

FORT DEARBORN INCOME SECURITIES INC

Form N-Q

February 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: December 31, 2011

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

As a percentage of net assets as of December 31, 2011

| | |
|--|--------|
| <hr/> | |
| Bonds | |
| Corporate bonds | |
| Aerospace & defense | 0.42% |
| Agriculture | 0.30 |
| Automobiles | 1.26 |
| Banks | 0.32 |
| Beverages | 0.36 |
| Biotechnology | 0.07 |
| Building products | 0.35 |
| Capital markets | 2.93 |
| Chemicals | 0.81 |
| Commercial banks | 2.82 |
| Commercial services & supplies | 0.88 |
| Communications equipment | 0.59 |
| Computers & peripherals | 0.22 |
| Diversified financial services | 4.82 |
| Diversified telecommunication services | 4.41 |
| Electric utilities | 4.24 |
| Energy equipment & services | 0.91 |
| Food & staples retailing | 2.13 |
| Food products | 1.12 |
| Gas utilities | 0.23 |
| Health care providers & services | 1.15 |
| Household durables | 0.65 |
| Independent power producers & energy traders | 0.70 |
| Insurance | 2.99 |
| Leisure equipment & products | 0.27 |
| Life sciences tools & services | 0.10 |
| Machinery | 0.25 |
| Media | 4.03 |
| Metals & mining | 2.58 |
| Multiline retail | 0.54 |
| Multi-utilities | 1.04 |
| Office electronics | 0.41 |
| Oil, gas & consumable fuels | 8.86 |
| Paper & forest products | 0.58 |
| Pharmaceuticals | 0.94 |
| Real estate investment trust (REIT) | 0.08 |
| Road & rail | 0.69 |
| Semiconductors & semiconductor equipment | 0.26 |
| Software | 0.29 |
| Specialty retail | 0.13 |
| Tobacco | 2.09 |
| Wireless telecommunication services | 0.83 |
| <hr/> | |
| Total corporate bonds | 58.65% |
| Asset-backed securities | 0.62 |
| Commercial mortgage-backed securities | 1.01 |
| Mortgage & agency debt securities | 5.31 |
| Municipal bonds | 6.38 |
| US government obligations | 22.93 |

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|---|---------|
| Non-US government obligations | 4.04 |
| | <hr/> |
| Total bonds | 98.94% |
| Preferred stock | 0.02 |
| Short-term investment | 0.26 |
| | <hr/> |
| Total investments | 99.22% |
| Cash and other assets, less liabilities | 0.78 |
| | <hr/> |
| Net assets | 100.00% |
| | <hr/> |

Fort Dearborn Income Securities, Inc. Portfolio of investments

December 31, 2011 (unaudited)

| Security description | Face amount | Value |
|--------------------------------------|-------------|------------|
| Bonds 98.94% | | |
| Corporate bonds 58.65% | | |
| Australia 0.62% | | |
| Rio Tinto Finance USA Ltd., | | |
| 4.125%, due 05/20/21 | \$ 400,000 | \$ 429,995 |
| 9.000%, due 05/01/19 | 355,000 | 484,493 |
| | | |
| Total Australia corporate bonds | | 914,488 |
| | | |
| Austria 0.27% | | |
| PE Paper Escrow GmbH, | | |
| 12.000%, due 08/01/14 ¹ | 375,000 | 399,375 |
| | | |
| Bermuda 0.11% | | |
| Validus Holdings Ltd., | | |
| 8.875%, due 01/26/40 | 150,000 | 163,875 |
| | | |
| Brazil 0.28% | | |
| Petrobras International Finance Co., | | |
| 6.875%, due 01/20/40 | 350,000 | 403,543 |
| | | |
| Canada 2.15% | | |
| Anadarko Finance Co., | | |
| Series B, 7.500%, due 05/01/31 | 490,000 | 592,842 |
| Canadian Natural Resources Ltd., | | |
| 5.850%, due 02/01/35 | 435,000 | 517,766 |
| EnCana Corp., | | |
| 6.625%, due 08/15/37 | 250,000 | 301,954 |
| Petro-Canada, | | |
| 6.800%, due 05/15/38 | 520,000 | 671,411 |
| Teck Resources Ltd., | | |
| 6.250%, due 07/15/41 | 375,000 | 433,205 |
| TransCanada PipeLines Ltd., | | |
| 7.125%, due 01/15/19 | 500,000 | 638,123 |
| | | |
| Total Canada corporate bonds | | 3,155,301 |
| | | |
| Cayman Islands 1.97% | | |
| Transocean, Inc., | | |
| 6.800%, due 03/15/38 | 535,000 | 539,247 |
| 7.500%, due 04/15/31 | 575,000 | 596,770 |
| Vale Overseas Ltd., | | |
| 4.625%, due 09/15/20 | 1,700,000 | 1,757,977 |
| | | |
| Total Cayman Islands corporate bonds | | 2,893,994 |
| | | |
| France 0.24% | | |
| Electricite De France, | | |
| 6.950%, due 01/26/39 ¹ | 300,000 | 353,073 |
| | | |

