

FORT DEARBORN INCOME SECURITIES INC
Form N-CSRS
June 07, 2013

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. Allesie, 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, 2013

Item 1. Reports to Stockholders.

Closed-end funds

Fort Dearborn Income
Securities, Inc.
Semiannual Report
March 31, 2013

Fort Dearborn Income Securities, Inc.

May 15, 2013

Dear shareholder,

We present you with the semiannual report for Fort Dearborn Income Securities, Inc. (the "Fund") for the six months ended March 31, 2013.

Performance

For the six months ended March 31, 2013, the Fund returned 0.76% on a net asset value ("NAV") basis, and declined 3.14% on a market price basis. Over the same period, the Fund's benchmark, the Investment Grade Bond Index (the "Index"), declined 0.04%, while the Fund's peer group, as measured by the Lipper Corporate Debt Funds BBB-Rated median, posted a return of 2.13% on a NAV basis, and a median decline of 1.66% on a market price basis. (For more performance information, please refer to "Performance at a glance" on page 9.)

Fort Dearborn Income Securities, Inc.

Investment goal:

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

Portfolio managers:

Scott Dolan, John Dugenske, Craig Ellinger and Brian Fehrenbach
UBS Global Asset Management (Americas) Inc.

Commencement:

December 19, 1972

NYSE symbol:

FDI

Dividend payments:

Quarterly.

On a NAV total return basis, the Fund outperformed its benchmark during the six months. During the reporting period, neither the Fund nor the Index used leverage. (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. On the last trading day preceding the reporting period, September 28, 2012, the Fund traded at a discount of 3.7% and at the same time, the

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.

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Fund's Lipper peer group traded at a median premium of 2.0%. As of March 28, 2013, the Fund traded at a 7.7% discount versus its NAV, compared to a 6.9% discount for 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 the portfolio managers

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

A. While the overall US economy continued to grow during the reporting period, the pace of the expansion was mixed. The Commerce Department reported 3.1% gross domestic product ("GDP") growth in the US for the third quarter of 2012, followed by growth of 0.4% in the fourth quarter. Decelerating growth was largely driven by weakening private inventory investment, federal government spending and exports. The economy gained some traction during the first quarter of 2013, as the housing market continued to rebound and there was some modest improvement in the labor market. According to the Commerce Department's initial estimate, first quarter 2013 GDP growth was 2.5%.² Stronger growth was due, in part, to higher consumer spending, which rose 3.2% during the first quarter, versus a 1.8% increase during the previous quarter.

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

A. The Fed took a number of actions during the reporting period, as it looked to meet its dual mandate of price stability and maximum

² Based on the Commerce Department's initial estimate announced on April 26, 2013, after the Fund's reporting period had ended.

Fort Dearborn Income Securities, Inc.

employment. Throughout the reporting period, the Fed kept the federal funds rate (the federal funds rate, or "fed funds" rate, is the rate banks charge one another for funds they borrow on an overnight basis) at an extremely low level of between 0% and 0.25% and, on several occasions, extended the period it expected to keep the fed funds rate on hold. In September 2012, the Fed launched a third round of quantitative easing ("QE3"), which involved purchasing \$40 billion of agency mortgage-backed securities ("MBS") on an open-ended basis each month. At its final meeting of the year, in December, the Fed said it would continue buying \$40 billion a month of agency MBS, as well as purchase \$45 billion a month of longer-term Treasuries. The Fed also said that it would keep the federal funds rate on hold "...as long as the unemployment rate remains above 6.5%," provided inflation remains well-contained. The Fed did not change its policy stance at its meetings in January and March 2013.

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

A. While the US taxable spread sectors (non-US Treasury fixed income securities) experienced periods of volatility during the reporting period, investors who assumed greater risk were generally rewarded, as most spread sectors outperformed equal-duration Treasuries during the six months ended March 31, 2013. Market volatility was triggered by a number of macro factors, such as moderating global growth, the November elections and uncertainties surrounding the US "fiscal cliff" and sequestration. Regardless, overall demand for the spread sectors was solid as investors looked to generate incremental yield in the low interest rate environment. While the overall US bond market, as measured by the Barclays US Aggregate Index, returned a modest 0.09% during the reporting period, riskier high yield bonds produced superior results.

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

A. We tactically adjusted the Fund's duration³ over the reporting period. Overall, the Fund's duration was shorter than that of the Index, which

³ Duration measures a portfolio's sensitivity to changes in interest rates.

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was a positive for performance as rates rose across the Treasury yield curve during the reporting period.

The Fund's yield curve⁴ positioning modestly contributed to performance during the six-month period. However, curve management among the spread sectors was a slight negative for results.

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

- A. The key driver of the Fund's outperformance (on a NAV basis) versus the Index during the reporting period was its allocation to the spread sectors. In particular, overweights and security selection of high yield corporate bonds and commercial mortgage-backed securities (CMBS) were beneficial to performance. An overweight and security selection of investment grade corporate financials was also positive for performance.

There were no significant detractors from results during the reporting period from a sector positioning perspective.

Q. Were there any adjustments made to the Fund's positioning during the reporting period?

- A. We continued to add to the Fund's credit exposure, primarily emphasizing higher yielding assets. We also actively adjusted the Fund's corporate bond exposure, capturing profits on some positions and using the proceeds to invest in attractive new opportunities.

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

- A. Overall, we have a positive outlook for the US economy. While the expansion will likely be far from robust, we believe that growth is sustainable, in part due to the rebound in the housing market. This, in turn, should be supportive of consumer spending. Our view for growth outside the US is less encouraging, as Europe's economy remains in a recession and the recent banking crisis in Cyprus illustrates that the region's sovereign debt crisis is far from resolved. Elsewhere, the Bank

⁴ The yield curve plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates.

