

FEDERATED PREMIER MUNICIPAL INCOME FUND
Form N-Q
October 22, 2010

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form N-Q
Quarterly Schedule of Portfolio Holdings of Registered Management Investment Companies

811-21235

(Investment Company Act File Number)

Federated Premier Municipal Income Fund

(Exact Name of Registrant as Specified in Charter)

Federated Investors Funds
4000 Ericsson Drive
Warrendale, PA 15086-7561
(Address of Principal Executive Offices)

(412) 288-1900
(Registrant's Telephone Number)

John W. McGonigle, Esquire
Federated Investors Tower
1001 Liberty Avenue
Pittsburgh, Pennsylvania 15222-3779
(Name and Address of Agent for Service)
(Notices should be sent to the Agent for Service)

Date of Fiscal Year End: 11/30/10

Date of Reporting Period: Quarter ended 08/31/10

Item 1. Schedule of Investments

Federated Premier Municipal Income Fund

Portfolio of Investments

August 31, 2010 (unaudited)

| Principal Amount | | Value |
|------------------|---|-----------|
| | Municipal Bonds 99.5% | |
| | Alabama 0.6% | |
| \$350,000 | Courtland, AL IDB, PCR Refunding Bonds (Series 2005A), 5.00% (International Paper Co.), 6/1/2025 | 348,527 |
| 415,000 | Selma, AL IDB, Gulf Opportunity Zone Bonds (Series 2010A), 5.80% (International Paper Co.), 5/1/2034 | 437,244 |
| | TOTAL | 785,771 |
| | Arizona 2.7% | |
| 940,000 | Maricopa County, AZ, IDA, Health Facility Revenue Bonds (Series 2004A), 5.375% (Catholic Healthcare West), 7/1/2023 | 988,015 |
| 2,000,000 | Pima County, AZ IDA, Revenue Bonds (Series 2008B), 5.75% (Tucson Electric Power Co.), 9/1/2029 | 2,068,320 |
| 750,000 | Verrado Community Facilities District No. 1, AZ, Revenue Bonds, 6.50%, 7/15/2027 | 726,810 |
| | TOTAL | 3,783,145 |
| | California 8.6% | |
| 2,000,000 | Bay Area Toll Authority, CA, San Francisco Bay Area Toll Bridge Revenue Bonds (Series 2009F-1), 5.00%, 4/1/2028 | 2,238,020 |
| 1,280,000 | California State, Refunding Economic Recovery Bonds (Series 2009A), 5.00% (California State Fiscal Recovery Fund), 7/1/2018 | 1,538,086 |
| 1,000,000 | California State, Various Purpose UT GO Bonds, 6.00% (Original Issue Yield: 6.10%), 4/1/2038 | 1,114,820 |
| 750,000 | Golden State Tobacco Securitization Corp., CA, Tobacco Settlement Revenue Bonds (Series 2003A-2), 7.90% (United States Agency PRF 6/1/2013@100), 6/1/2042 | 894,240 |
| 1,500,000 | M-S-R Energy Authority, CA, Gas Revenue Bonds (Series 2009A), 7.00% (GTD by Citigroup, Inc.), 11/1/2034 | 1,842,705 |
| 2,000,000 | Regents of University of California, General Revenue Bonds (Series 2009Q), 5.25%, 5/15/2029 | 2,246,280 |

