

FORT DEARBORN INCOME SECURITIES INC
Form N-CSR
December 04, 2015

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)

Tammie Lee, Esq.

UBS Asset Management (Americas) Inc.

1285 Avenue of the Americas

New York, NY 10019

(Name and address of agent for service)

Copy to:

Bruce Leto, Esq.

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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: September 30, 2015

Item 1. Reports to Stockholders.

Closed-end funds

Annual Report

Fort Dearborn Income Securities, Inc.

Annual Report

September 30, 2015

Fort Dearborn Income Securities, Inc.

November 9, 2015

Dear shareholder,

We present you with the annual report for Fort Dearborn Income Securities, Inc. (the Fund) for the 12 months ended September 30, 2015.

Special Note

On October 13, 2015, based on the recommendation of UBS Asset Management, the Fund's investment advisor, the Fund's Board of Directors announced its intention to pursue a conversion of the Fund from a closed-end fund to an open-end fund. It is anticipated that the Fund's conversion to an open-end fund will be accomplished through a tax-free reorganization of the Fund into an open-end fund created for the purpose of the conversion (Fund Reorganization). A Fund Reorganization requires the approval of shareholders, and it is expected that a Fund Reorganization proposal will be submitted to shareholders for approval at a special shareholder meeting of the Fund to be called in the first half of 2016. If the Fund Reorganization is approved, shareholders of the Fund will become shareholders of a new open-end fund.

Performance

For the 12 months ended September 30, 2015, the Fund posted a total return on a net asset value (NAV) basis of -2.05%, and 2.33% on a market price basis. Over the same period, the Fund's benchmark, the Barclays US Aggregate Index (the Index) gained 2.94%. The Fund's peer group, as measured by the Lipper Corporate Debt Funds BBB-Rated classification, posted a median total return of -0.80% on a NAV basis, and 2.94% on a market price basis.¹ (For more performance information, please refer to Performance at a glance on page 5.) During the reporting period, neither the Fund nor the Index used structural leverage (That is the Fund did not have preferred stock outstanding or borrow from banks for investment purposes. Leverage magnifies returns both on the upside and on the downside, creating a wider range of returns.)

The Fund traded at a discount to its NAV during the 12 month reporting period. On the last trading day of the preceding reporting period, September 30, 2014, the Fund traded at a discount of 9.5%, versus the 9.0% median discount of the Fund's Lipper peer group. As of September 30, 2015, the Fund traded at a discount of 5.9%, versus the 6.1% median discount of the Fund's Lipper peer group. 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, such as 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.

Market commentary

Growth in the US fluctuated during the reporting period. The US Commerce Department reported that gross domestic product (GDP) expanded at a 2.1% seasonally adjusted annualized rate during the fourth quarter of

Fort Dearborn Income Securities, Inc.

Investment objective:

Current income consistent with external interest rate conditions and total return

Portfolio Managers:

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

Commencement:

December 19, 1972

NYSE symbol:

FDI

Dividend payments:

Quarterly

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 mortgage-backed sectors. Investors should note that indices do not reflect the deduction of fees and expenses.

Fort Dearborn Income Securities, Inc.

2014. GDP growth then moderated to a 0.6% rate for the first quarter of 2015. However, the US economy then improved, and second quarter GDP growth rose to a 3.9% rate. Third quarter 2015 GDP grew at a 1.5% rate based on the Commerce Department's initial estimate on October 29, 2015, after the reporting period had ended.

The US Federal Reserve Board maintained its accommodative monetary policy during the reporting period. The central bank continued to hold the fed funds rate at a historically low range between 0% and 0.25%. (The federal funds rate, or the fed funds rate, is the rate banks charge one another for funds they borrow on an overnight basis.) However, at its March 2015 meeting, the Fed said that it anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen further improvement in the labor market and is reasonably confident that inflation will move back to its 2% objective over the medium term. Finally, at the central bank's meeting that concluded on September 17, 2015, the Fed continued to keep rates between 0% and 0.25%.

Turning to the fixed income market, concerns about global growth, lower oil prices and geopolitical events triggered several flights to quality. Against this backdrop, the yield on the 10-year Treasury fell from 2.52% to 2.06% during the 12 months ended September 30, 2015. Most US spread sectors posted positive total returns during the reporting period, as they were supported by declining long-term Treasury yields, even as credit spreads generally widened.³ Over the 12 month period ended September 30, 2015, the Fund underperformed the Index on a net asset total return basis. The commentary below describes factors that impacted the Fund's performance relative to the Index.

