012 was \$(609,021).

Portfolio footnotes

- * Non-income producing security.
- ¹ Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. These securities are considered liquid, unless noted otherwise, and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2012, the value of these securities amounted to \$5,913,585 or 3.91% of net assets.
- ² Variable or floating rate security The interest rate shown is the current rate as of June 30, 2012 and changes periodically.
- ³ Security is being fair valued by a valuation committee under the direction of the Board of Trustees. At June 30, 2012, the value of these securities amounted to \$88 or 0.00% of net assets.
- ⁴ Security is in default.
- ⁵ On September 7, 2008, the Federal Housing Finance Agency placed the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association into conservatorship, and the US Treasury guaranteed the debt issued by those organizations.
- ⁶ Rate shown reflects annualized yield at June 30, 2012 on zero coupon bond.
- ⁷ Security is illiquid. At June 30, 2012, the value of this security amounted to \$13 or 0.00% of net assets.
- ⁸ This security is subject to a perpetual call and may be called in full or partially on or anytime after August 1, 2012.
- ⁹ The table below details the Fund's investment in a fund that is advised by the same advisor as the Fund. The advisor does not earn a management fee from the affiliated UBS Relationship Fund.

| <u>Security description</u> | <u>Value 09/30/11</u> | <u>Purchases during the nine months ended 06/30/12</u> | <u>Sales during the nine months ended 06/30/12</u> | <u>Value 06/30/12</u> | <u>Net income earned from affiliate for the nine months ended 06/30/12</u> |
|---|---------------------------|--|--|---------------------------|--|
| UBS Cash Management Prime Relationship Fund | \$1,913,431 | \$57,332,732 | \$57,905,707 | \$1,340,456 | \$3,607 |

- ¹⁰ The Fund calculates its net asset value based on the current market value, where available, for its portfolio securities. The Fund normally obtains market values for its securities and other instruments from independent pricing sources and broker-dealers. Independent pricing sources may use reported last sale prices, official market closing prices, current market quotations or valuations from computerized evaluation systems that derive values based on comparable securities or instruments. An evaluation system incorporates parameters such as security quality, maturity and coupon, and/or research and evaluations by its staff, including review of broker-dealer market price quotations, if available, in determining the valuation of the portfolio securities or instruments. Securities and other instruments also may be valued based on appraisals derived from information concerning the security or instrument or similar securities or instruments received from recognized dealers in those holdings. Securities and instruments traded in the over-the-counter (OTC) market and listed on The NASDAQ Stock Market, Inc. (NASDAQ) normally are valued at the NASDAQ Official Closing Price. Other OTC securities are valued at the last bid price on the valuation date available prior to valuation. Securities and instruments which are listed on US and foreign stock exchanges normally are valued at the market closing price, the last sale price on the day the securities are valued or, lacking any sales on such day, at the last available bid price. In cases where securities or instruments are traded on more than one exchange, the securities or instruments are valued on the exchange designated as the primary market by UBS Global Asset Management (Americas) Inc. (UBS Global AM or the Advisor), the investment advisor of the Fund. If a market value is not readily available from an independent pricing source for a particular security or instrument, that security or instrument is valued at fair value as determined in good faith by or under the direction of the Fund's Board of Directors (the Board). Various factors may be reviewed in order to make a good faith determination of a security's or instrument's fair value. These factors include, but are not limited to, fundamental analytical data relating to the investment; the nature and duration of restrictions on disposition of the securities or instruments; and the evaluation of forces which influence the market in which the securities or instruments are purchased and sold. Foreign currency exchange rates are generally determined as of the close of the New York Stock Exchange (NYSE). Certain securities or instruments in which the Fund invests are traded in markets that close before 4:00 p.m., Eastern time. Normally, developments that occur between the close of the foreign markets and 4:00 p.m. Eastern Time will not be reflected in the Fund's net asset value. However, if the Fund determines that such developments are so significant that they will materially affect the value of the Fund's securities or instruments, the Fund may adjust the previous closing prices to reflect what the Board believes to be the fair value of these securities or instruments as of 4:00 p.m. Eastern Time. The amortized cost method of valuation, which approximates market value, generally is used to value short-term debt instruments with 60 days or less remaining to maturity, unless the Board determines that this does not represent fair value. Investments in open-end investment companies are valued at the daily closing net asset value of the respective investment company. Pursuant to the Fund's use of the practical expedient within ASC Topic 820, investments in non-registered investment companies are also valued at the daily net asset value. All investments quoted in foreign currencies will be valued daily in US dollars on the basis of the foreign currency exchange rates prevailing at the time such valuation is determined by the Fund's custodian.
- ¹¹ Transfers into Level 3 represent the value at the end of the period. At June 30, 2012, a security was transferred from Level 2 to Level 3 as the valuation is based on unobservable inputs.

Portfolio acronyms

GO General Obligation

GSR Goldman Sachs Residential

REIT Real estate investment trust

Re-REMIC Combined Real Estate Mortgage Investment Conduit

For more information regarding the Fund's other significant accounting policies, please refer to the Fund's semiannual report to shareholders dated March 31, 2012.

Item 2. Controls and Procedures.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (Investment Company Act)) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.
- (b) The registrant's principal executive officer and principal financial officer are aware of no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

- (a) Certifications of principal executive officer and principal financial officer of registrant pursuant to Rule 30a-2(a) under the Investment Company Act is attached hereto as Exhibit EX-99.CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Fort Dearborn Income Securities, Inc.

By: /s/ Mark E. Carver
Mark E. Carver
President

Date: August 29, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Mark E. Carver
Mark E. Carver
President

Date: August 29, 2012

By: /s/ Thomas Disbrow
Thomas Disbrow
Treasurer & Principal Accounting Officer

Date: August 29, 2012