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| | | |
|-----------|--|-------------------|
| 2,000,000 | San Francisco, CA City & County Airport Commission, Second Series Revenue Bonds (Series 2009E), 5.50%, 5/1/2025 | 2,261,560 |
| | TOTAL | 12,135,711 |
| | Colorado 3.6% | |
| 725,000 | Antelope Heights Metropolitan District, CO, LT GO Bonds, 8.00% (United States Treasury PRF 12/1/2013@101), 12/1/2023 | 899,080 |
| 500,000 | Colorado Educational & Cultural Facilities Authority, Refunding Revenue Bonds (Series A), 7.00% (Denver Academy)/(Original Issue Yield: 7.25%), 11/1/2023 | 525,175 |
| 230,000 | Colorado State Higher Education Capital Construction Lease Purchase Financing Program, COP (Series 2008), 5.50% (Original Issue Yield: 5.60%), 11/1/2027 | 254,835 |
| 90,000 | Colorado State Higher Education Capital Construction Lease Purchase Financing Program, COP (Series 2008), 5.50% (United States Treasury & Agency PRF 11/1/2018@100)/(Original Issue Yield: 5.60%), 11/1/2027 | 112,683 |
| 250,000 | Conservatory Metropolitan District, CO, LT GO Bonds, 6.75% (United States Treasury PRF 12/1/2013@102), 12/1/2034 | 295,612 |
| 500,000 | Conservatory Metropolitan District, CO, LT GO Bonds, 7.55% (United States Treasury PRF 12/1/2013@102), 12/1/2032 | 618,050 |
| 665,000 | Conservatory Metropolitan District, CO, Refunding & Improvement LT GO Bonds, 5.125% (Radian Asset Assurance, Inc. INS), 12/1/2037 | 522,145 |
| 1,000,000 | Denver, CO Health & Hospital Authority, Revenue Bonds, 6.25% (United States Treasury PRF 12/1/2014@100)/(Original Issue Yield: 6.28%), 12/1/2033 | 1,216,310 |
| 500,000 | Southlands, CO Metropolitan District No. 1, LT GO Bonds (Series 2004), 7.00% (United States Treasury PRF 12/1/2014@100)/(Original Issue Yield: 7.05%), 12/1/2024 | 624,420 |
| | TOTAL | 5,068,310 |
| | Connecticut 0.8% | |
| 1,085,000 | Connecticut State Development Authority, First Mortgage Gross Revenue Health Care Project Bonds (Series 2003), 5.85% (Elim Park Baptist Home, Inc.)/(Original Issue Yield: 5.98%), 12/1/2033 | 1,079,423 |
| | Delaware 0.5% | |
| 715,000 | Delaware EDA, Gas Facilities Refunding Bonds, 5.40% (Delmarva Power and Light Co.), 2/1/2031 | 747,354 |
| | District of Columbia 1.7% | |
| 2,500,000 | District of Columbia Tobacco Settlement Financing Corp., Asset-Backed Revenue Bonds, 6.50% (Original Issue Yield: 6.67%), 5/15/2033 | 2,405,175 |
| | Florida 5.1% | |
| 540,000 | Broward County, FL Airport System, Airport System Refunding Revenue Bonds (Series 2009O), 5.375% (Original Issue Yield: 5.48%), 10/1/2029 | 584,096 |
| 1,215,000 | Harbor Bay, FL Community Development District, Special Assessment Revenue Bonds, 6.75%, 5/1/2034 | 886,282 |
| 400,000 | Orlando, FL Urban Community Development District, Capital Improvement Revenue Bonds, 6.25%, 5/1/2034 | 363,796 |
| 1,000,000 | Orlando, FL Utilities Commission, Utility System Revenue Bonds (Series 2009A), 5.25%, 10/1/2039 | 1,093,820 |