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|---|-----------|-----------|
| Luxembourg 1.08% | | |
| Covidien International Finance SA, 4.200%, due 06/15/20 | 440,000 | 481,783 |
| Enel Finance International SA, 6.000%, due 10/07/39 ¹ | 365,000 | 293,769 |
| Telecom Italia Capital SA, 6.375%, due 11/15/33 | 1,060,000 | 802,786 |
| | | <hr/> |
| Total Luxembourg corporate bonds | | 1,578,338 |
| | | <hr/> |
| Malaysia 0.13% | | |
| Petronas Capital Ltd., 5.250%, due 08/12/19 ¹ | 175,000 | 196,406 |
| | | <hr/> |
| Mexico 0.79% | | |
| America Movil SAB de CV, 5.000%, due 03/30/20 | 625,000 | 690,482 |
| Petroleos Mexicanos, 6.500%, due 06/02/41 | 410,000 | 461,250 |
| | | <hr/> |
| Total Mexico corporate bonds | | 1,151,732 |
| | | <hr/> |

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|--|---------|-----------|
| Netherlands 0.49% | | |
| EDP Finance BV, 6.000%, due 02/02/18 ¹ | 350,000 | 294,414 |
| Siemens Financieringsmaatschappij NV, 6.125%, due 08/17/26 ¹ | 350,000 | 424,874 |
| | | <hr/> |
| Total Netherlands corporate bonds | | 719,288 |
| Netherlands Antilles 0.09% | | |
| Teva Pharmaceutical Finance IV BV, 3.650%, due 11/10/21 | 125,000 | 127,142 |
| | | <hr/> |
| Norway 0.12% | | |
| Statoil ASA, 4.250%, due 11/23/41 | 175,000 | 182,770 |
| | | <hr/> |
| Qatar 0.38% | | |
| Qtel International Finance Ltd., 7.875%, due 06/10/19 ¹ | 455,000 | 554,531 |
| | | <hr/> |
| South Africa 0.29% | | |
| AngloGold Ashanti Holdings PLC, 5.375%, due 04/15/20 | 430,000 | 427,186 |
| | | <hr/> |
| Sweden 0.13% | | |
| Nordea Bank AB, 4.875%, due 05/13/21 ¹ | 230,000 | 194,398 |
| | | <hr/> |
| Switzerland 0.25% | | |
| Credit Suisse, 6.000%, due 02/15/18 | 370,000 | 364,905 |
| | | <hr/> |
| United Kingdom 1.82% | | |
| Barclays Bank PLC, 5.140%, due 10/14/20 | 60,000 | 50,789 |
| BP Capital Markets PLC, 3.875%, due 03/10/15 | 740,000 | 790,177 |
| British Telecommunications PLC, 9.625%, due 12/15/30 | 555,000 | 782,161 |
| HSBC Bank PLC, 3.100%, due 05/24/16 ¹ | 215,000 | 215,013 |
| HSBC Holdings PLC, 4.875%, due 01/14/22 | 275,000 | 290,646 |
| 6.100%, due 01/14/42 | 150,000 | 170,020 |
| Vodafone Group PLC, 5.450%, due 06/10/19 | 325,000 | 378,329 |
| | | <hr/> |
| Total United Kingdom corporate bonds | | 2,677,135 |
| United States 47.44% | | |
| AEP Texas Central Co., Series E, 6.650%, due 02/15/33 | 495,000 | 633,958 |
| Aflac, Inc., 6.450%, due 08/15/40 | 325,000 | 344,210 |
| Allergan, Inc., 5.750%, due 04/01/16 | 495,000 | 572,996 |
| Alltel Corp., 7.875%, due 07/01/32 | 300,000 | 428,766 |

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|-------------------------------------|---------|---------|
| Altria Group, Inc., | | |
| 9.700%, due 11/10/18 | 310,000 | 417,078 |
| 9.950%, due 11/10/38 | 480,000 | 730,071 |
| American International Group, Inc., | | |
| 4.250%, due 09/15/14 | 275,000 | 267,060 |
| 5.850%, due 01/16/18 | 525,000 | 513,458 |
| Amgen, Inc., | | |
| 5.150%, due 11/15/41 | 100,000 | 103,668 |
| Anadarko Petroleum Corp., | | |
| 6.450%, due 09/15/36 | 375,000 | 427,538 |