Portfolio commentary

What worked

The Fund's yield curve positioning contributed to results.

Our yield curve flattening bias was beneficial, as we had overweights to the intermediate and long portions of the curve and an underweight to the short end of the curve.

Allocations to collateralized loan obligations (CLOs), commercial mortgage-backed securities (CMBS) and Treasury Inflation-Protected Securities (TIPS) were additive for performance.

What didn't work

The Fund's credit exposure was the largest detractor from results.

Overweight allocations to investment grade and high yield corporate bonds were negative for performance, as their spreads widened and they lagged the Index.

Security selection of investment grade and high yield corporate bonds detracted from results. In particular, the Fund's higher beta credits hurt its performance.

The Fund's allocations to certain spread sectors were headwinds for performance during the reporting period.

An overweight to collateralized mortgage obligations (CMOs) was negative for results.

Our non-corporate credit exposure, including foreign agencies, supranational entities and sovereign local authorities, detracted from performance.

² Based on the Commerce Department's initial estimate announced on October 29, 2015, after the reporting period had ended.

³ A spread sector refers to non-government fixed income sectors, such as investment grade or high yield bonds, commercial mortgage-backed securities (CMBS), etc.

Fort Dearborn Income Securities, Inc.

The Fund's duration positioning detracted from results during the reporting period.

We tactically adjusted the Fund's duration during the reporting period, but it was largely shorter than that of the Index. This was not rewarded given generally declining rates.

Portfolio adjustments

There were several adjustments made to the portfolio's sector positioning during the reporting period.

We continued to employ certain derivatives.

The Fund utilized US Treasury and Eurodollar futures and options to more effectively manage the Fund's duration and yield curve positioning. Overall, duration and yield curve management strategies generated mixed results during the reporting period.

The Fund utilized credit derivatives, such as credit default swaps, to manage exposure across different fixed income sectors. These instruments were used to help reduce risk in the portfolio, but also to add exposure to areas we found attractive, and offered an opportunity to boost the Fund's net investment income. As noted earlier, however, overall credit strategies including the bond securities held by the Fund were negative contributors to results over the reporting period.

The use of currency instruments, such as foreign exchange forward positions, was quite limited during the period. Given that the Fund does not currently seek active currency risk, these instruments were effectively used to hedge the Fund's foreign currency-denominated bond positions back to US dollars.

We increased our allocations to CLOs and TIPS during the reporting period.

We tactically adjusted our corporate bond exposures over the fiscal year.

Outlook

We maintain our view that the US economy will continue to expand, albeit at a fairly modest pace. We also expect inflation to remain relatively muted. In terms of the Fed interest rate liftoff, it appears that it will commence late in 2015, or perhaps in early 2016. Turning our attention overseas, growth is slowly improving in Europe. However, with minimal inflation pressure we believe the European Central Bank will maintain its accommodative monetary policy. We are cautious regarding growth in Asia. In particular, we are concerned about moderating growth in China and the potential spill over to other emerging markets countries, especially those with commodity-driven economies.

Turning to the fixed income market, credit spreads have widened, partially driven by a challenging supply/demand technical environment. In addition, earnings growth has slowed, and we may be getting closer to the end of the credit cycle. That said, valuations are attractive given current spreads and may lead to compelling entry points for certain securities.

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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/am-us.

Sincerely,

Mark E. Carver

President

Fort Dearborn Income Securities, Inc.

Managing Director

UBS Asset Management (Americas) Inc.

(formerly, UBS Global Asset Management (Americas),
Inc.)

Scott Dolan

Portfolio Manager

Fort Dearborn Income Securities, Inc.

Managing Director

UBS Asset Management (Americas) Inc.

(formerly, UBS Global Asset Management (Americas),
Inc.)

Fort Dearborn Income Securities, Inc.

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

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

Brian Fehrenbach
Portfolio Manager
Fort Dearborn Income Securities, Inc.
Managing Director
UBS Asset Management (Americas) Inc.
(formerly, UBS Global Asset Management (Americas),
Inc.)

This letter is intended to assist shareholders in understanding how the Fund performed during the 12 months ended September 30, 2015. The views and opinions in the letter were current as of November 9, 2015. They are not guarantees of future performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and we reserve the right to change our views about individual securities, sectors and markets at any time. As a result, the views expressed should not be relied upon as a forecast of the Fund's future investment intent. We encourage you to consult your financial advisor regarding your personal investment program.