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| Principal Amount | | Value |
|------------------|--|------------------|
| \$1,000,000 | South Lake County, FL Hospital District, Revenue Bonds (Series 2009A), 6.00% (South Lake Hospital, Inc.)/(Original Issue Yield: 6.05%), 4/1/2029 | 1,054,770 |
| 1,000,000 | South Lake County, FL Hospital District, Revenue Bonds, 6.625% (South Lake Hospital, Inc.), 10/1/2023 | 1,045,500 |
| 1,000,000 | Tolomato Community Development District, FL, Special Assessment Revenue Bonds (Series 2007), 6.65% (Original Issue Yield: 6.70%), 5/1/2040 | 745,040 |
| 970,000 | Verandah West, FL Community Development District, Capital Improvement Revenue Bonds (Series 2003A), 6.625% (Original Issue Yield: 6.75%), 5/1/2033 | 971,911 |
| 480,000 | Winter Garden Village at Fowler Groves Community Development District, FL, Special Assessment Bonds (Series 2006), 5.65%, 5/1/2037 | 463,306 |
| | TOTAL | 7,208,521 |
| | Georgia 3.1% | |
| 1,500,000 | Atlanta, GA Water & Wastewater, Revenue Bonds (Series 2009A), 6.00% (Original Issue Yield: 6.14%), 11/1/2024 | 1,745,760 |
| 1,000,000 | Atlanta, GA, Tax Allocation Bonds (Series 2005B), 5.60% (Eastside Tax Allocation District)/(Original Issue Yield: 5.65%), 1/1/2030 | 1,015,120 |
| 1,500,000 | DeKalb Private Hospital Authority, GA, Revenue Anticipation Certificates (Series 2009), 5.00% (Children's Healthcare of Atlanta, Inc.), 11/15/2024 | 1,625,295 |
| | TOTAL | 4,386,175 |
| | Guam 0.3% | |
| 375,000 | Guam Government GO (Section 30), Bonds (Series 2009A), 5.625% (Original Issue Yield: 5.875%), 12/1/2029 | 397,860 |
| | Hawaii 1.7% | |
| 750,000 | Hawaii State Department of Budget & Finance, Special Purpose Revenue Bonds (Series 2009), 6.50% (Hawaiian Electric Co., Inc.), 7/1/2039 | 833,438 |
| 1,400,000 | Hawaii State Department of Budget & Finance, Special Purpose Revenue Bonds (Series A), 8.00% (Kahala Nui)/(Original Issue Yield: 8.175%), 11/15/2033 | 1,501,402 |
| | TOTAL | 2,334,840 |
| | Illinois 3.5% | |
| 977,000 | Antioch Village, IL Special Service Area No. 1, Special Tax Revenue Bonds, 6.625% (Deercrest Project), 3/1/2033 | 779,079 |
| 1,000,000 | Chicago, IL Special Assessment, Improvement Revenue Bonds, 6.75% (Lakeshore East Project)/(Original Issue Yield: 6.769%), 12/1/2032 | 987,400 |
| 420,000 | DuPage County, IL, Special Tax Bonds (Series 2006), 5.625% (Naperville Campus LLC), 3/1/2036 | 344,514 |
| 1,000,000 | Illinois Educational Facilities Authority, Refunding Revenue Bonds (Series A), 5.70% (Augustana College)/(Original Issue Yield: 5.90%), 10/1/2032 | 1,017,000 |
| 625,000 | Illinois Finance Authority, Revenue Bonds (Series 2005A), 6.00% (Landing at Plymouth Place)/(Original Issue Yield: 6.04%), 5/15/2037 | 549,175 |
| 1,250,000 | Illinois State Toll Highway Authority, Toll Highway Senior Refunding Revenue Bonds (Series 2010 A-1), 5.00%, 1/1/2031 | 1,306,825 |
| | TOTAL | 4,983,993 |

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| | | |
|---------------------------|--|------------------|
| Indiana 2.4% | | |
| 1,500,000 | Indiana Health & Educational Facility Financing Authority, Hospital Revenue Bonds (Series 2007), 5.50% (Community Foundation of Northwest Indiana), 3/1/2037 | 1,502,430 |
| 1,930,000 | Indiana Health & Educational Facility Financing Authority, Revenue Bonds (Series 2005), 5.25% (Baptist Homes of Indiana), 11/15/2035 | 1,877,272 |
| | TOTAL | 3,379,702 |
| Kentucky 0.2% | | |
| 325,000 | Kentucky EDFA, Revenue Bonds (Series 2000A), 6.625% (Norton Healthcare, Inc.)/(Original Issue Yield: 6.97%), 10/1/2028 | 328,699 |
| Maryland 0.9% | | |
| 550,000 | Baltimore, MD, Special Obligation Revenue Bonds (Series 2008A), 7.00% (East Baltimore Research Park), 9/1/2038 | 569,717 |
| 690,000 | Maryland State Economic Development Corp., Revenue Bonds (Series B), 5.75% (Ports America Chesapeake, Inc.)/(Original Issue Yield: 5.875%), 6/1/2035 | 722,437 |
| | TOTAL | 1,292,154 |
| Massachusetts 1.3% | | |
| 1,730,000 | Massachusetts Department of Transportation, Metropolitan Highway System Revenue Bonds (Series 2010B), 5.00%, 1/1/2032 | 1,842,744 |
| Michigan 1.1% | | |
| 1,500,000 | Michigan State Hospital Finance Authority, Refunding Revenue Bonds, 5.75% (Henry Ford Health System, MI)/(Original Issue Yield: 6.00%), 11/15/2039 | 1,554,060 |