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of Japan has taken aggressive actions to support its economy seeking to end deflation. It remains uncertain whether these initiatives will be successful.

We remain constructive for the US corporate bond market, as corporate fundamentals are solid overall, with balance sheets that are generally flush with cash. Many US companies have also taken advantage of historically low interest rates to refinance their debt and extend maturities. Against this backdrop, we expect default rates to remain below their historical average. Finally, given continued Fed policy accommodation, we believe that investor demand will be strong overall. That said, given the current level of yields, we do not expect to see corporate bond returns to be as robust as they were in 2012. In addition, we are keeping a close eye on event specific risks in the corporate debt space (such as leveraged buyouts) as well as the potential for investors to rotate a portion of their assets from bonds to stocks, in search of higher returns.

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.

Scott Dolan
Portfolio Manager
Fort Dearborn Income Securities, Inc.
Managing Director
UBS Global Asset Management (Americas) Inc.

Fort Dearborn Income Securities, Inc.

John Dugenske
Portfolio Manager
Fort Dearborn Income Securities, Inc.
Managing Director
UBS Global Asset Management (Americas) Inc.

Craig Ellinger
Portfolio Manager
Fort Dearborn Income Securities, Inc.
Managing Director
UBS Global Asset Management (Americas) Inc.

Brian Fehrenbach
Portfolio Manager
Fort Dearborn Income
Securities, Inc.
Managing Director
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, 2013. The views and opinions in the letter were current as of May 15, 2013. 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.

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Investment policy changes

Since the last shareholder report, there have been two changes to the Fund's investment policies, both effective June 1, 2013. After the March 31, 2013 shareholder reporting period had already ended, the Board of the Fund approved changing the Fund's benchmark from the Investment Grade Bond Index, to the Barclays US Aggregate Index (US Agg).¹ The Board also approved adjusting the Fund's duration range, from the range of ± 2 years, to ± 3 years of the benchmark's duration.

The Fund's advisor seeks to reduce the Fund's interest rate risk profile. The fixed income markets have undergone some significant changes since the Fund first issued its shares, including during the 2007-2008 credit crisis, and the ensuing period of unprecedented accommodative central bank policy and a very low interest rate environment. Consequently, certain properties of the Fund's current benchmark index have changed, particularly its overall duration/maturity profile, which has become longer.²

As bond yields have continued to decline over the past three decades, the Fund's longer duration bias has been beneficial, allowing the Fund to deliver solid returns. However, with US interest rates now at historically low levels, the advisor believes that the level of compensation offered for taking interest rate risk is far less compelling than it has been in the past. By changing the Fund's benchmark index, from the Investment Grade Bond Index, to the US Agg, which has a lower duration profile of 5.1 years as of April 30, 2013, the advisor is adjusting the Fund's interest rate risk profile and reducing its longer duration bias. This adjustment should leave the Fund less exposed to the potential negative impact of rising interest rates.

- ¹ The Barclays US Aggregate Index is an unmanaged broad-based index designed to measure the US dollar-denominated, investment grade, taxable bond market. The index includes bonds from the Treasury, government-related, corporate, mortgage-backed, asset-backed and commercial-backed sectors.
- ² Duration is a measure of price sensitivity of a fixed income investment or portfolio (expressed as percent change in price) to a one percentage point (i.e., 100 basis points) change in interest rates. For example, when the level of interest rates increases by 1%, the price of a fixed income security or a portfolio of fixed income securities having a duration of 10 years will generally decrease by approximately 10%. Conversely, when the level of interest rates decreases by 1%, the price of a fixed income security or portfolio of fixed income securities having a duration of 10 years will generally increase by approximately 10%.

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In addition to reducing the Fund's interest rate risk profile by changing its benchmark index, the Fund has also expanded the range within which it will typically maintain its duration from -2 to +2 years, to -3 to +3 years of the benchmark index. The advisor believes that the additional latitude from adjusting the Fund's duration may provide the portfolio management team with further flexibility to manage the Fund's interest rate risk, seek to generate returns from active duration and yield curve management strategies and, when necessary, allow the team to take a more defensive positioning, which may help reduce the volatility of the Fund's returns.

The Fund's asset composition is not expected to materially change as the result of the benchmark change, which is aimed at adjusting the Fund's interest rate risk profile. The additional flexibility with respect to the Fund's duration, however, may result in the Fund having a duration at times that does not closely resemble the duration of the benchmark index. The more the Fund's duration or its asset composition deviates from that of the benchmark index, the less likely the Fund's performance will be similar to the benchmark index. The Fund will continue to principally invest in investment grade fixed income securities, such as corporate, government and securitized debt (e.g. mortgage-backed securities), and other fixed income securities that meet its stated investment policies.

As part of its investments in securitized debt, the Fund also may add investments in interest-only (IO) and principal only (PO) classes of mortgage-backed securities. The Fund may use these investments, particularly IO securities, for purposes of seeking to adjust its overall duration and generate income. While these securities present certain investment opportunities, they also may introduce additional risks. IO and PO classes of collateralized mortgage obligations and other mortgage-backed securities are structured in a manner that makes them extremely sensitive to prepayment rates. IOs are entitled to receive all or a portion of the interest, but none (or only a nominal amount) of the principal payments, from the underlying mortgage assets. PO classes are purchased at substantial discounts from par, and the yield to an investor, such as the Fund, will be reduced if principal payments are slower than expected.