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|-------------------------------------|-----------|-----------|
| Anheuser-Busch Cos., Inc., | | |
| 6.450%, due 09/01/37 | 400,000 | 535,576 |
| Apache Corp., | | |
| 5.100%, due 09/01/40 | 625,000 | 730,467 |
| Archer-Daniels-Midland Co., | | |
| 4.535%, due 03/26/42 ¹ | 418,000 | 440,790 |
| Aristotle Holding, Inc., | | |
| 6.125%, due 11/15/41 ¹ | 250,000 | 270,296 |
| AT&T, Inc., | | |
| 6.500%, due 09/01/37 | 1,665,000 | 2,073,072 |
| AXA Financial, Inc., | | |
| 7.000%, due 04/01/28 | 165,000 | 170,593 |
| Bank of America Corp., | | |
| 5.420%, due 03/15/17 | 1,200,000 | 1,082,652 |
| Bank of America N.A., | | |
| 6.000%, due 10/15/36 | 250,000 | 207,934 |
| Bear Stearns Cos. LLC, | | |
| 7.250%, due 02/01/18 | 1,310,000 | 1,535,780 |
| Burlington Northern Santa Fe LLC, | | |
| 5.400%, due 06/01/41 | 480,000 | 554,887 |
| Caterpillar, Inc., | | |
| 3.900%, due 05/27/21 | 330,000 | 362,293 |
| CenterPoint Energy Resources Corp., | | |
| 6.000%, due 05/15/18 | 285,000 | 331,086 |
| CenturyLink, Inc., | | |
| Series P, 7.600%, due 09/15/39 | 200,000 | 196,253 |
| Cisco Systems, Inc., | | |
| 5.900%, due 02/15/39 | 175,000 | 219,103 |
| Citigroup, Inc., | | |
| 6.125%, due 05/15/18 | 810,000 | 862,129 |
| 8.125%, due 07/15/39 | 775,000 | 948,857 |
| Comcast Corp., | | |
| 6.950%, due 08/15/37 | 1,350,000 | 1,717,616 |
| ConocoPhillips, | | |
| 6.500%, due 02/01/39 | 925,000 | 1,279,522 |
| Consolidated Edison Co., Inc., | | |
| 7.125%, due 12/01/18 | 400,000 | 514,556 |
| Corning, Inc., | | |
| 5.750%, due 08/15/40 | 350,000 | 410,925 |
| CVS Caremark Corp., | | |
| 6.250%, due 06/01/27 | 500,000 | 604,954 |
| Daimler Finance North America LLC, | | |
| 8.500%, due 01/18/31 | 460,000 | 643,173 |
| Dell, Inc., | | |
| 5.400%, due 09/10/40 | 290,000 | 326,030 |
| DirecTV Holdings LLC, | | |
| 6.000%, due 08/15/40 | 445,000 | 485,439 |
| Discover Bank, | | |
| 8.700%, due 11/18/19 | 250,000 | 285,046 |
| Discovery Communications LLC, | | |
| 3.700%, due 06/01/15 | 350,000 | 368,109 |
| Dominion Resources, Inc., | | |
| Series B, 5.950%, due 06/15/35 | 495,000 | 589,129 |
| Dow Chemical Co., | | |
| 4.125%, due 11/15/21 | 750,000 | 769,290 |
| 8.550%, due 05/15/19 | 222,000 | 290,449 |
| DTE Energy Co., | | |
| 6.350%, due 06/01/16 | 500,000 | 579,005 |
| Duke Energy Carolinas LLC, | | |
| 6.050%, due 04/15/38 | 350,000 | 458,196 |
| EI du Pont de Nemours & Co., | | |

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|------------------------------------|-----------|-----------|
| 5.600%, due 12/15/36 | 50,000 | 61,880 |
| Enterprise Products Operating LLC, | | |
| 6.125%, due 10/15/39 | 500,000 | 558,483 |
| ERAC USA Finance Co., | | |
| 7.000%, due 10/15/37 ¹ | 440,000 | 529,353 |
| ERP Operating LP, | | |
| 4.750%, due 07/15/20 | 110,000 | 114,117 |
| Fidelity National Financial, Inc., | | |
| 6.600%, due 05/15/17 | 150,000 | 159,003 |
| Florida Power Corp., | | |
| 6.350%, due 09/15/37 | 215,000 | 288,711 |
| Ford Motor Co., | | |
| 7.450%, due 07/16/31 | 1,000,000 | 1,200,000 |