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| Principal Amount | | Value |
|------------------|--|------------|
| | Mississippi 1.4% | |
| \$2,000,000 | Mississippi Development Bank, Special Obligation Bonds (Series 2006A), 5.00% (Municipal Energy Agency of Mississippi)/(Syncora Guarantee, Inc. INS), 3/1/2041 | 1,966,180 |
| | Missouri 0.4% | |
| 500,000 | Missouri Development Finance Board, Infrastructure Facilities Revenue Bonds (Series 2003A), 5.50% (Branson, MO)/(Original Issue Yield: 5.56%), 12/1/2032 | 503,525 |
| | New Jersey 0.4% | |
| 500,000 | New Jersey EDA, Revenue Bonds, (Series 2004), 5.75% (NJ Dedicated Cigarette Excise Tax)/(Original Issue Yield: 5.89%), 6/15/2029 | 494,295 |
| 211,412 | ¹ New Jersey Health Care Facilities Financing Authority, Revenue Bonds, 6.50% (Pascack Valley Hospital Association)/(Original Issue Yield: 6.72%), 7/1/2023 | 2 |
| | TOTAL | 494,297 |
| | New Mexico 0.6% | |
| 750,000 | ^{2,3} Jicarilla, NM Apache Nation, Revenue Bonds, 5.50%, 9/1/2023 | 800,295 |
| | New York 7.5% | |
| 1,030,000 | Chautauqua County, NY IDA, Exempt Facility Revenue Bonds (Series 2009), 5.875% (NRG Energy, Inc.), 4/1/2042 | 1,071,705 |
| 1,050,000 | New York City Liberty Development Corp., Revenue Bonds (Series 2005), 5.25% (Goldman Sachs Group, Inc.), 10/1/2035 | 1,104,558 |
| 400,000 | New York City Liberty Development Corp., Second Priority Liberty Refunding Revenue Bonds (Series 2010 Class 2), 5.625% (One Bryant Park LLC), 7/15/2047 | 415,284 |
| 800,000 | ² New York City, NY IDA, Liberty Revenue Bonds (Series A), 6.50% (7 World Trade Center LLC), 3/1/2035 | 800,688 |
| 1,000,000 | New York City, NY Municipal Water Finance Authority, Revenue Bonds, 5.50% (Original Issue Yield: 5.57%), 6/15/2026 | 1,200,390 |
| 2,000,000 | New York City, NY Municipal Water Finance Authority, Water & Sewer System Second General Resolution Revenue Bonds (Series Fiscal 2009EE), 5.25% (Original Issue Yield: 5.50%), 6/15/2040 | 2,203,860 |
| 1,430,000 | New York City, NY, UT GO Bonds (Series 2009E), 5.00%, 8/1/2026 | 1,611,710 |
| 2,000,000 | Triborough Bridge & Tunnel Authority, NY, General Revenue Bonds (Series 2009A-2), 5.25% (Original Issue Yield: 5.44%), 11/15/2034 | 2,202,680 |
| | TOTAL | 10,610,875 |
| | North Carolina 1.3% | |
| 1,000,000 | North Carolina Eastern Municipal Power Agency, Power System Refunding Revenue Bonds (Series 2003C), 5.375% (Original Issue Yield: 5.57%), 1/1/2017 | 1,088,020 |
| 800,000 | North Carolina Medical Care Commission, Health Care Housing Revenue Bonds (Series 2004A), 5.80% (Arc of North Carolina Projects), 10/1/2034 | 815,440 |
| | TOTAL | 1,903,460 |
| | Ohio 2.7% | |
| 1,090,000 | Ohio State Air Quality Development Authority, Revenue Bonds (Series 2009A), 5.70% (FirstEnergy Solutions Corp.), 8/1/2020 | 1,228,997 |
| 1,430,000 | | 1,469,468 |