The advisor believes that as the markets evolve, the Fund should adapt to the changing market environment accordingly. The advisor of the Fund also believes that these investment policy changes may help the Fund remain competitive and well-positioned, as market dynamics shift.

Fort Dearborn Income Securities, Inc.

Performance at a glance (unaudited)

Average annual total returns for periods ended 03/31/2013

Net asset value returns	6 months	1 year	5 years	10 years
Fort Dearborn Income Securities, Inc.	0.76%	9.46%	9.51%	7.22%
Lipper Corporate Debt Funds BBB-Rated median	2.13	9.77	7.83	6.36

Market price returns				
Fort Dearborn Income Securities, Inc.	(3.14)%	5.23%	10.18%	7.69%
Lipper Corporate Debt Funds BBB-Rated median	(1.66)	5.81	8.33	6.58

Index returns				
Investment Grade Bond Index ¹	(0.04)%	8.35%	8.99%	6.98%

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. Lipper classifies the Fund in its "Corporate Debt Funds BBB-Rated" category, which includes non-leveraged closed-end funds that invest primarily in corporate and government debt issues rated in the top four grades.

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.

Portfolio statistics (unaudited)

Characteristics ¹	03/31/13	09/30/12	03/31/12
Net asset value	\$16.83	\$17.87	\$16.77
Market price	\$15.53	\$17.20	\$16.17
12-month dividends/distributions	\$1.5230	\$1.4310	\$1.4610
Dividend/distribution at period-end	\$0.1750	\$0.1750	\$0.1750
Net assets (mm)	\$147.7	\$156.8	\$147.2
Weighted average maturity (yrs.)	15.5	17.5	17.9
Duration (yrs.) ²	9.0	10.5	9.7

Credit quality ³	03/31/13	09/30/12	03/31/12
AAA	0.4%	0.6%	1.1%
US Treasury ⁴	11.1	15.0	12.2
US Agency ^{4,5}	4.7	4.8	8.8
AA	6.0	5.2	6.3
A	30.0	28.5	32.1
BBB	36.6	36.3	30.4
BB	7.2	4.7	1.8
B	1.1	0.5	0.1
CCC and Below	0.8	0.7	0.8
Non-rated	0.4	0.6	2.2
Cash equivalents	0.9	2.1	3.2
Other assets, less liabilities	0.8	1.0	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. Rating reflected represents S&P individual debt issue credit rating. While S&P may provide a credit rating for a bond issuer (e.g., a specific company or country); certain issues, such as some sovereign debt, may not be covered or rated and therefore are reflected as non-rated for the purposes of this table.
- 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, 2013 would include the percentages indicated above for AA, US Treasury and US Agency debt but has been broken out into three 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, 2013

Bonds

Corporate bonds

Aerospace & defense	0.77%
Air freight & logistics	0.22
Automobiles	0.86
Banks	0.33
Beverages	0.14
Biotechnology	0.08
Building products	0.07
Capital markets	5.01
Chemicals	1.67
Commercial banks	3.84
Commercial services & supplies	1.19
Communications equipment	0.31
Consumer finance	1.34
Diversified financial services	7.78
Diversified telecommunication services	4.46
Electric utilities	3.23
Electronic equipment, instruments & components	0.46
Energy equipment & services	1.25
Food & staples retailing	0.98
Food products	0.79
Gas utilities	0.64
Health care providers & services	0.76
Hotels, restaurants & leisure	0.80
Independent power producers & energy traders	0.68
Industrial conglomerates	0.06
Insurance	3.52
IT services	0.42
Leisure equipment & products	0.16
Life sciences tools & services	0.10
Machinery	0.79
Media	4.94
Metals & mining	2.93
Multiline retail	0.55
Multi-utilities	0.84
Office electronics	0.43
Oil, gas & consumable fuels	10.97
Paper & forest products	0.32
Pharmaceuticals	0.09
Real estate investment trust (REIT)	1.29

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Industry diversification (unaudited) (concluded)

As a percentage of net assets

As of March 31, 2013

Bonds (concluded)

Corporate bonds (concluded)

Road & rail	0.92%
Software	0.29
Specialty retail	0.16
Tobacco	1.02
Wireless telecommunication services	0.61
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Total corporate bonds	68.07%
Asset-backed securities	0.54
Commercial mortgage-backed securities	2.44
Mortgage & agency debt securities	5.71
Municipal bonds	7.87
US government obligations	11.09
Non-US government obligations	2.52
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Total bonds	98.24%
Common stock	0.01
Preferred stocks	0.03
Short-term investment	0.87
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Total investments	99.15%
Cash and other assets, less liabilities	0.85
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Net assets	100.00%
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Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds 98.24%		
Corporate bonds 68.07%		
Australia 0.85%		
Rio Tinto Finance USA Ltd., 3.750%, due 09/20/21	\$400,000	\$421,386
5.200%, due 11/02/40	750,000	838,828
Total Australia corporate bonds		1,260,214
Brazil 1.35%		
Petrobras International Finance Co., 5.375%, due 01/27/21	1,130,000	1,219,180
6.875%, due 01/20/40	675,000	771,113
Total Brazil corporate bonds		1,990,293
Canada 2.22%		
Anadarko Finance Co., Series B, 7.500%, due 05/01/31	790,000	1,046,961
Barrick Gold Corp., 3.850%, due 04/01/22	350,000	357,780
Canadian Natural Resources Ltd., 5.850%, due 02/01/35	435,000	503,446
EnCana Corp., 6.625%, due 08/15/37	250,000	298,098
Petro-Canada, 6.800%, due 05/15/38	520,000	678,117
Teck Resources Ltd., 6.250%, due 07/15/41	375,000	396,656
Total Canada corporate bonds		3,281,058
Cayman Islands 1.77%		