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|---|-----------|-----------|
| FPL Group Capital, Inc., 6.650%, due 06/15/67 ² | 200,000 | 202,000 |
| Genworth Financial, Inc., 7.625%, due 09/24/21 | 300,000 | 280,500 |
| Goldman Sachs Group, Inc., 6.750%, due 10/01/37 | 570,000 | 530,392 |
| Halliburton Co., 4.500%, due 11/15/41 | 200,000 | 205,139 |
| Harris Corp., 6.375%, due 06/15/19 | 200,000 | 227,937 |
| Hasbro, Inc., 6.350%, due 03/15/40 | 365,000 | 394,594 |
| HSBC Bank USA N.A., 4.875%, due 08/24/20 | 250,000 | 231,984 |
| 5.625%, due 08/15/35 | 855,000 | 803,047 |
| Intel Corp., 4.800%, due 10/01/41 | 335,000 | 375,437 |
| International Lease Finance Corp., 7.125%, due 09/01/18 ¹ | 750,000 | 776,250 |
| International Paper Co., 7.500%, due 08/15/21 | 365,000 | 450,541 |
| JP Morgan Chase Capital XXV, Series Y, 6.800%, due 10/01/37 | 1,100,000 | 1,104,125 |
| JPMorgan Chase & Co., 5.400%, due 01/06/42 | 150,000 | 156,538 |
| Kinder Morgan Energy Partners LP, 5.800%, due 03/15/35 | 710,000 | 731,616 |
| 6.500%, due 09/01/39 | 75,000 | 83,362 |
| Kraft Foods, Inc., 6.875%, due 02/01/38 | 430,000 | 569,394 |
| 6.875%, due 01/26/39 | 440,000 | 586,173 |
| Kroger Co., 6.900%, due 04/15/38 | 650,000 | 835,843 |
| Laboratory Corp of America Holdings, 4.625%, due 11/15/20 | 300,000 | 316,777 |
| Lehman Brothers Holdings, Inc., 6.750%, due 12/28/17 ^{3,4} | 585,000 | 0 |
| 6.875%, due 05/02/18 ⁴ | 785,000 | 208,025 |
| Life Technologies Corp., 6.000%, due 03/01/20 | 135,000 | 150,908 |
| Lowe's Cos., Inc., 5.125%, due 11/15/41 | 175,000 | 193,900 |
| Massachusetts Mutual Life Insurance Co., 8.875%, due 06/01/39 ¹ | 275,000 | 402,258 |
| Merck & Co., Inc., 6.400%, due 03/01/28 | 520,000 | 678,101 |
| Merrill Lynch & Co., Inc., 5.700%, due 05/02/17 | 400,000 | 367,355 |
| 6.875%, due 04/25/18 | 1,015,000 | 1,000,728 |
| Monsanto Co., 5.500%, due 08/15/25 | 65,000 | 77,630 |
| Morgan Stanley, 5.500%, due 07/28/21 | 1,075,000 | 993,983 |
| Series F 5.625%, due 09/23/19 | 575,000 | 532,495 |
| 6.625%, due 04/01/18 | 685,000 | 676,398 |
| Motiva Enterprises LLC, 6.850%, due 01/15/40 ¹ | 340,000 | 439,590 |
| National Rural Utilities Cooperative Finance Corp., 10.375%, due 11/01/18 | 160,000 | 230,201 |
| Nationwide Mutual Insurance Co., | | |

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|-----------------------------------|---------|-----------|
| 8.250%, due 12/01/31 ¹ | 285,000 | 306,455 |
| 9.375%, due 08/15/39 ¹ | 120,000 | 145,014 |
| News America, Inc., | | |
| 6.200%, due 12/15/34 | 695,000 | 747,155 |
| 7.750%, due 12/01/45 | 350,000 | 428,530 |
| Norfolk Southern Corp., | | |
| 5.590%, due 05/17/25 | 200,000 | 231,030 |
| NuStar Logistics LP, | | |
| 7.650%, due 04/15/18 | 975,000 | 1,157,556 |
| Oncor Electric Delivery Co. LLC, | | |
| 6.800%, due 09/01/18 | 425,000 | 516,842 |
| 7.000%, due 09/01/22 | 380,000 | 486,772 |

