

FORT DEARBORN INCOME SECURITIES INC
Form N-CSRS
June 09, 2004

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, Illinois 60606

(Address of principal executive offices) (Zip code)

David M. Goldenberg, Esq.
UBS Global Asset Management (US) Inc.
51 West 52nd Street
New York, NY 10019-6114
(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: 212-882 5000

Date of fiscal year end: September 30

Date of reporting period: March 31, 2004

ITEM 1. REPORTS TO STOCKHOLDERS.

[UBS LOGO OMITTED] UBS GLOBAL ASSET
MANAGEMENT

FORT DEARBORN INCOME
SECURITIES, INC.
SEMIANNUAL REPORT

MARCH 31, 2004

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

FORT DEARBORN INCOME SECURITIES, INC.

May 14, 2004

DEAR SHAREHOLDER,

We present you with the semiannual report for Fort Dearborn Income Securities, Inc. (the "Fund") for the six months ended March 31, 2004.

PERFORMANCE

For the six months ended March 31, 2004, the Fund's net asset value return was 4.77%. On a market price basis, the Fund's return was 6.84%. Over the same period, the Investment Grade Bond Index (the "Index"), the Fund's benchmark, generated a return of 4.68%. (For more performance information, please refer to "Performance At A Glance" on page 5).

AN INTERVIEW WITH PORTFOLIO MANAGER CRAIG ELLINGER

- Q. CAN YOU DESCRIBE THE ECONOMIC ENVIRONMENT DURING THE FISCAL YEAR?
- A. During the reporting period, the US economy continued to gain momentum, fueled by the ongoing effects of significantly higher military spending, an increase in exports, and robust consumer and business spending. Gross domestic product (GDP) figures confirmed the economy's growth: In the second quarter of 2003, GDP came in at 3.3%, up from 1.4% for the prior quarter. A third quarter 2003 GDP of 8.2% followed; this number, far higher than anticipated, was the sharpest recorded advance of GDP since 1984. Although estimated fourth quarter GDP came in at a lower-than-expected 4.1%, it was, nonetheless, viewed as a solid gain.

While first quarter 2004 GDP figures have not yet been released, the economy appears to be moving forward at a strong pace. With the exception of the job market, which has been slow to recover, most areas of the economy are expanding, while overall inflation remains benign.

FORT DEARBORN INCOME
SECURITIES, INC.

INVESTMENT GOAL:

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

PORTFOLIO MANAGER:

Craig Ellinger

COMMENCEMENT:

December 19, 1972

NYSE SYMBOL:

FTD

DIVIDEND PAYMENT:

Quarterly

FORT DEARBORN INCOME SECURITIES, INC.

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

- Q. HOW DID THE FEDERAL RESERVE BOARD (THE "FED") RESPOND TO THE ECONOMIC ENVIRONMENT?
- A. The Fed held rates steady throughout the period, as it has since it lowered short-term rates to 1.00% on June 25, 2003. However, at its May 4, 2004 meeting (held after period end) there was a clear shift in the Fed's stance when, in its official statement, it noted, "accommodation can be removed at a pace that is likely to be measured." Many viewed this as an indication that the Fed could raise rates as early as its next meeting in June.
- Q. HOW DID THE OVERALL FIXED INCOME MARKET PERFORM DURING THE REPORTING PERIOD?
- A. As the period began, 10-year Treasury yields were at 3.93%. In subsequent months, strong economic data, along with fears that the Fed would raise interest rates sooner, rather than later, led the 10-year yield upward, to end 2003 at 4.25%. As 2004 began, a widely accepted expectation that the economy would continue to expand created a less-than-promising outlook for fixed income investors. However, the bond market proved surprisingly resilient. Despite strong evidence that the economy was expanding, continued weakness in the labor market created a somewhat muddled picture. In February 2004, news that only 21,000 new jobs were created--significantly less than forecasted--gave rise to concerns that consumer confidence could weaken, and, thus, temper economic growth. Fears of a jobless economic recovery, combined with terrorism in Europe and turmoil in the Middle East, prompted a bond rally, and the yield on the 10-year Treasury fell from 4.25% on December 31, 2003, to 3.85% by period end, on March 31, 2004.
- Q. HOW DID YOU POSITION THE FUND'S PORTFOLIO DURING THE PERIOD?
- A. During the fourth quarter of 2003, the Fund's duration was neutral to the Index, which did not contribute positively or negatively to returns. While the portfolio maintained this neutral position into 2004, we shortened duration on two occasions during the first quarter of 2004. The first occurrence was in late January, following the significant purchase of Treasury notes by the Bank of Japan, as it attempted to prop up the US dollar. The second shortening took place in early March 2004, following an announcement that the number of new jobs created in February fell significantly short of expectations. In both instances, we felt the market overreacted to the news, and viewed these events as opportunities to shorten duration. However, the shortened duration posture detracted from performance when Treasury yields declined.