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Transocean, Inc., 3.800%, due 10/15/22	340,000	334,940
6.800%, due 03/15/38	535,000	589,250
7.500%, due 04/15/31	575,000	690,658
Vale Overseas Ltd., 4.375%, due 01/11/22	965,000	990,134
Total Cayman Islands corporate bonds		2,604,982
Curacao 0.09%		
Teva Pharmaceutical Finance IV BV, 3.650%, due 11/10/21	125,000	133,025

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
France 0.51%		
Electricite De France, 6.950%, due 01/26/39 ¹	\$300,000	\$390,568
France Telecom SA, 8.500%, due 03/01/31	75,000	105,482
Vivendi SA, 4.750%, due 04/12/22 ¹	250,000	259,113
Total France corporate bonds		755,163
Luxembourg 0.47%		
Enel Finance International SA, 6.000%, due 10/07/39 ¹	365,000	347,369
Telecom Italia Capital SA, 6.375%, due 11/15/33	350,000	340,014
Total Luxembourg corporate bonds		687,383
Mexico 0.80%		
America Movil SAB de CV, 5.000%, due 03/30/20	625,000	702,933
Petroleos Mexicanos, 6.500%, due 06/02/41	410,000	483,800
Total Mexico corporate bonds		1,186,733
Netherlands 1.18%		
Basell Finance Co. BV, 8.100%, due 03/15/27 ¹	625,000	837,500
EDP Finance BV, 6.000%, due 02/02/18 ¹	350,000	368,375
Koninklijke Philips Electronics NV,		

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5.000%, due 03/15/42	75,000	84,316
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Siemens Financieringsmaatschappij NV, 6.125%, due 08/17/26 ¹	350,000	457,118
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Total Netherlands corporate bonds		1,747,309
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Norway 1.84%		
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Eksportfinans ASA, 5.500%, due 05/25/16	620,000	644,037
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5.500%, due 06/26/17	2,000,000	2,074,000
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Total Norway corporate bonds		2,718,037
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Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
Qatar 0.40%		
Qtel International Finance Ltd., 7.875%, due 06/10/19 ¹	\$455,000	\$593,775
Singapore 0.20%		
Flextronics International Ltd., 5.000%, due 02/15/23 ¹	300,000	299,250
South Africa 0.31%		
AngloGold Ashanti Holdings PLC, 5.375%, due 04/15/20	430,000	455,145
Sweden 0.17%		
Nordea Bank AB, 4.875%, due 05/13/21 ¹	230,000	248,964
United Kingdom 1.22%		
Barclays Bank PLC, 5.140%, due 10/14/20	60,000	64,373
British Telecommunications PLC, 9.625%, due 12/15/30	805,000	1,247,764
HSBC Holdings PLC, 4.000%, due 03/30/22	275,000	295,880
6.100%, due 01/14/42	150,000	190,223
Total United Kingdom corporate bonds		1,798,240
United States 54.69%		
ADT Corp., 3.500%, due 07/15/22 ¹	340,000	338,946
AEP Texas Central Co., Series E, 6.650%, due 02/15/33	495,000	631,481

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Aflac, Inc., 6.450%, due 08/15/40	325,000	407,934
Airgas, Inc., 2.375%, due 02/15/20	210,000	209,548
Alltel Corp., 7.875%, due 07/01/32	300,000	440,413
Ally Financial, Inc., 3.839%, due 06/15/15 ²	400,000	374,000

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
Altria Group, Inc., 9.700%, due 11/10/18	\$105,000	\$146,125
9.950%, due 11/10/38	480,000	792,693
American International Group, Inc., 4.875%, due 06/01/22	175,000	197,976
5.850%, due 01/16/18	785,000	918,934
Amgen, Inc., 5.650%, due 06/15/42	100,000	115,573
Anadarko Petroleum Corp., 6.450%, due 09/15/36	375,000	460,902
Apache Corp., 5.100%, due 09/01/40	625,000	672,359
AT&T, Inc., 4.300%, due 12/15/42 ¹	26,000	24,224
6.500%, due 09/01/37	1,640,000	2,011,148
AXA Financial, Inc., 7.000%, due 04/01/28	165,000	199,545
Bank of America Corp., 5.875%, due 02/07/42	225,000	267,307
Bear Stearns Cos. LLC, 7.250%, due 02/01/18	2,000,000	2,485,536
Boeing Co., 6.875%, due 03/15/39	400,000	564,090
Burlington Northern Santa Fe LLC, 4.450%, due 03/15/43	350,000	354,022
5.400%, due 06/01/41	480,000	546,043

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Case New Holland, Inc., 7.875%, due 12/01/17	1,000,000	1,170,000
CenterPoint Energy Resources Corp., 6.000%, due 05/15/18	285,000	341,942
CenturyLink, Inc., Series P, 7.600%, due 09/15/39	200,000	194,000
Cisco Systems, Inc., 5.900%, due 02/15/39	175,000	219,077

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
CIT Group, Inc., 4.250%, due 08/15/17	\$750,000	\$783,750
5.000%, due 05/15/17	500,000	536,250
Citigroup, Inc., 4.500%, due 01/14/22	200,000	222,363
5.875%, due 01/30/42	155,000	185,247
6.125%, due 05/15/18	810,000	964,977
6.875%, due 03/05/38	425,000	557,598
8.125%, due 07/15/39	635,000	930,798
CMS Energy Corp., 8.750%, due 06/15/19	460,000	620,840
Comcast Corp., 6.950%, due 08/15/37	1,750,000	2,326,830
ConocoPhillips, 6.500%, due 02/01/39	925,000	1,236,933
CSX Corp., 6.220%, due 04/30/40	150,000	186,588
CVS Caremark Corp., 6.250%, due 06/01/27	500,000	639,589
Devon Energy Corp., 4.750%, due 05/15/42	375,000	366,305
DirecTV Holdings LLC, 6.000%, due 08/15/40	445,000	474,286
DISH DBS Corp., 7.875%, due 09/01/19	800,000	948,000