Fort Dearborn Income Securities, Inc.

Performance at a glance (unaudited)

Average annual total returns for periods ended 09/30/2015

Net asset value returns	1 year	5 years	10 years
Fort Dearborn Income Securities, Inc.	(2.05)%	4.28%	5.82%
Lipper Corporate Debt Funds BBB-Rated median	(0.80)%	4.84%	5.79%
Market price returns			
Fort Dearborn Income Securities, Inc.	2.33%	5.09%	6.81%
Lipper Corporate Debt Funds BBB-Rated median	2.94%	4.33%	5.77%
Index returns			
FDI Fund Index ¹	2.94%	4.76%	5.87%
Barclays US Aggregate Index ²	2.94%	3.10%	4.64%

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. 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 FDI Fund Index is an unmanaged index compiled by the Advisor, constructed as follows: From 12/31/81 to 5/31/2013 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). From 6/1/2013 to present 100% Barclays US Aggregate Index. Investors should note that indices do not reflect the deduction of fees and expenses.

² 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 mortgage-backed sectors. Investors should note that indices do not reflect the deduction of fees and expenses.

Performance information reflects the deduction of the Fund's fees and expenses, as indicated in the Statement of operations included in its shareholder reports, such as investment advisory and administration fees, custody fees, exchange listing fees, etc. It does not reflect any transaction charges that a shareholder may incur when (s)he buys or sells shares (e.g., a shareholder's brokerage commissions).

Investing in the Fund entails specific risks, such as interest rate, credit, US government securities and derivative investments risks. Further detailed information regarding the Fund, including a discussion of investment objectives, principal investment strategies and principal risks, may be found in the fund overview located at <http://www.ubs.com/closedendfundsinfo>. You may also request copies of the fund overview by calling the Closed-End Funds Desk at 888-793 8637.

Fort Dearborn Income Securities, Inc.

Portfolio statistics (unaudited)

Characteristics¹	09/30/15	03/31/15	09/30/14
Net asset value	\$ 14.98	\$ 15.93	\$ 15.99
Market price	\$ 14.10	\$ 14.37	\$ 14.47
12-month dividends/distributions	\$ 0.6972	\$ 0.6747	\$ 0.9402
Dividend/distribution at period-end	\$ 0.1625	\$ 0.1600	\$ 0.1500
Net assets (mm)	\$ 131.5	\$ 139.7	\$ 140.3
Weighted average maturity (yrs.)	8.8	10.1	10.0
Duration (yrs.) ²	5.9	4.6	5.0
Credit quality³	09/30/15	03/31/15	09/30/14
US Treasury ⁴	2.6%	2.4%	1.7%
US Agency ^{4,5}	1.5	1.8	2.1
AA	0.7	0.6	2.5
A	9.8	14.3	12.8
BBB	52.8	58.4	56.8
BB	15.9	10.3	12.4
B	3.0	2.3	1.5
CCC and Below	0.6	0.7	0.9
Non-rated	8.1	7.3	7.6
Cash equivalents	1.8	0.0 ⁶	1.9
Other assets, less liabilities	3.2	1.9	(0.2)
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 Financial Services LLC, a part of McGraw-Hill Financial (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. Credit ratings range from AAA, being the highest, to D, being the lowest, based on S&P's measures; ratings of BBB or higher are considered investment grade quality. Unrated securities do not necessarily indicate low quality. Further information regarding S&P's rating methodology may be found on its website www.standardandpoors.com. Please note that references to credit quality made in the commentary section above reflect ratings based on multiple providers (not just S&P) and thus may not align with the data represented in 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 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.

⁶ Amount represents less than 0.05% of net assets.

Fort Dearborn Income Securities, Inc.