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|-----------|--|------------------|
| | Ohio State Higher Educational Facility Commission, Hospital Facilities Revenue Bonds (Series 2010), 5.75% (Summa Health System)/(Original Issue Yield: 5.92%), 11/15/2040 | |
| 500,000 | Ohio State University, General Receipts Bonds (Series 2008A), 5.00%, 12/1/2026 | 568,665 |
| 500,000 | Ohio State University, General Receipts Bonds (Series 2008A), 5.00%, 12/1/2027 | 564,780 |
| | TOTAL | 3,831,910 |
| | Oregon 0.3% | |
| 500,000 | ² Cow Creek Band of Umpqua Tribe of Indians, Tax-Exempt Tax Revenue Bonds (Series 2006C), 5.625%, 10/1/2026 | 401,185 |
| | Pennsylvania 7.0% | |
| 1,000,000 | Allegheny County, PA IDA, Environmental Improvement Refunding Revenue Bonds (Series 2009), 6.50% (United States Steel Corp.), 5/1/2017 | 1,082,300 |
| 935,000 | Cumberland County, PA Municipal Authority, Retirement Community Revenue Bonds (Series 2002A), 7.25% (Wesley Affiliated Services, Inc. Obligated Group)/(United States Treasury PRF 1/1/2013@101)/(Original Issue Yield: 7.50%), 1/1/2035 | 1,082,113 |
| 360,000 | Cumberland County, PA Municipal Authority, Retirement Community Revenue Bonds (Series 2002A), 7.25% (Wesley Affiliated Services, Inc. Obligated Group)/(United States Treasury PRF 1/1/2013@101)/(Original Issue Yield: 7.50%), 1/1/2035 | 416,643 |
| 1,500,000 | Northampton County, PA General Purpose Authority, Hospital Revenue Bonds (Series 2008A), 5.50% (St. Lukes Hospital of Bethlehem)/(Original Issue Yield: 5.60%), 8/15/2035 | 1,538,790 |
| 1,000,000 | Pennsylvania State Turnpike Commission, Turnpike Subordinate Revenue Bonds (Series 2009D), 5.50%, 12/1/2041 | 1,081,990 |
| 1,630,000 | Philadelphia, PA Water & Wastewater System, Water and Wastewater Revenue Bonds (Series 2009A), 5.00% (Original Issue Yield: 5.13%), 1/1/2027 | 1,757,645 |