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Dominion Resources, Inc., Series B, 5.950%, due 06/15/35	495,000	612,668
<hr/>		
Dow Chemical Co., 4.250%, due 11/15/20	750,000	823,624
<hr/>		
8.550%, due 05/15/19	222,000	298,406
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Duke Energy Carolinas LLC, 6.050%, due 04/15/38	350,000	450,985
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El Paso Corp., 7.250%, due 06/01/18	300,000	344,210
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Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
El Paso Natural Gas Co. LLC, 8.625%, due 01/15/22	\$375,000	\$515,480
Energy Transfer Partners LP, 5.200%, due 02/01/22	500,000	561,369
9.000%, due 04/15/19	900,000	1,185,775
Enterprise Products Operating LLC, 6.125%, due 10/15/39	500,000	587,897
ERP Operating LP, REIT, 4.750%, due 07/15/20	485,000	548,311
FedEx Corp., 3.875%, due 08/01/42	350,000	327,540
Fidelity National Financial, Inc., 5.500%, due 09/01/22	250,000	283,799
Florida Power Corp., 6.350%, due 09/15/37	215,000	284,026
Ford Motor Co., 7.450%, due 07/16/31	1,000,000	1,264,716
Ford Motor Credit Co. LLC, 8.125%, due 01/15/20	375,000	473,480
FPL Group Capital, Inc., 6.650%, due 06/15/67 ³	200,000	214,500
Freeport-McMoRan Copper & Gold, Inc., 3.550%, due 03/01/22	200,000	198,802
General Electric Capital Corp., 4.650%, due 10/17/21	800,000	895,642
5.875%, due 01/14/38	1,000,000	1,165,985
General Motors Financial Co., Inc.,		

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4.750%, due 08/15/17 ¹	540,000	563,182
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Genworth Financial, Inc., 7.625%, due 09/24/21	300,000	361,339
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Goldman Sachs Group, Inc., 3.625%, due 02/07/16	425,000	451,347
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5.750%, due 01/24/22	1,355,000	1,575,491
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6.750%, due 10/01/37	570,000	638,736
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Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
Halliburton Co., 4.500%, due 11/15/41	\$200,000	\$215,017
Harris Corp., 6.375%, due 06/15/19	200,000	238,480
Hasbro, Inc., 6.350%, due 03/15/40	200,000	230,573
HCA, Inc., 7.875%, due 02/15/20	600,000	663,000
HSBC Bank USA N.A., 4.875%, due 08/24/20	250,000	280,703
5.625%, due 08/15/35	855,000	958,596
International Lease Finance Corp., 7.125%, due 09/01/18 ¹	750,000	881,250
International Paper Co., 7.500%, due 08/15/21	365,000	477,853
JPMorgan Chase & Co., 4.500%, due 01/24/22	185,000	202,745
Kinder Morgan Energy Partners LP, 5.800%, due 03/15/35	710,000	798,408
6.500%, due 09/01/39	75,000	90,512
Kinder Morgan Finance Co. LLC, 5.700%, due 01/05/16	500,000	543,665
Kraft Foods, Inc., 6.875%, due 02/01/38	430,000	575,429
6.875%, due 01/26/39	440,000	591,938
Kroger Co., 6.900%, due 04/15/38	650,000	813,290

Lehman Brothers Holdings, Inc., 6.750%, due 12/28/17 (Escrow Lehman Brothers, Inc.) ^{4,5}	585,000	0
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6.875%, due 05/02/18 (Escrow Lehman Brothers, Inc.) ⁵	785,000	213,912
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Life Technologies Corp., 6.000%, due 03/01/20	135,000	151,462
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Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
Lowe's Cos., Inc., 4.650%, due 04/15/42	\$225,000	\$234,088
Marathon Oil Corp., 6.600%, due 10/01/37	180,000	226,682
Markel Corp., 3.625%, due 03/30/23	240,000	240,911
Massachusetts Mutual Life Insurance Co., 8.875%, due 06/01/39 ¹	275,000	425,105
Merrill Lynch & Co., Inc., 6.875%, due 04/25/18	1,000,000	1,207,020
7.750%, due 05/14/38	1,000,000	1,332,782
MetLife, Inc., 5.875%, due 02/06/41	650,000	778,172
Morgan Stanley, 3.750%, due 02/25/23	240,000	242,589
5.450%, due 01/09/17	375,000	419,748
Series F, 5.625%, due 09/23/19	575,000	661,181
6.625%, due 04/01/18	550,000	657,471
Motiva Enterprises LLC, 6.850%, due 01/15/40 ¹	340,000	456,434
National Rural Utilities Cooperative Finance Corp., 10.375%, due 11/01/18	160,000	233,507
News America, Inc., 6.200%, due 12/15/34	695,000	822,090
7.750%, due 12/01/45	350,000	480,361

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Norfolk Southern Corp., 5.590%, due 05/17/25	38,000	46,383
ONEOK Partners LP, 8.625%, due 03/01/19	215,000	284,782
Oracle Corp., 6.500%, due 04/15/38	320,000	427,276
Owens Corning, 6.500%, due 12/01/16	97,000	109,207