Industry diversification (unaudited)

As a percentage of net assets As of September 30, 2015

Bonds

Corporate bonds

Automobiles	1.61%
Banks	21.72
Biotechnology	0.32
Building products	0.50
Capital markets	1.70
Chemicals	3.68
Commercial services & supplies	0.77
Communications equipment	0.24
Construction materials	0.81
Consumer finance	1.32
Diversified financial services	3.73
Diversified telecommunication services	1.45
Electric utilities	0.83
Electronic equipment, instruments & components	0.23
Energy equipment & services	0.39
Food & staples retailing	1.13
Gas utilities	0.56
Hotels, restaurants & leisure	1.21
Household durables	0.81
Insurance	6.68
Life sciences tools & services	0.12
Machinery	1.30
Media	4.36
Metals & mining	2.72
Oil, gas & consumable fuels	9.53
Paper & forest products	1.28
Pharmaceuticals	0.04
Real estate investment trust (REIT)	0.32
Real estate management & development	0.50
Technology hardware, storage & peripherals	1.07
Thrifts & mortgage finance	0.48
Tobacco	2.86
Trading companies & distributors	1.47
Total corporate bonds	75.74%

Collateralized debt obligations	3.93
Commercial mortgage-backed securities	7.47
Mortgage & agency debt securities	1.53
Residential mortgage-backed security	0.45
Municipal bonds	2.32
US government obligations	2.61
Non-US government obligation	0.73
Total bonds	94.78%
Common stock	0.05
Preferred stocks	0.09
Short-term investment	1.77
Options purchased	0.06
Total investments	96.75%
Cash and other assets, less liabilities	3.25
Net assets	100.00%

Fort Dearborn Income Securities, Inc.

Portfolio of investments September 30, 2015

	Face amount	Value
Bonds: 94.78%		
Corporate bonds: 75.74%		
Brazil: 3.02%		
Caixa Economica Federal, 2.375%, due 11/06/17 ¹	\$ 1,400,000	\$ 1,246,000
Petrobras Global Finance BV, 5.375%, due 01/27/21	830,000	603,078
6.875%, due 01/20/40	1,275,000	823,969
Vale Overseas Ltd., 4.375%, due 01/11/22	1,465,000	1,302,487
Total Brazil corporate bonds		3,975,534
Canada: 1.29%		
Encana Corp., 6.625%, due 08/15/37	250,000	224,216
NOVA Chemicals Corp., 5.250%, due 08/01/23 ¹	1,010,000	978,438
Teck Resources Ltd., 6.250%, due 07/15/41	875,000	498,750
Total Canada corporate bonds		1,701,404
China: 0.20%		
China Oil & Gas Group Ltd., 5.250%, due 04/25/18 ¹	280,000	263,200
Croatia: 0.51%		
Agrokor DD, 8.875%, due 02/01/20 ¹	630,000	669,375
France: 0.62%		
Orange SA, 9.000%, due 03/01/31	575,000	815,355
Germany: 1.19%		
Unitymedia Hessen GmbH & Co. KG, 5.500%, due 01/15/23 ¹	300,000	299,625
Unitymedia Kabel BW GmbH, 6.125%, due 01/15/25 ¹	1,300,000	1,261,000
Total Germany corporate bonds		1,560,625
Indonesia: 0.30%		
Pertamina Persero PT, 6.450%, due 05/30/44	450,000	389,812
Ireland: 1.02%		
XL Group PLC,	1,690,000	1,341,860

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Series E, 6.500%, due 04/15/17 ^{2,3}		
Israel: 0.04%		
Teva Pharmaceutical Finance IV BV, 3.650%, due 11/10/21	57,000	57,629
Italy: 0.37%		
Generali Finance BV, 6.214%, due 06/16/16 ^{2,3}	GBP 100,000	151,956
	Face	Value
	amount	
Telecom Italia Capital SA, 6.375%, due 11/15/33	\$ 350,000	\$ 335,125
Total Italy corporate bonds		487,081
Luxembourg: 0.35%		
Intelsat Jackson Holdings SA, 7.500%, due 04/01/21	500,000	461,250
Malaysia: 0.31%		
SSG Resources Ltd., 4.250%, due 10/04/22 ⁴	410,000	403,376
Mexico: 2.43%		
Cemex SAB de CV, 5.700%, due 01/11/25 ¹	800,000	724,000
5.875%, due 03/25/19 ¹	350,000	339,500
Petroleos Mexicanos, 3.500%, due 01/30/23	1,450,000	1,308,625
6.375%, due 01/23/45	500,000	448,750
6.500%, due 06/02/41	410,000	375,232
Total Mexico corporate bonds		3,196,107
Netherlands: 1.92%		
Basell Finance Co. BV, 8.100%, due 03/15/27 ¹	1,425,000	1,842,066
LYB International Finance BV, 4.875%, due 03/15/44	470,000	445,538
LyondellBasell Industries NV, 4.625%, due 02/26/55	280,000	238,228
Total Netherlands corporate bonds		2,525,832
Norway: 1.68%		
Ekspportfinans ASA, 5.500%, due 05/25/16	620,000	632,710
5.500%, due 06/26/17	1,500,000	1,578,375
Total Norway corporate bonds		2,211,085
Portugal: 1.08%		
EDP Finance BV, 4.900%, due 10/01/19 ¹	1,000,000	1,040,500
6.000%, due 02/02/18 ¹	350,000	371,875
Total Portugal corporate bonds		1,412,375
Sweden: 1.01%		
	1,230,000	1,323,512