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|--|-----------|-----------|
| ONEOK Partners LP, 8.625%, due 03/01/19 | 215,000 | 275,993 |
| Oracle Corp., 6.500%, due 04/15/38 | 320,000 | 432,411 |
| Owens Corning, 6.500%, due 12/01/16 | 475,000 | 518,406 |
| Pacific Gas & Electric Co., 6.050%, due 03/01/34 | 400,000 | 495,136 |
| 8.250%, due 10/15/18 | 275,000 | 362,510 |
| Pacific Life Insurance Co., 9.250%, due 06/15/39 ¹ | 210,000 | 279,650 |
| Pemex Project Funding Master Trust, 5.750%, due 03/01/18 | 685,000 | 753,500 |
| Philip Morris International, Inc., 5.650%, due 05/16/18 | 1,200,000 | 1,419,388 |
| Principal Financial Group, Inc., 8.875%, due 05/15/19 | 295,000 | 367,288 |
| Prudential Financial, Inc., Series D, 6.100%, due 06/15/17 | 505,000 | 554,414 |
| 6.625%, due 12/01/37 | 260,000 | 284,701 |
| PSEG Power LLC, 8.625%, due 04/15/31 | 695,000 | 1,025,224 |
| Qwest Corp., 7.625%, due 06/15/15 | 340,000 | 376,758 |
| Republic Services, Inc., 6.200%, due 03/01/40 | 425,000 | 513,773 |
| Reynolds American, Inc., 7.250%, due 06/15/37 | 425,000 | 492,987 |
| Safeway, Inc., 7.450%, due 09/15/27 | 725,000 | 871,080 |
| San Diego Gas & Electric Co., 3.950%, due 11/15/41 | 275,000 | 281,624 |
| SC Johnson & Son, Inc., 4.800%, due 09/01/40 ¹ | 555,000 | 600,341 |
| Southern California Edison Co., 6.650%, due 04/01/29 | 320,000 | 421,838 |
| Southern Copper Corp., 6.750%, due 04/16/40 | 250,000 | 250,154 |
| Southern Natural Gas Co., 8.000%, due 03/01/32 | 430,000 | 531,842 |
| Sprint Capital Corp., 6.875%, due 11/15/28 | 200,000 | 142,750 |
| SunTrust Bank, 7.250%, due 03/15/18 | 495,000 | 564,332 |
| Swiss Re Solutions Holding Corp., 7.000%, due 02/15/26 | 295,000 | 341,402 |
| Target Corp., 6.350%, due 11/01/32 | 315,000 | 399,989 |
| 6.500%, due 10/15/37 | 185,000 | 245,781 |
| 7.000%, due 01/15/38 | 105,000 | 146,770 |
| Time Warner Cable, Inc., 7.300%, due 07/01/38 | 600,000 | 729,094 |
| 8.750%, due 02/14/19 | 410,000 | 523,541 |
| Time Warner, Inc., 7.625%, due 04/15/31 | 710,000 | 916,526 |
| Tupperware Brands Corp., 4.750%, due 06/01/21 ¹ | 355,000 | 355,707 |
| Union Electric Co., 6.700%, due 02/01/19 | 340,000 | 413,046 |
| Union Pacific Corp., 5.780%, due 07/15/40 | 180,000 | 218,003 |

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| United Technologies Corp., 5.700%, due 04/15/40 | 500,000 | 617,287 |
| UnitedHealth Group, Inc., 5.800%, due 03/15/36 | 50,000 | 59,819 |
| 6.875%, due 02/15/38 | 415,000 | 556,541 |