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
Pacific Gas & Electric Co., 6.050%, due 03/01/34	\$400,000	\$500,364
Petrohawk Energy Corp., 6.250%, due 06/01/19	500,000	567,758
Phillips 66, 4.300%, due 04/01/22	225,000	246,997
Plains Exploration & Production Co., 6.500%, due 11/15/20	330,000	364,650
6.875%, due 02/15/23	300,000	339,750
Progress Energy, Inc., 7.750%, due 03/01/31	95,000	130,811
Prudential Financial, Inc., 5.200%, due 03/15/44 ³	185,000	185,463
Series B, 5.750%, due 07/15/33	40,000	45,906
6.625%, due 12/01/37	780,000	980,466
PSEG Power LLC, 8.625%, due 04/15/31	695,000	1,010,125
Regions Financial Corp., 7.750%, due 11/10/14	620,000	683,538
Republic Services, Inc., 6.200%, due 03/01/40	425,000	525,527
Reynolds American, Inc., 7.250%, due 06/15/37	425,000	554,006
SABMiller Holdings, Inc., 3.750%, due 01/15/22 ¹	200,000	214,070
Sanmina-SCI Corp., 7.000%, due 05/15/19 ¹	370,000	386,650

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Simon Property Group LP, REIT 6.750%, due 02/01/40	325,000	433,261
SLM Corp., 3.875%, due 09/10/15	550,000	572,708
Southern California Edison Co., 6.650%, due 04/01/29	320,000	418,140

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United States (continued)		
Southern Copper Corp., 3.500%, due 11/08/22	\$400,000	\$398,086
6.750%, due 04/16/40	250,000	281,841
Southern Natural Gas Co., 8.000%, due 03/01/32	430,000	607,833
Sprint Capital Corp., 6.875%, due 11/15/28	200,000	204,500
SunTrust Bank, 7.250%, due 03/15/18	495,000	614,381
Swiss Re Solutions Holding Corp., 7.000%, due 02/15/26	295,000	377,838
Target Corp., 6.350%, due 11/01/32	315,000	410,763
6.500%, due 10/15/37	185,000	249,069
7.000%, due 01/15/38	105,000	150,003
Time Warner Cable, Inc., 7.300%, due 07/01/38	600,000	746,377
8.750%, due 02/14/19	410,000	542,230
Time Warner, Inc., 7.625%, due 04/15/31	710,000	960,658
Union Pacific Corp., 5.780%, due 07/15/40	180,000	220,869
United Technologies Corp., 5.700%, due 04/15/40	290,000	364,833
6.700%, due 08/01/28	160,000	213,321

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UnitedHealth Group, Inc., 5.800%, due 03/15/36	50,000	59,401
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6.875%, due 02/15/38	300,000	403,744
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US Bancorp, 2.950%, due 07/15/22	150,000	149,284
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Valero Energy Corp., 6.625%, due 06/15/37	150,000	182,774
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7.500%, due 04/15/32	465,000	604,623
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Valspar Corp., 4.200%, due 01/15/22	275,000	299,270
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Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (continued)		
Corporate bonds (concluded)		
United States (concluded)		
Verizon New York, Inc., Series B, 7.375%, due 04/01/32	\$1,085,000	\$1,363,086
Virginia Electric & Power Co., 6.350%, due 11/30/37	165,000	222,881
Vornado Realty LP, REIT, 4.250%, due 04/01/15	880,000	930,123
Wells Fargo Bank N.A., 5.950%, due 08/26/36	700,000	864,548
Wells Fargo Capital X, 5.950%, due 12/15/36	475,000	483,797
Western Union Co., 2.375%, due 12/10/15	610,000	620,824
Williams Cos., Inc., 8.750%, due 03/15/32	177,000	238,298
Williams Partners LP, 6.300%, due 04/15/40	275,000	319,976
Wisconsin Power & Light Co., 7.600%, due 10/01/38	175,000	268,311
Wyndham Worldwide Corp., 3.900%, due 03/01/23	1,180,000	1,183,859
Xcel Energy, Inc., 4.800%, due 09/15/41	475,000	527,964
Xerox Corp., 6.350%, due 05/15/18	540,000	632,881
Total United States corporate bonds		80,762,540
Total corporate bonds (cost \$90,760,777)		100,522,111

Asset-backed securities 0.54%

United States 0.54%

Citibank Credit Card Issuance Trust, Series 2007-A3, Class A3, 6.150%, due 06/15/39	390,000	500,438
Continental Airlines, Inc., Series 2009-2, Class A, 7.250%, due 11/10/19	262,974	302,420
Total asset-backed securities (cost \$652,019)		802,858

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (continued)		
Commercial mortgage-backed securities 2.44%		
United States 2.44%		
Banc of America Commercial Mortgage, Inc., Series 2007-2, Class AM, 5.619%, due 04/10/49 ³	\$475,000	\$534,267
Wachovia Bank Commercial Mortgage Trust, Series 2007-C33, Class A4, 5.926%, due 02/15/51 ³	2,000,000	2,292,764
WF-RBS Commercial Mortgage Trust, Series 2013-C12, Class B, 3.863%, due 03/15/48	750,000	778,744
Total commercial mortgage-backed securities (cost \$3,453,103)		3,605,775
Mortgage & agency debt securities 5.71%		
United States 5.71%		
Federal Home Loan Mortgage Corp., ⁶ 5.000%, due 01/30/14	30,000	31,208
Federal Home Loan Mortgage Corp. Gold Pools, ⁶ #E01127, 6.500%, due 02/01/17	27,321	29,340
Federal National Mortgage Association Pools, ⁶ #AE1568, 4.000%, due 09/01/40	506,130	539,835
#688066, 5.500%, due 03/01/33	124,208	139,826
#793666, 5.500%, due 09/01/34	585,407	648,899
#802481, 5.500%, due 11/01/34	116,499	129,364
#596124, 6.000%, due 11/01/28	98,928	110,780
#253824, 7.000%, due 03/01/31	59,975	70,587
Federal National Mortgage Association Re-REMIC, ⁶ Series 1993-106, Class Z, 7.000%, due 06/25/13	723	725