Nordea Bank AB,
4.875%, due 05/13/21¹

United Kingdom: 5.46%

Barclays Bank PLC, 4.375%, due 09/11/24	1,250,000	1,211,290
6.050%, due 12/04/17 ¹	900,000	973,302
Lloyds Bank PLC, 6.500%, due 09/14/20 ¹	2,300,000	2,652,997

Fort Dearborn Income Securities, Inc.

Portfolio of investments September 30, 2015

	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
United Kingdom (concluded)		
Royal Bank of Scotland Group PLC, 5.125%, due 05/28/24	\$ 450,000	\$ 453,741
6.100%, due 06/10/23	1,760,000	1,891,810
Total United Kingdom corporate bonds		7,183,140
United States: 52.94%		
21st Century Fox America, Inc., 7.750%, due 12/01/45	350,000	480,465
ADT Corp., 3.500%, due 07/15/22	1,140,000	1,008,900
AEP Texas Central Co., Series E, 6.650%, due 02/15/33	495,000	613,253
Allstate Corp., 5.750%, due 08/15/53 ²	1,000,000	1,035,350
Altria Group, Inc., 5.375%, due 01/31/44	850,000	924,600
9.950%, due 11/10/38	750,000	1,199,799
Anadarko Holding Co., 7.500%, due 10/15/26	1,354,000	1,599,824
AXA Financial, Inc., 7.000%, due 04/01/28	165,000	210,209
Bank of America Corp., 6.110%, due 01/29/37	2,000,000	2,301,560
7.750%, due 05/14/38	1,000,000	1,375,530
Barrick North America Finance LLC, 5.750%, due 05/01/43	750,000	638,964
Building Materials Corp. of America, 6.750%, due 05/01/21 ¹	320,000	340,800
Case New Holland Industrial, Inc., 7.875%, due 12/01/17	1,250,000	1,318,750
Caterpillar, Inc., 4.300%, due 05/15/44	400,000	388,390
CCO Safari II LLC, 6.484%, due 10/23/45 ¹	630,000	635,126
Celgene Corp., 5.000%, due 08/15/45	430,000	426,762
CenturyLink, Inc., Series P,	200,000	151,500

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7.600%, due 09/15/39		
CF Industries, Inc.,		
4.950%, due 06/01/43	1,500,000	1,337,938
Citigroup, Inc.,		
Series D,		
5.350%, due 05/15/23 ^{2,3}	2,130,000	1,986,225
6.300%, due 05/15/24 ^{2,3}	1,800,000	1,731,870
DISH DBS Corp.,		
7.875%, due 09/01/19	1,300,000	1,362,829
	Face	
	amount	Value
DR Horton, Inc.,		
4.000%, due 02/15/20	\$ 77,000	\$ 77,385
Energy Transfer Partners LP,		
5.950%, due 10/01/43	750,000	663,173
Fidelity National Financial, Inc.,		
5.500%, due 09/01/22	700,000	748,968
FirstEnergy Transmission LLC,		
5.450%, due 07/15/44 ¹	300,000	309,286
Flextronics International Ltd.,		
5.000%, due 02/15/23	300,000	301,500
Ford Motor Co.,		
7.450%, due 07/16/31	1,700,000	2,112,547
Freeport-McMoRan, Inc.,		
3.550%, due 03/01/22	200,000	148,000
General Electric Capital Corp.,		
Series C,		
5.250%, due 06/15/23 ^{2,3}	2,650,000	2,726,850
General Motors Financial Co., Inc.,		
3.000%, due 09/25/17	500,000	505,229
4.750%, due 08/15/17	850,000	881,823
Georgia-Pacific LLC,		
8.000%, due 01/15/24	1,300,000	1,685,385
Goldman Sachs Group, Inc.,		
5.750%, due 01/24/22	1,355,000	1,555,561
6.750%, due 10/01/37	570,000	679,446
Host Hotels & Resorts LP,		
Series E,		
4.000%, due 06/15/25	420,000	414,191
International Lease Finance Corp.,		
7.125%, due 09/01/18 ¹	1,750,000	1,926,942
JPMorgan Chase & Co.,		
3.375%, due 05/01/23	360,000	351,817
Series 1,		
7.900%, due 04/30/18 ^{2,3}	4,600,000	4,775,375
Kinder Morgan Energy Partners LP,		
5.625%, due 09/01/41	700,000	576,097
5.800%, due 03/15/35	710,000	636,447
6.500%, due 09/01/39	75,000	71,243
Kinder Morgan, Inc.,		
6.500%, due 09/15/20	300,000	332,207