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| Valero Energy Corp., | | |
| 6.625%, due 06/15/37 | 150,000 | 160,836 |
| 7.500%, due 04/15/32 | 465,000 | 544,075 |
| Verizon New York, Inc., | | |
| Series B, 7.375%, due 04/01/32 | 1,085,000 | 1,263,423 |
| Virginia Electric & Power Co., | | |
| 6.350%, due 11/30/37 | 165,000 | 220,234 |
| Wal-Mart Stores, Inc., | | |
| 6.500%, due 08/15/37 | 600,000 | 828,892 |
| Washington Mutual Bank, | | |
| 5.500%, due 01/15/13 ⁴ | 750,000 | 75 |
| Washington Mutual Preferred Funding LLC, | | |
| 9.750%, due 12/15/17 ^{1,2,4,5,6} | 1,300,000 | 6,500 |
| Wells Fargo Bank N.A., | | |
| 5.950%, due 08/26/36 | 750,000 | 772,178 |
| Wells Fargo Capital X, | | |
| 5.950%, due 12/15/36 | 475,000 | 475,594 |
| Williams Cos., Inc., | | |
| 8.750%, due 03/15/32 | 177,000 | 231,914 |
| Williams Partners LP, | | |
| 6.300%, due 04/15/40 | 275,000 | 335,306 |
| Wisconsin Power & Light Co., | | |
| 7.600%, due 10/01/38 | 175,000 | 271,419 |
| WM Wrigley Jr. Co., | | |
| 3.700%, due 06/30/14 ¹ | 465,000 | 479,383 |
| Xcel Energy, Inc., | | |
| 4.800%, due 09/15/41 | 75,000 | 81,730 |
| Xerox Corp., | | |
| 6.350%, due 05/15/18 | 540,000 | 608,288 |
| Total United States corporate bonds | | 69,645,585 |
| | | <hr/> |
| Total corporate bonds | | 86,103,065 |
| (cost \$80,098,671) | | <hr/> |
| Asset-backed securities 0.62% | | |
| United States 0.62% | | |
| Ameriquest Mortgage Securities, Inc., | | |
| Series 2005-R6, Class A2, | | |
| 0.494%, due 08/25/35 ² | 87,719 | 82,466 |
| Citibank Credit Card Issuance Trust, | | |
| Series 2007-A3, Class A3, | | |
| 6.150%, due 06/15/39 | 390,000 | 537,979 |
| Continental Airlines, Inc., | | |
| Series 2009-2, Class A, | | |
| 7.250%, due 11/10/19 | 278,058 | 296,131 |
| | | <hr/> |
| Total asset-backed securities | | 916,576 |
| (cost \$734,317) | | <hr/> |
| Commercial mortgage-backed securities 1.01% | | |
| United States 1.01% | | |
| Banc of America Commercial Mortgage, Inc., | | |
| Series 2007-2, Class AM, | | |
| 5.642%, due 04/10/49 ² | 475,000 | 443,355 |
| Greenwich Capital Commercial Funding Corp., | | |
| Series 2007-GG9, Class AM, | | |
| 5.475%, due 03/10/39 | 1,100,000 | 1,033,168 |
| | | <hr/> |
| Total commercial mortgage-backed securities | | |

(cost \$890,437)

1,476,523

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|--|--------------|-----------|
| Mortgage & agency debt securities | 5.31% | |
| United States | 5.31% | |
| Federal Home Loan Mortgage Corp., ⁷ | | |
| 5.000%, due 01/30/14 | 30,000 | 32,784 |
| Federal Home Loan Mortgage Corp. Gold Pools, ⁷ | | |
| #E01127, | | |
| 6.500%, due 02/01/17 | 43,675 | 47,731 |
| Federal National Mortgage Association Pools, ⁷ | | |
| #AE1568, 4.000%, due 09/01/40 | 867,420 | 912,033 |
| #AI7381, 4.000%, due 09/01/41 | 2,225,477 | 2,340,632 |
| #AL0160, 4.500%, due 05/01/41 | 1,247,872 | 1,328,958 |
| #688066, 5.500%, due 03/01/33 | 184,332 | 203,981 |
| #793666, 5.500%, due 09/01/34 | 913,522 | 1,003,193 |
| #802481, 5.500%, due 11/01/34 | 153,533 | 168,603 |
| #596124, 6.000%, due 11/01/28 | 120,394 | 134,206 |
| #253824, 7.000%, due 03/01/31 | 66,809 | 77,115 |
| Federal National Mortgage Association Re-REMIC, ⁷ | | |
| Series 1993-106, Class Z, | | |
| 7.000%, due 06/25/13 | 10,587 | 10,982 |
| Government National Mortgage Association Pools, | | |
| #781029, | | |
| 6.500%, due 05/15/29 | 37,419 | 43,278 |
| GSR Mortgage Loan Trust, | | |
| Series 2006-2F, Class 3A4, | | |
| 6.000%, due 02/25/36 | 1,245,617 | 1,098,124 |
| Wells Fargo Mortgage Backed Securities Trust, | | |
| Series 2003-18, Class A2, | | |
| 5.250%, due 12/25/33 | 384,847 | 398,865 |
| | | <hr/> |
| Total mortgage & agency debt securities | | 7,800,485 |
| (cost \$7,701,293) | | <hr/> |
| Municipal bonds | 6.38% | |
| California | 1.29% | |
| Los Angeles Unified School District, | | |
| 6.758%, due 07/01/34 | 150,000 | 187,675 |
| State of California, GO, | | |
| 6.650%, due 03/01/22 | 300,000 | 349,215 |
| 7.300%, due 10/01/39 | 570,000 | 679,127 |
| 7.550%, due 04/01/39 | 365,000 | 446,672 |
| University of California Revenue Bonds, | | |
| Series 2009, 5.770%, due 05/15/43 | 195,000 | 224,030 |
| | | <hr/> |
| | | 1,886,719 |
| | | <hr/> |
| Georgia | 0.11% | |
| Municipal Electric Authority of Georgia Revenue Bonds, | | |
| 6.637%, due 04/01/57 | 150,000 | 158,204 |
| | | <hr/> |
| Illinois | 1.46% | |
| Illinois State Taxable Pension, | | |
| 5.100%, due 06/01/33 | 2,350,000 | 2,144,798 |
| | | <hr/> |
| New Jersey | 2.77% | |
| New Jersey Economic Development Authority Revenue Bonds, | | |
| Series B, 4.623%, due 02/15/18 ⁸ | 5,000,000 | 3,861,800 |
| New Jersey State Turnpike Authority Revenue Bonds, | | |
| Series F, 7.414%, due 01/01/40 | 140,000 | 199,678 |
| | | <hr/> |