Government National Mortgage Association Pools, #G2 AB2784, 3.500%, due 08/20/42	4,890,279	5,288,684
#781029, 6.500%, due 05/15/29	28,938	33,421
GSR Mortgage Loan Trust, Series 2006-2F, Class 3A4, 6.000%, due 02/25/36	1,150,385	1,178,565

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (continued)		
Mortgage & agency debt securities (concluded)		
United States (concluded)		
Wells Fargo Mortgage Backed Securities Trust, Series 2003-18, Class A2, 5.250%, due 12/25/33	\$220,129	\$222,962
Total mortgage & agency debt securities (cost \$8,239,545)		8,424,196
Municipal bonds 7.87%		
California 2.37%		
Los Angeles Unified School District, 6.758%, due 07/01/34	150,000	203,588
State of California, GO, 7.300%, due 10/01/39	1,820,000	2,536,443
7.550%, due 04/01/39	365,000	527,352
University of California Revenue Bonds, Series 2009, 5.770%, due 05/15/43	195,000	235,429
		3,502,812
Illinois 1.57%		
Illinois State Taxable Pension, Series 2003, 5.100%, due 06/01/33	2,350,000	2,321,612
New Jersey 3.16%		
New Jersey Economic Development Authority Revenue Bonds, Series B, 5.158%, due 02/15/18 ²	5,000,000	4,460,750
New Jersey State Turnpike Authority Revenue Bonds, Series F, 7.414%, due 01/01/40	140,000	204,515
		4,665,265

New York 0.52%

Metropolitan Transportation Authority Revenue Bonds, 6.668%, due 11/15/39	200,000	261,172
Port Authority New York & New Jersey, 4.458%, due 10/01/62	500,000	499,500
		760,672

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

	Face amount	Value
Bonds (concluded)		
Municipal bonds (concluded)		
Tennessee 0.25%		
Metropolitan Government of Nashville & Davidson County Convention Center Authority Revenue Bonds, 6.731%, due 07/01/43	\$300,000	\$376,527
Total municipal bonds (cost \$9,770,688)		11,626,888
US government obligations 11.09%		
US Treasury Bond, 2.750%, due 11/15/42	3,395,000	3,146,741
US Treasury Notes, 0.250%, due 01/31/15	4,675,000	4,676,094
1.625%, due 11/15/22	8,715,000	8,560,448
Total US government obligations (cost \$16,479,056)		16,383,283
Non-US government obligations 2.52%		
Brazil 1.57%		
Brazilian Government International Bond, 2.625%, due 01/05/23	1,000,000	947,500
8.250%, due 01/20/34	900,000	1,368,000
		2,315,500
Mexico 0.95%		
United Mexican States, 4.750%, due 03/08/44	1,349,000	1,399,587
Total Non-US government obligations (cost \$3,451,462)		3,715,087
Total bonds (cost \$132,806,650)		145,080,198

Shares

Common stock 0.01%

United States 0.01%

WMI Holdings Corp.* (cost \$14,157)	25,741	18,019
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Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
 (unaudited)

	Shares	Value
Preferred stocks 0.03%		
United States 0.03%		
Ally Financial, Inc., 7.000%, due 05/17/13 ^{1,7}	42	\$41,535
Washington Mutual Funding Tranche III, 9.750%, due 12/15/17 ^{*1,4,5,7,8,9}	1,300	13
Total preferred stocks (cost \$34,713)		41,548
Short-term investment 0.87%		
Investment company 0.87%		
UBS Cash Management Prime Relationship Fund ¹⁰ (cost \$1,283,606)	1,283,606	1,283,606
Total investments 99.15% (cost \$134,139,126)		146,423,371
Cash and other assets, less liabilities 0.85%		1,253,375
Net assets 100.00%		\$147,676,746

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	\$13,770,371
Gross unrealized depreciation	(1,486,126)
Net unrealized appreciation of investments	\$12,284,245

For a listing of defined portfolio acronyms that are used throughout the Portfolio of investments as well as the tables that follow, please refer to page 30. Portfolio footnotes begin on page 29.

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

The following is a summary of the fair valuations according to the inputs used as of March 31, 2013 in valuing the Funds' 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	\$	\$100,308,199	\$213,912	\$100,522,111
Asset-backed securities		802,858		802,858
Commercial mortgage-backed securities		3,605,775		3,605,775
Mortgage & agency debt securities		8,424,196		8,424,196
Municipal bonds		11,626,888		11,626,888
US government obligations		16,383,283		16,383,283
Non-US government obligations		3,715,087		3,715,087
Common stock	18,019			18,019
Preferred stocks		41,535	13	41,548
Short-term investment		1,283,606		1,283,606
Total	\$18,019	\$146,191,427	\$213,925	\$146,423,371

At March 31, 2013, there were no transfers between Level 1 and Level 2.