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| Principal Amount | | Value |
|------------------|--|------------|
| \$2,500,000 | Philadelphia, PA, UT GO Refunding Bonds (Series 2009A), 5.25% (Assured Guaranty Corp. INS)/(Original Issue Yield: 5.30%), 8/1/2022 | 2,881,150 |
| | TOTAL | 9,840,631 |
| | Puerto Rico 1.6% | |
| 2,000,000 | Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue Bonds (First Subordinate Series 2009A), 6.00% (Original Issue Yield: 6.25%), 8/1/2042 | 2,190,580 |
| | South Carolina 0.8% | |
| 1,170,000 | South Carolina Jobs-EDA, Health System Revenue Bonds (Series A), 5.625% (Bon Secours Health System)/(Original Issue Yield: 5.84%), 11/15/2030 | 1,189,878 |
| | South Dakota 2.0% | |
| 1,000,000 | Educational Enhancement Funding Corp., SD, Tobacco Revenue Bonds (Series 2002B), 6.50%, 6/1/2032 | 1,006,100 |
| 1,750,000 | South Dakota State Health & Educational Authority, Revenue Bonds, 5.65% (Westhills Village Retirement Community)/(Original Issue Yield: 5.75%), 9/1/2023 | 1,802,290 |
| | TOTAL | 2,808,390 |
| | Tennessee 2.0% | |
| 2,580,000 | Tennessee State School Board Authority, Higher Educational Facilities Second Program Bonds (Series 2008B), 5.50%, 5/1/2038 | 2,872,830 |
| | Texas 15.3% | |
| 700,000 | Decatur, TX Hospital Authority, Hospital Revenue Bonds (Series 2004A), 7.125% (Wise Regional Health System), 9/1/2034 | 709,142 |
| 385,000 | HFDC of Central Texas, Inc., Retirement Facility Revenue Bonds (Series 2006A), 5.50% (Village at Gleannloch Farms, Inc.), 2/15/2027 | 342,862 |
| 585,000 | HFDC of Central Texas, Inc., Retirement Facility Revenue Bonds (Series 2006A), 5.50% (Village at Gleannloch Farms, Inc.), 2/15/2037 | 479,928 |
| 2,000,000 | Harris County, TX Cultural Education Facilities Finance Corp., Refunding Revenue Bonds (Series 2009), 5.625% (St. Luke's Episcopal Hospital), 2/15/2025 | 2,225,100 |
| 2,000,000 | Houston, TX Airport System, Senior Lien Revenue & Refunding Bonds (Series 2009A), 5.00%, 7/1/2022 | 2,277,320 |
| 1,500,000 | Lower Colorado River Authority, TX, Refunding Revenue Bonds (Series 2009), 5.25%, 5/15/2029 | 1,648,170 |
| 1,050,000 | Sabine River Authority, TX, PCR Refunding Bonds (Series 2003B), 6.15% (Texas Competitive Electric Holdings Co. LLC), 8/1/2022 | 483,010 |
| 10,000,000 | ⁴ Spring Branch, TX ISD, LT GO Bonds, 5.250%, 2/1/2034 | 10,919,600 |
| 500,000 | Tarrant County, TX Cultural Education Facilities Finance Corp., Revenue Bonds, (Series 2006A), 6.00% (Northwest Senior Housing Corp. Edgemere Project), 11/15/2036 | 494,735 |
| 1,985,000 | Texas State Department of Housing & Community Affairs, Residential Mortgage Revenue Bonds (Series 2009A), 5.30%, 7/1/2034 | 2,078,057 |
| | TOTAL | 21,657,924 |
| | Virginia 3.0% | |
| 1,000,000 | Broad Street CDA, VA, Revenue Bonds, 7.50% (Original Issue Yield: 7.625%), 6/1/2033 | 962,970 |
| 500,000 | | 551,495 |

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Fairfax County, VA IDA, Health Care Revenue Bonds (Series 2009C), 5.00% (Inova Health System), 5/15/2025

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| 1,400,000 | Peninsula Port Authority, VA, Residential Care Facility Revenue Bonds (Series 2003A), 7.375% (Virginia Baptist Homes Obligated Group)/(United States Treasury PRF 12/1/2013@100)/(Original Issue Yield: 7.625%), 12/1/2032 | 1,668,268 |
|-----------|--|-----------|

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| 1,000,000 | Virginia Peninsula Port Authority, Coal Terminal Refunding Revenue Bonds (Series 2003), 6.00% (Brinks Co. (The)), 4/1/2033 | 1,037,130 |
|-----------|--|-----------|

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|-------|--|-----------|
| TOTAL | | 4,219,863 |
|-------|--|-----------|

Washington 12.1%

| | | |
|-----------|--|-----------|
| 2,000,000 | Tobacco Settlement Authority, WA, Tobacco Settlement Asset-Backed Revenue Bonds, 6.625% (Original Issue Yield: 6.875%), 6/1/2032 | 2,013,420 |
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| 1,000,000 | Washington State Health Care Facilities Authority, Revenue Bonds, 5.00% (Group Health Cooperative)/(Radian Asset Assurance, Inc. INS), 12/1/2036 | 915,340 |
|-----------|--|---------|

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|-------------------------|---|------------|
| 12,790,000 ⁴ | Washington State, UT GO Bonds, (Series 2008A), 5.000%, 7/1/2030 | 14,177,075 |
|-------------------------|---|------------|