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| | | |
|---|---------|-----------|
| | | 4,061,478 |
| | | <hr/> |
| New York 0.22% | | |
| New York State Urban Development Corp. Revenue Bonds, | | |
| 5.770%, due 03/15/39 | 265,000 | 316,169 |
| | | <hr/> |

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| | | |
|---|------------|---------------|
| Pennsylvania 0.22% | | |
| Commonwealth of Pennsylvania, GO, 5.350%, due 05/01/30 | 300,000 | 326,676 |
| Tennessee 0.24% | | |
| Metropolitan Government of Nashville & Davidson County Convention Center Authority Revenue Bonds, 6.731%, due 07/01/43 | 300,000 | 359,916 |
| Texas 0.07% | | |
| Texas Transportation Commission Revenue Bonds, Series B, 5.178%, due 04/01/30 | 90,000 | 106,213 |
| Total municipal bonds (cost \$8,227,445) | | 9,360,173 |
| US government obligations 22.93% | | |
| US Treasury Bonds, 3.750%, due 08/15/41 | 6,235,000 | 7,332,946 |
| 4.375%, due 05/15/41 | 1,565,000 | 2,039,146 |
| US Treasury Notes, 0.250%, due 10/31/13 | 1,000,000 | 1,000,156 |
| 0.750%, due 06/15/14 | 1,615,000 | 1,632,537 |
| 0.875%, due 11/30/16 | 1,670,000 | 1,675,089 |
| 1.000%, due 10/31/16 | 485,000 | 489,699 |
| 2.000%, due 11/15/21 | 19,270,000 | 19,489,794 |
| Total US government obligations (cost \$33,199,748) | | 33,659,367 |
| Non-US government obligations 4.04% | | |
| Brazil 1.64% | | |
| Brazilian Government International Bond, 8.250%, due 01/20/34 | 900,000 | 1,356,750 |
| 8.875%, due 04/15/24 | 700,000 | 1,046,500 |
| | | 2,403,250 |
| Israel 1.59% | | |
| Israel Government AID Bond, 1.638%, due 02/15/17 ⁸ | 2,500,000 | 2,333,655 |
| Mexico 0.81% | | |
| United Mexican States, 8.300%, due 08/15/31 | 800,000 | 1,198,000 |
| Total Non-US government obligations (cost \$5,142,056) | | 5,934,905 |
| Total bonds (cost \$135,993,967) | | 145,251,094 |
| | | Shares |
| Preferred stock 0.02% | | |
| United States 0.02% | | |
| Ally Financial, Inc. 7.000% ^{1,9} (cost \$34,713) | 42 | 30,107 |

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| | | | |
|---|----------------|---------|-----------------------|
| Short-term investment | 0.26% | | |
| Investment company | 0.26% | | |
| UBS Cash Management Prime Relationship Fund ¹⁰ | | | |
| (cost \$379,230) | | 379,230 | 379,230 |
| Total investments¹¹ | 99.22% | | |
| (cost \$136,407,910) | | | 145,660,431 |
| Cash and other assets, less liabilities | 0.78% | | 1,141,047 |
| Net assets | 100.00% | | \$ 146,801,478 |

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 | \$ 13,499,362 |
| Gross unrealized depreciation | (4,246,841) |
| Net unrealized appreciation of investments | \$ 9,252,521 |

For a listing of defined portfolio acronyms 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.

Security is illiquid. At December 31, 2011, the value of this security amounted to \$6,500 or 0.00% of net assets.