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7.250%, due 06/01/18 Kroger Co.,	300,000	331,667
6.900%, due 04/15/38 Lennar Corp.,	650,000	818,423
4.750%, due 05/30/25 Liberty Mutual Group, Inc.,	330,000	315,150
4.250%, due 06/15/23 ¹ Life Technologies Corp.,	1,000,000	1,034,585
6.000%, due 03/01/20 Massachusetts Mutual Life Insurance Co.,	135,000	154,173
8.875%, due 06/01/39 ¹	275,000	407,499

Fort Dearborn Income Securities, Inc.

Portfolio of investments September 30, 2015

	Face amount	Value
Bonds (continued)		
Corporate bonds (concluded)		
United States (concluded)		
MetLife, Inc., 6.400%, due 12/15/36	\$ 1,460,000	\$ 1,591,400
Midstates Petroleum Co., Inc., 10.750%, due 10/01/20	400,000	80,000
Motorola Solutions, Inc., 3.500%, due 03/01/23	350,000	315,529
NextEra Energy Capital Holdings, Inc., 6.650%, due 06/15/67 ²	200,000	167,176
ONEOK Partners LP, 8.625%, due 03/01/19	215,000	250,557
PNC Financial Services Group, Inc., Series R, 4.850%, due 06/01/23 ^{2,3}	1,000,000	936,250
PNC Preferred Funding Trust I, 1.987%, due 03/15/17 ^{1,2,3}	1,200,000	1,100,250
Prudential Financial, Inc., 5.200%, due 03/15/44 ²	2,305,000	2,264,662
5.875%, due 09/15/42 ²	300,000	317,250
Series B, 5.750%, due 07/15/33	40,000	45,434
Quicken Loans, Inc., 5.750%, due 05/01/25 ¹	660,000	625,350
Realty Group LLC, 3.375%, due 05/01/16 ¹	340,000	338,300
7.625%, due 01/15/20 ¹	310,000	323,175
Regency Energy Partners LP, 5.500%, due 04/15/23	1,640,000	1,586,700
Reynolds American, Inc., 7.250%, due 06/15/37	1,325,000	1,640,031
Ryland Group, Inc., 6.625%, due 05/01/20	310,000	337,125
Seagate HDD Cayman, 3.750%, due 11/15/18	1,050,000	1,074,272
5.750%, due 12/01/34 ¹	350,000	336,775
Southern Copper Corp., 3.500%, due 11/08/22	800,000	763,360
6.750%, due 04/16/40	250,000	222,213
Southern Natural Gas Co., LLC, 8.000%, due 03/01/32	430,000	467,631