2

FORT DEARBORN INCOME SECURITIES, INC.

From a sector standpoint, we were underweight in corporate credit during the period. While this detracted from results during the fourth quarter of 2003, it enhanced results during the first quarter of 2004. In addition, agency securities became more attractive in the beginning of 2004, as the yield spread between agencies and Treasuries widened. We viewed this as an opportunity to increase the Fund's exposure, and, in particular, chose to

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

emphasize shorter-term, callable agency securities.

We continued to favor lower-quality, BBB-rated corporate bonds. This boosted returns in the first half of the period, when these issues significantly outperformed their higher-quality counterparts. However, as investors became more risk averse in the first quarter of 2004, this positioning detracted from results.

Q. WHAT IS YOUR OUTLOOK FOR THE ECONOMY, AND HOW DO YOU ANTICIPATE POSITIONING THE FUND GOING FORWARD?

A. Volatility in the marketplace is being driven by the latest economic and geopolitical news. Until there is further clarity, we believe that interest rates will likely continue to trade in a set range. Currently, we believe the greatest risk to the market would be a sudden increase in interest rates, brought about by strong employment gains or a definitive change in the Fed's stance regarding the economy.

Corporate credit spreads remain grounded by above-consensus earnings growth and muted equity market volatility. While we expect moderate free cashflow improvements in the next year, we still believe aggregate balance sheet leverage remains too high in the investment-grade corporate bond universe. Deleveraging must continue throughout 2004, as it did in the prior year, to justify current market pricing. We remain cautious on the corporate bond market as a result, but anticipate allocating funds to the sector should the spread between credit and Treasury yields widen, and equity market volatility remain muted. While we expect the economy to grow at or above long-term secular averages, we believe the portfolio should benefit from our position in cyclical industrials. Additional proceeds would most likely be allocated to relatively higher quality, less cyclical bonds, whose spread should widen if Treasury bond prices fall due to inflation fears and a less accommodative Fed.

3

FORT DEARBORN INCOME SECURITIES, INC.

We are carefully monitoring the performance of the Fund's callable agency holdings. These securities have performed quite well, and we may look to reduce our exposure if we determine that their valuations are no longer attractive.

Our ultimate objective in managing your investments is to help you successfully meet your financial goals. We thank you for your continued support and welcome any comments or questions you may have.

Sincerely,

/s/ Joseph A. Varnas

/s/ Craig Ellinger

Joseph A. Varnas
President
Fort Dearborn Income Securities, Inc.

Craig Ellinger
Portfolio Manager
Fort Dearborn Income Securities, Inc.

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

Managing Director
 UBS Global Asset Management
 (Americas) Inc.

Executive 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, 2004, and reflects our views at the time of its writing. Of course, these views may change in response to changing circumstances, and they do not guarantee the future performance of the markets or the Fund. We encourage you to consult your financial advisor regarding your personal investment program.

 4

FORT DEARBORN INCOME SECURITIES, INC.