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| TOTAL | | 17,105,835 |
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Wisconsin 3.0%

| | | |
|-----------|---|-----------|
| 2,000,000 | Wisconsin State General Fund Appropriation, Revenue Bonds (Series 2009A), 6.00% (Wisconsin State)/(Original Issue Yield: 6.10%), 5/1/2036 | 2,304,640 |
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| | | |
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| 500,000 | Wisconsin State HEFA, Revenue Bonds, 6.50% (Tomah Memorial Hospital, Inc.)/(Original Issue Yield: 6.75%), 7/1/2023 | 508,975 |
|---------|--|---------|

| | | |
|---------|--|---------|
| 500,000 | Wisconsin State HEFA, Revenue Bonds, 6.625% (Tomah Memorial Hospital, Inc.)/(Original Issue Yield: 6.875%), 7/1/2028 | 504,295 |
|---------|--|---------|

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|------------------|--|--------------|
| \$1,000,000 | Wisconsin State HEFA, Revenue Bonds, 7.25% (Community Memorial Hospital)/ (Original Issue Yield: 7.45%), 1/15/2033 | 965,620 |
| | TOTAL | 4,283,530 |
| | TOTAL MUNICIPAL BONDS (IDENTIFIED COST \$133,203,799) | 140,394,825 |
| | SHORT-TERM MUNICIPAL 0.5%;5 | |
| | Florida 0.5% | |
| 750,000 | Pinellas County, FL Health Facility Authority, (Series 2006A) Daily VRDNs (Bayfront Hospital)/ (SunTrust Bank LOC), 0.350%, 9/1/2010 (AT AMORTIZED COST) | 750,000 |
| | TOTAL MUNICIPAL INVESTMENTS — 100.0% (IDENTIFIED COST \$133,953,799) ⁶ | 141,144,825 |
| | OTHER ASSETS AND LIABILITIES - NET ⁷ | (15,719,574) |
| | LIQUIDATION VALUE OF AUCTION PREFERRED SHARES | (36,575,000) |
| | TOTAL NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS | \$88,850,251 |

At August 31, 2010, the Fund held no securities that are subject to the federal alternative minimum tax (AMT).

- 1 Obligor filed for bankruptcy. On September 30, 2008, a Notice of Initial Distribution was received and a portion of the bond was redeemed at par. Subsequent distributions have occurred on various dates to redeem portions of the remaining bonds at discounts to par. The market value of the holding is adjusted to reflect the expected value of future distributions.
- 2 Denotes a restricted security that either: (a) cannot be offered for public sale without first being registered, or being able to take advantage of an exemption from registration, under the Securities Act of 1933; or (b) is subject to a contractual restriction on public sales. At August 31, 2010, these restricted securities amounted to \$2,002,168, which represented 1.4% of total market value.
- 3 Denotes a restricted security that may be resold without restriction to “qualified institutional buyers” as defined in Rule 144A under the Securities Act of 1933 and that the Fund has determined to be liquid under criteria established by the Fund's Board of Trustees (the “Trustees”). At August 31, 2010, these liquid restricted securities amounted to \$800,295, which represented 0.6% of total market value.

Additional information on restricted securities, excluding securities purchased under Rule 144A, if applicable, that have been deemed liquid by the Trustees, held at August 31, 2010, is as follows:

| Security | Acquisition Date | Acquisition Cost | Market Value |
|---|------------------|------------------|--------------|
| Cow Creek Band of Umpqua Tribe of Indians, Tax-Exempt Tax Revenue Bonds (Series 2006C), 5.625%, 10/1/2026 | 6/9/2006 | \$500,000 | \$401,185 |
| New York City, NY IDA, Liberty Revenue Bonds (Series A), 6.50% (7 World Trade Center LLC), 3/1/2035 | 3/15/2005 | \$800,000 | \$800,688 |

4 Underlying security in inverse floater structure.

5 Current rate and next reset date shown for Variable Rate Demand Notes.

6 At August 31, 2010, the cost of investments for federal tax purposes was \$116,732,760. The net unrealized appreciation of investments for federal tax purposes was \$7,308,811. This consists of net unrealized appreciation

from investments for those securities having an excess of value over cost of \$9,800,873 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$2,492,062.

7 Assets, other than investments in securities, less liabilities.

Note: The categories of investments are shown as a percentage of total market value at August 31, 2010.