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
(unaudited)

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	Preferred stock	Total
Assets			
Beginning balance	\$ 204,175	\$ 13	\$ 204,188
Purchases			
Issuances			
Sales	0		0
Settlements			
Accrued discounts (premiums)	(1,357)		(1,357)
Total realized loss	(748,890)		(748,890)
Net change in unrealized appreciation/depreciation	759,984		759,984
Transfers into Level 3			
Transfers out of Level 3			
Ending balance	\$ 213,912	\$ 13	\$ 213,925

The change in unrealized appreciation/depreciation relating to the Level 3 investments held at March 31, 2013 was \$11,169.

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 March 31, 2013, the value of these securities amounted to \$7,133,441 or 4.83% of net assets.

² Rate shown reflects annualized yield at March 31, 2013 on zero coupon bond.

³ Variable or floating rate security The interest rate shown is the current rate as of March 31, 2013 and changes periodically.

⁴ Security is being fair valued by a valuation committee under the direction of the Board of Trustees. At March 31, 2013, the value of these securities amounted to \$13 or 0.00% of net assets.

⁵ Security is in default.

⁶ 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.

⁷ This security is subject to perpetual call and may be called in full or partially on or anytime after the next call date. Maturity date reflects the next call date.

Fort Dearborn Income Securities, Inc.
Portfolio of investments March 31, 2013
 (unaudited)

⁸ Security is illiquid. At March 31, 2013, the value of this security amounted to \$13 or 0.00% of net assets.

⁹ This security, which represents 0.00% of net assets as of March 31, 2013, is considered restricted. (See restricted security table below for more information.)

Restricted security	Acquisition date	Acquisition cost	Acquisition cost as a percentage of net assets	Value 03/31/13	Value as a percentage of net assets
Washington Mutual Funding Tranche III 9.750%	5/17/12	\$0	0.00%	\$13	0.00%

¹⁰ The table below details the Fund's investment in a fund advised by the same advisor as the Fund. The advisor does not earn a management fee from the affiliated UBS Relationship Fund.

Security description	Value 09/30/12	Purchases during the six months ended 03/31/13	Sales during the six months ended 03/31/13	Value 03/31/13	Net income earned from affiliate for the six months ended 03/31/13
UBS Cash Management Prime Relationship Fund	\$3,251,034	\$32,806,616	\$34,774,044	\$1,283,606	\$2,875

Portfolio acronyms

GO	General Obligation
GSR	Goldman Sachs Residential
REIT	Real estate investment trust
Re-REMIC	Combined Real Estate Mortgage Investment Conduit

Fort Dearborn Income Securities, Inc.
Statement of assets and liabilities
March 31, 2013 (unaudited)

Assets:

Investments in securities of unaffiliated issuers, at value (cost \$132,855,520)	\$ 145,139,765
Investments in affiliated issuers, at value (cost \$1,283,606)	1,283,606
Total investments (cost \$134,139,126)	146,423,371
Interest receivable	1,682,833
Receivable for investments sold	1,001,303
Other assets	26,951
Total assets	149,134,458

Liabilities:

Payable for investments purchased	1,009,767
Payable for investment advisory fees	354,704
Accrued expenses and other liabilities	93,241
Total liabilities	1,457,712

Net assets:

Capital stock \$0.01 par value; 12,000,000 shares authorized; 8,775,665 shares issued and outstanding	\$ 135,116,083
Distributions in excess of net investment income	(10,666)
Accumulated net realized gain	287,084
Net unrealized appreciation	12,284,245
Net assets	\$ 147,676,746
Net asset value per share	\$ 16.83

See accompanying notes to financial statements

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Fort Dearborn Income Securities, Inc.

Statement of operations

	For the six months ended March 31, 2013 (unaudited)
Investment income:	
Interest income	\$ 3,256,994
Affiliated interest	2,875
Dividends	1,470
Total investment income	3,261,339
Expenses:	
Investment advisory fees	354,721
Professional fees	46,030
Custody and accounting fees	30,895
Reports and notices to shareholders	23,264
Transfer agency fees	21,829
Directors fees	13,768
Listing fees	11,826
Insurance expense	5,669
Franchise taxes	5,491
Other expenses	10,068
Total expenses	523,561
Net investment income	2,737,778
Realized and unrealized gains (losses) from investment activities:	
Net realized gain on investment activities	648,041
Change in net unrealized appreciation/depreciation on investments	(2,206,303)
Net realized and unrealized loss from investment activities	(1,558,262)
Net increase in net assets resulting from operations	\$ 1,179,516

Fort Dearborn Income Securities, Inc.
Statement of changes in net assets

	For the six months ended March 31, 2013 (unaudited)	For the year ended September 30, 2012
From operations:		
Net investment income	\$ 2,737,778	\$ 5,877,453
Net realized gain	648,041	7,547,529
Change in net unrealized appreciation/depreciation	(2,206,303)	4,229,526
Net increase in net assets resulting from operations	1,179,516	17,654,508
Dividends and distributions to shareholders from:		
Net investment income	(3,071,483)	(6,274,600)
Net realized gains	(7,222,372)	(6,283,376)
Total dividends and distributions to shareholders	(10,293,855)	(12,557,976)
Net increase (decrease) in net assets	(9,114,339)	5,096,532
Net assets:		
Beginning of period	156,791,085	151,694,553
End of period	\$ 147,676,746	\$ 156,791,085
Accumulated undistributed (distributions in excess of) net investment income	\$ (10,666)	\$ 323,039

See accompanying notes to financial statements

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Fort Dearborn Income Securities, Inc.

Financial highlights

Selected data for a share of common stock outstanding throughout each period is presented below:

	Six months ended March 31, 2013 (unaudited)
Net asset value, beginning of period	\$ 17.87
Net investment income ¹	0.31
Net realized and unrealized gains (losses)	(0.18)