PERFORMANCE AT A GLANCE

AVERAGE ANNUAL RETURNS, PERIODS ENDED 3/31/04

NET ASSET VALUE RETURNS*	6 MONTHS	1 YEAR	5 YEARS	10 YEARS
Fort Dearborn Income Securities, Inc.	4.77%	9.87%	7.62%	8.19%
Investment Grade Bond Index**	4.68%	9.73%	8.41%	8.78%
=====				
MARKET PRICE RETURNS*				
Fort Dearborn Income Securities, Inc.	6.84%	7.55%	6.87%	8.61%
Investment Grade Bond Index**	4.68%	9.73%	8.41%	8.78%

* Past performance does not predict future performance. The return and principal value of an investment will fluctuate, so that an investor's shares, when sold, may be worth more or less than their original cost. NAV return assumes, for illustration only, that dividends were reinvested at the net asset value on the distribution dates. Market price return assumes dividends were reinvested under the Dividend Reinvestment Plan. NAV and market price returns for periods of less than one year are cumulative.

** Index composition, 12/31/81 - present: 5% Lehman US Agency Index; 75% Lehman US Credit Index; 10% Lehman US Mortgage Fixed Rate MBS Index; 10% Lehman US Treasury Index.

SHARE PRICE, DIVIDEND AND YIELDS AS OF 3/31/04

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

Market Price	\$15.30
Net Asset Value (per share applicable to common shareholders)	\$16.80
12-Month Net Investment Income Dividend (ended 3/31/04)	\$0.800
March 2004 Dividend	\$0.200
Market Yield***	5.23%
NAV Yield***	4.76%
IPO Yield***	5.33%

*** Market yield is calculated by multiplying the March dividend by 4 and dividing by the month-end market price. NAV yield is calculated by multiplying the March dividend by 4 and dividing by the month-end net asset value. IPO yield is calculated by multiplying the March dividend by 4 and dividing by the initial public offering price. Prices and yields will vary.

5

Fort Dearborn Income Securities, Inc.

Portfolio of Investments - March 31, 2004 (unaudited)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	VALUE
BONDS - 97.78%			
U.S. GOVERNMENT AND AGENCY OBLIGATIONS - 20.70%			
MORTGAGE-BACKED SECURITIES - 8.50%			
\$1,500	Fannie Mae, 2.750%, due 08/11/06	Aaa	\$1,507,171
785	4.375%, due 03/15/13	Aaa	799,708
1,405	4.625%, due 10/15/13	Aaa	1,446,220
711	Fannie Mae Grantor Trust, 5.500%, due 03/01/33	(a)	729,365
1,039	6.500%, due 07/25/42	(a)	1,114,480

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

455	Federal Home Loan Mortgage Corp., Gold Pool, 6.500%, due 02/01/17	(a)	483,338
1,115	Federal National Mortgage Association, 5.125%, due 01/02/14	Aa2	1,162,611
407	6.000%, due 06/01/23	(a)	425,561
616	6.000%, due 11/01/28	(a)	641,348
473	7.000%, due 03/01/31	(a)	503,186
86	Federal National Mortgage Association, Guaranteed Mortgage Pass Thru Certificates REMIC, 7.000%, due 06/25/13	(a)	87,393
1,825	Freddie Mac, 3.875%, due 01/12/09	Aaa	1,858,516
1,445	5.000%, due 01/30/14	Aaa	1,476,689
282	Government National Mortgage Association, 6.500%, due 05/15/29	(a)	298,151
			12,533,737
=====			
U.S. TREASURY BONDS - 2.62%			
=====			
1,440	1.875%, due 12/31/05	Aaa	1,450,068
385	5.375%, due 02/15/31	Aaa	419,650
1,065	6.875%, due 08/15/25	Aaa	1,360,496
440	8.750%, due 05/15/17	Aaa	638,086
			3,868,300
=====			
U.S. TREASURY NOTES - 9.58%			
=====			
375	1.875%, due 11/30/05	Aaa	377,842
735	2.000%, due 08/31/05	Aaa	742,293
8,750	4.250%, due 08/15/13	Aaa	9,067,187
13,355	6.125%+, due 11/15/27	Aaa	3,935,438
			14,122,760
=====			
Total U.S. Government and Agency Obligations (cost - \$30,282,731)			30,524,797
=====			
CORPORATE BONDS AND NOTES - 73.90%			
=====			
COMMUNICATION - 7.55%			
=====			
455	AT&T Corp., 8.000%, due 11/15/31	Baa2	536,703
=====			

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

840 AT&T Wireless Services, Inc., 8.750%,
 due 03/01/31 Baa2 1,089,482

6

FORT DEARBORN INCOME SECURITIES, INC.