Investment Valuation

In calculating its net asset value (NAV), the Fund generally values investments as follows:

- Fixed-income securities acquired with remaining maturities greater than 60 days are fair valued using price evaluations provided by a pricing service approved by the Trustees.
- Fixed-income securities acquired with remaining maturities of 60 days or less are valued at their cost (adjusted for the accretion of any discount or amortization of any premium).
- Shares of other mutual funds are valued based upon their reported NAVs.
- Derivative contracts listed on exchanges are valued at their reported settlement or closing price.
- Over-the-counter (OTC) derivative contracts are fair valued using price evaluations provided by a pricing service approved by the Trustees.

If the Fund cannot obtain a price or price evaluation from a pricing service for an investment, the Fund may attempt to value the investment based upon the mean of bid and asked quotations or fair value the investment based on price evaluations, from one or more dealers. If any price, quotation, price evaluation or other pricing source is not readily available when the NAV is calculated, the Fund uses the fair value of the investment determined in accordance with the procedures described below. There can be no assurance that the Fund could purchase or sell an investment at the price used to calculate the Fund's NAV.

Fair Valuation and Significant Events Procedures

The Trustees have authorized the use of pricing services to provide evaluations of the current fair value of certain investments for purposes of calculating the NAV. Factors considered by pricing services in evaluating an investment include the yields or prices of investments of comparable quality, coupon, maturity, call rights and other potential prepayments, terms and type, reported transactions, indications as to values from dealers, and general market conditions. Some pricing services provide a single price evaluation reflecting the bid-side of the market for an investment (a “bid” evaluation). Other pricing services offer both bid evaluations and price evaluations indicative of a price between the prices bid and asked for the investment (a “mid” evaluation). The Fund normally uses bid evaluations for U.S. Treasury and Agency securities, mortgage-backed securities and municipal securities. The Fund normally uses mid evaluations for other types of fixed-income securities and OTC derivative contracts. In the event that market quotations and price evaluations are not available for an investment, the fair value of the investment is determined in accordance with procedures adopted by the Trustees.

The Trustees also have adopted procedures requiring an investment to be priced at its fair value whenever the Adviser determines that a significant event affecting the value of the investment has occurred between the time as of which the price of the investment would otherwise be determined and the time as of which the NAV is computed. An event is considered significant if there is both an affirmative expectation that the investment's value will change in response to the event and a reasonable basis for quantifying the resulting change in value. Examples of significant events that may occur after the close of the principal market on which a security is traded, or after the time of a price evaluation provided by a pricing service or a dealer, include:

- With respect to price evaluations of fixed-income securities determined before the close of regular trading on the NYSE, actions by the Federal Reserve Open Market Committee and other significant trends in U.S. fixed-income markets;
- Political or other developments affecting the economy or markets in which an issuer conducts its operations or its securities are traded; and
- Announcements concerning matters such as acquisitions, recapitalizations, litigation developments, a natural disaster affecting the issuer's operations or regulatory changes or market developments affecting the issuer's industry.

The Fund may seek to obtain more current quotations or price evaluations from alternative pricing sources. If a reliable alternative pricing source is not available, the Fund will determine the fair value of the investment using another method approved by the Trustees.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

Level 1 — quoted prices in active markets for identical securities

Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 — significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

As of August 31, 2010, all investments of the Fund utilized Level 2 inputs in valuing the Fund's assets carried at fair value.

The following acronyms are used throughout this portfolio:

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| CDA | — Community Development Authority |
| COP | — Certificate of Participation |
| EDA | — Economic Development Authority |
| EDFA | — Economic Development Finance Authority |
| GO | — General Obligation |
| GTD | — Guaranteed |
| HEFA | — Health and Education Facilities Authority |
| HFDC | — Health Facility Development Corporation |
| IDA | — Industrial Development Authority |
| IDB | — Industrial Development Bond |
| INS | — Insured |
| ISD | — Independent School District |
| LOC | — Letter of Credit |
| LT | — Limited Tax |
| PCR | — Pollution Control Revenue |
| PRF | — Prerefunded |
| UT | — Unlimited Tax |
| VRDNs | — Variable Rate Demand Notes |