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Sprint Capital Corp., 6.875%, due 11/15/28	200,000	145,000
Standard Pacific Corp., 6.250%, due 12/15/21	310,000	330,925
Starwood Hotels & Resorts Worldwide, Inc., 3.750%, due 03/15/25	270,000	264,630
4.500%, due 10/01/34	180,000	155,710
	Face	Value
	amount	
SunTrust Bank, 7.250%, due 03/15/18	\$ 495,000	\$ 555,013
Synchrony Financial, 4.500%, due 07/23/25	340,000	342,801
Time Warner Cable, Inc., 7.300%, due 07/01/38	600,000	629,247
8.750%, due 02/14/19	910,000	1,068,721
Transocean, Inc., 6.800%, due 03/15/38	835,000	517,700
USG Corp., 5.875%, due 11/01/21 ¹	310,000	321,625
Valero Energy Corp., 7.500%, due 04/15/32	965,000	1,143,624
Wells Fargo Capital X, 5.950%, due 12/15/36	1,475,000	1,478,688
Williams Cos., Inc., 8.750%, due 03/15/32	177,000	168,459
Williams Partners LP, 6.300%, due 04/15/40	1,025,000	922,073
Wyndham Worldwide Corp., 3.900%, due 03/01/23	1,210,000	1,164,270
Total United States corporate bonds		69,601,539
Total corporate bonds (cost \$101,882,379)		99,580,091
Collateralized debt obligations: 3.93%		
Cayman Islands: 0.29%		
LCM XVIII LP, Series 19A, Class D, 3.782%, due 07/15/27 ^{1,2}	400,000	382,000
United States: 3.64%		
Avery Point IV CLO Ltd., Series 2014-1A, Class C, 3.395%, due 04/25/26 ^{1,2}	450,000	445,500
Dryden Senior Loan Fund, Series 2014-31A, Class C, 3.137%, due 04/18/26 ^{1,2}	800,000	790,000
Galaxy XVIII CLO Ltd., Series 2014-18A, Class C1, 3.289%, due 10/15/26 ^{1,2}	550,000	541,750
Goldentree Loan Opportunities VIII Ltd., Series 2014-8A, Class D,	550,000	533,115

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3.907%, due 04/19/26^{1,2}

Goldentree Loan Opportunities X Ltd.,
Series 2015-10A, Class D,

3.668%, due 07/20/27^{1,2}

Halcyon Loan Advisors Funding Ltd.,
Series 2014-1A, Class C,

3.287%, due 04/18/26^{1,2}

850,000

803,250

850,000

812,515

Fort Dearborn Income Securities, Inc.

Portfolio of investments September 30, 2015

	Face amount	Value
Bonds (continued)		
Collateralized debt obligations (concluded)		
United States (concluded)		
JFIN CLO Ltd., Series 2014-1A, Class C, 3.287%, due 04/20/25 ^{1,2}	\$ 450,000	\$ 441,351
Octagon Investment Partners XIX CLO Ltd., Series 2014-1A, Class C, 3.139%, due 04/15/26 ^{1,2}	420,000	411,050
		4,778,531
Total collateralized debt obligations (cost \$5,228,684)		5,160,531
Commercial mortgage-backed securities: 7.47%		
United States: 7.47%		
Americold 2010 LLC Trust, Series 2010-ARTA, Class C, 6.811%, due 01/14/29 ¹	695,000	799,041
BAMLL Commercial Mortgage Securities Trust, Series 2013-DSNY, Class E, 3.005%, due 09/15/26 ^{1,2}	1,000,000	985,978
Boca Hotel Portfolio Trust, Series 2013-BOCA, Class D, 3.257%, due 08/15/26 ^{1,2}	1,000,000	997,357
BXHTL Mortgage Trust, Series 2015-JWRZ, Class GL2, 3.895%, due 05/15/29 ^{1,2}	500,000	486,979
Commercial Mortgage Trust, Series 2015-DC1, Class B, 4.035%, due 02/10/48 ²	340,000	341,134
Series 2015-CR26, Class C, 4.645%, due 10/10/48 ^{2,5}	325,000	308,648
Commercial Mortgage Pass Through Certificates, Series 2014-CR14, Class C, 4.755%, due 02/10/47 ²	250,000	258,658
CSMC Trust, Series 2015-DEAL, Class D, 3.307%, due 04/15/29 ^{1,2}	475,000	468,772
GS Mortgage Securities Trust, Series 2014-GSFL, Class D, 4.107%, due 07/15/31 ^{1,2}	500,000	496,261
	300,000	314,502