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 December 31, 2011, the value of these securities amounted to \$7,987,547 or 5.44% of net assets.

² Variable or floating rate security. The interest rate shown is the current rate as of December 31, 2011 and changes periodically.

³ Security is being fair valued by a valuation committee under the direction of the Board of Trustees. At December 31, 2011, the value of this security amounted to \$0 or 0.00% of net assets.

⁴ Security is in default.

⁵ This security, which represents 0.00% of net assets as of December 31, 2011, 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 12/31/11 | Value as a percentage of net assets |
|---|---------------------|------------------|--|----------------|-------------------------------------|
| Washington Mutual Preferred Funding LLC, 9.750%, due 12/15/17 | 10/19/07 - 11/02/07 | \$1,299,750 | 0.89% | \$6,500 | 0.00% ^a |

^a Amount represents less than 0.005%

⁶ Perpetual bond security. The maturity date reflects the next call date.

⁷ 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.

⁸ Rate shown reflects annualized yield at December 31, 2011 on zero coupon bond.

⁹ This security is subject to a perpetual call and may be called in full or partially on or anytime after March 19, 2012.

¹⁰ The table below details the Fund's investments 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.

| Security description | Value 09/30/11 | Purchases during the three months ended 12/31/11 | Sales during the three months ended 12/31/11 | Value 12/31/11 | Income earned from affiliate for the three months ended 12/31/11 |
|---|----------------|--|--|----------------|--|
| UBS Cash Management Prime Relationship Fund | \$1,913,431 | \$ 16,452,434 | \$ 17,986,635 | \$379,230 | \$891 |

¹¹ 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. Securities and instruments listed on foreign stock exchanges may be fair valued based on significant events that have occurred subsequent to the close of the foreign markets. 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. UBS Global AM is an indirect wholly owned asset management subsidiary of UBS AG, an internationally diversified organization with headquarters in Zurich and Basel, Switzerland and operations in many areas of the financial services industry. 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 a fair value 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. 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 are 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.

AID Agency for International Development

GO General Obligation

GSR Goldman Sachs Residential

REIT Real estate investment trust

Re-REMIC Combined Real Estate Mortgage Investment Conduit

US Generally accepted accounting principles (GAAP) requires disclosure surrounding 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 January 2010, FASB issued Accounting Standards Update (ASU) No. 2010-06, Improving Disclosures about Fair Value Measurements (ASU 2010-06). ASU 2010-06 requires reporting entities to make new disclosures about amounts and reasons for significant transfer in and out of Level 1 and Level 2 fair value measurements as well as inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3, including information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of activity in Level 3 fair value measurements. The new and revised disclosures have been implemented for annual and interim periods beginning after December 15, 2009. The disclosures surrounding purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair value measurements have been implemented for annual and interim periods beginning after December 15, 2010.

In May 2011, FASB issued Accounting Standards Update No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. 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 U.S. 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

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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 inputs used as of December 31, 2011 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 | \$ | \$ 86,096,565 | \$ 6,500 | \$ 86,103,065 |
| Asset-backed securities | | 916,576 | | 916,576 |
| Commercial mortgage-backed securities | | 1,476,523 | | 1,476,523 |
| Mortgage & agency debt securities | | 7,800,485 | | 7,800,485 |
| Municipal bonds | | 9,360,173 | | 9,360,173 |
| US government obligations | | 33,659,367 | | 33,659,367 |
| Non-US government obligations | | 5,934,905 | | 5,934,905 |
| Preferred stock | | 30,107 | | 30,107 |
| Short-term investment | | 379,230 | | 379,230 |
| Total | \$ | \$ 145,653,931 | \$ 6,500 | \$ 145,660,431 |

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 | Total |
|--|-----------------|-----------|
| Assets | | |
| Beginning balance | \$ 19,500 | \$ 19,500 |
| Purchases | | |
| Issuances | | |
| Sales | | |
| Settlements | | |
| Accrued discounts (premiums) | (863) | (863) |
| Total realized gain (loss) | (20) | (20) |
| Net change in unrealized appreciation/depreciation | (12,117) | (12,117) |
| Net transfers into Level 3 | | |
| Net transfers out of Level 3 | | |
| Ending balance | \$ 6,500 | \$ 6,500 |

The change in unrealized appreciation/depreciation relating to the Level 3 investments held at December 31, 2011 was \$(12,117).

For more information regarding the Fund's other significant accounting policies, please refer to Fund's annual report to shareholders dated September 30, 2011.

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: February 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: February 29, 2012

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

Date: February 29, 2012