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Series 2014-GC18, Class C, 5.113%, due 01/10/47 ² JP Morgan Chase Commercial Mortgage Securities Trust, Series 2015-CSMO, Class E, 4.157%, due 01/15/32 ^{1,2}	325,000	321,914
JPMBB Commercial Mortgage Securities Trust, Series 2015-C30, Class AS, 4.226%, due 07/15/48 ²	625,000	655,668
	Face amount	Value
Madison Avenue Trust, Series 2013-650M, Class D, 4.169%, due 10/12/32 ^{1,2}	\$ 500,000	\$ 518,643
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2015-C24, Class AS, 4.036%, due 05/15/48 ²	700,000	725,747
Series 2014-C17, Class B, 4.464%, due 08/15/47 ²	500,000	520,647
Series 2013-C13, Class C, 5.057%, due 11/15/46 ²	699,000	735,045
Morgan Stanley Capital I Trust, Series 2014-CPT, Class E, 3.560%, due 07/13/29 ^{1,2}	250,000	246,498
Starwood Retail Property Trust, Series 2014-STAR, Class C, 2.698%, due 11/15/27 ^{1,2}	125,000	124,374
VNDO Mortgage Trust, Series 2013-PENN, Class D, 4.079%, due 12/13/29 ^{1,2}	500,000	510,311
Total commercial mortgage-backed securities (cost \$9,825,153)		9,816,177
Mortgage & agency debt securities: 1.53%		
United States: 1.53%		
Federal Home Loan Mortgage Corp. Gold Pools, ⁶ #E01127, 6.500%, due 02/01/17	5,630	5,791
Federal National Mortgage Association Pools, ⁶ #AE1568, 4.000%, due 09/01/40	290,567	310,620
#688066, 5.500%, due 03/01/33	64,185	73,087
#793666, 5.500%, due 09/01/34	329,737	372,737
#802481, 5.500%, due 11/01/34	58,540	65,975
#596124, 6.000%, due 11/01/28	65,977	75,361
Federal National Mortgage Association REMIC, IO, ⁶ Series 2013-87, Class IW, 2.500%, due 06/25/28	4,378,553	400,637
Series 2013-64, Class LI, 3.000%, due 06/25/33	3,231,796	475,526
Series 2011-91, Class EI, 3.500%, due 08/25/26	2,409,392	215,950
Government National Mortgage Association Pools, #781029, 6.500%, due 05/15/29	17,993	21,088

Total mortgage & agency debt securities
(cost \$1,993,342)

2,016,772

Fort Dearborn Income Securities, Inc.

Portfolio of investments September 30, 2015

	Face amount	Value
Bonds (concluded)		
Residential mortgage-backed security: 0.45%		
United States: 0.45%		
GSR Mortgage Loan Trust, Series 2006-2F, Class 3A4, 6.000%, due 02/25/36 (cost \$717,172)	\$ 737,215	\$ 597,469
Municipal bonds: 2.32%		
Illinois: 1.88%		
City of Chicago, GO Bonds, Series B, 7.750%, due 01/01/42	750,000	752,137
State of Illinois, GO Bonds, 5.665%, due 03/01/18	710,000	758,465
5.877%, due 03/01/19	885,000	964,756
		2,475,358
New Jersey: 0.15%		
New Jersey State Turnpike Authority Revenue Bonds, Series F, 7.414%, due 01/01/40	140,000	193,589
Tennessee: 0.29%		
Metropolitan Government of Nashville & Davidson County Convention Center Authority Revenue Bonds, 6.731%, due 07/01/43	300,000	377,469
Total municipal bonds (cost \$2,840,946)		3,046,416
US government obligations: 2.61%		
US Treasury Bond, 2.500%, due 02/15/45	1,875,000	1,727,441
US Treasury Notes, 1.875%, due 08/31/22	175,000	176,513
2.000%, due 08/15/25	50,000	49,759
2.125%, due 05/15/25 ⁷	1,475,000	1,484,392
Total US government obligations (cost \$3,321,993)		3,438,105
Non-US government obligation: 0.73%		
Brazil: 0.73%		
Federative Republic of Brazil, 5.000%, due 01/27/45 (Cost \$1,264,097)	1,290,000	964,275

Total bonds (cost \$127,073,766)		124,619,836
	Shares	Value
Common stock: 0.05%		
United States: 0.05%		
WMIH Corp.* (cost \$14,157)	25,865	\$ 66,732
Preferred stocks: 0.09%		
United States: 0.09%		
Ally Financial, Inc. 7.000%, due on 10/29/15 ^{1,3}	21	21,066
JPMorgan Chase & Co. 5.450%, due on 03/01/18 ³	4,000	96,320
Total preferred stocks (cost \$119,356)		117,386
Short-term investment: 1.77%		
Investment company: 1.77%		
UBS Cash Management Prime Relationship Fund ⁸ (cost \$2,324,286)	2,324,286	2,324,286
	Number of contracts	
Options purchased: 0.06%		
Put options: 0.06%		
10 Year US Treasury Notes, strike @ USD 125.00, expires November 2015	197	21,547
10 Year US Treasury Notes, strike @ USD 126.50, expires November 2015	44	