PORTFOLIO OF INVESTMENTS - MARCH 31, 2004 (UNAUDITED)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	VALUE
=====			
CORPORATE BONDS AND NOTES - (CONTINUED)			
=====			
COMMUNICATION - (CONCLUDED)			
=====			
\$ 315	BellSouth Telecommunications Corp., 6.000%, due 10/15/11	A1	\$ 349,358
260	Cingular Wireless LLC, 6.500%, due 12/15/11	A3	291,475
585	Citizens Communications Co., 9.000%, due 08/15/31	Baa2	617,260
1,300	Comcast Corp., 7.050%, due 03/15/33	Baa3	1,444,507
355	International Business Machines Corp., 5.875%, due 11/29/32	A1	368,303
625	Motorola, Inc., 7.625%, due 11/15/10	Baa3	727,232
820	News America Holdings, Inc., 7.125%, due 04/08/28	Baa3	919,628
800	SBC Communications, Inc., 5.875%, due 02/01/12	A1	874,060
665	Sprint Capital Corp., 8.750%, due 03/15/32	Baa3	840,493
1,085	Verizon New York, Inc., 7.375%, due 04/01/32	A2	1,234,834
825	Viacom, Inc., 6.625%, due 05/15/11	A3	949,830
700	Vodafone Group PLC, 7.875%, due 02/15/30	A2	886,905
=====			

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

11,130,070

=====

Finance - 28.89%

=====

195	Allstate Corp., 6.750%, due 05/15/18	A1	230,169
745	Anadarko Finance Co., 7.500%, due 05/01/31	Baa1	901,648
375	Avalonbay Communities, Inc., 7.500%, due 08/01/09	Baa1	442,555
1,915	Bank of America Corp., 7.400%, due 01/15/11	Aa3	2,298,628
815	Bank One Corp., 7.875%, due 08/01/10	A1	996,721
290	Barclays Bank, PLC, 144A, 8.550%, due 12/31/49	Aa3	364,383
320	Boeing Capital Corp., 7.375%, due 09/27/10	A3	379,743
140	CIT Group, Inc., 7.750%, due 04/02/12	A2	169,094
2,175	Citigroup, Inc., 7.250%, due 10/01/10	Aa2	2,590,342
275	Conoco Funding Co., 7.250%, due 10/15/31	A3	334,297
1,000	Conseco Finance Securitizations Corp., 7.470%, due 02/01/32	Ba2	1,041,980
1,300	Conseco Finance Securitizations Corp., 8.480%, due 12/01/30	B2	1,375,730
3,000	CPL Transition Funding LLC, 6.250%, due 01/15/17	Aaa	3,459,920
762	CS First Boston Mortgage Securities Corp., 03-8, Class 5A1, 6.500%, due 04/25/33	Aaa	797,433

7

FORT DEARBORN INCOME SECURITIES, INC.

PORTFOLIO OF INVESTMENTS - MARCH 31, 2004 (UNAUDITED)

PRINCIPAL AMOUNT (000)	MOODY'S RATING	VALUE
------------------------------	-------------------	-------

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

=====

CORPORATE BONDS AND NOTES - (CONTINUED)

=====

FINANCE - (CONTINUED)

=====

\$1,105	CS First Boston USA, Inc., 6.500%, due 01/15/12	Aa3	\$1,261,429
700	EOP Operating, 7.250%, due 06/15/28	Baa1	786,640
2,365	Ford Motor Co., 7.450%, due 07/16/31	Baa1	2,361,862
930	Ford Motor Credit Co., 7.375%, due 02/01/11	A3	1,014,221
1,150	General Electric Capital Corp., 6.750%, due 03/15/32	Aaa	1,328,442
1,730	General Electric Capital Corp., 6.000%, due 06/15/12	Aaa	1,933,090
265	General Motors Acceptance Corp., 6.875%, due 09/15/11	A3	287,501
1,000	General Motors Acceptance Corp., 8.375%, due 07/15/33	Baa1	1,134,361
1,550	General Motors Acceptance Corp., 8.000%, due 11/01/31	A3	1,715,624
170	Goldman Sachs Group, Inc., 6.125%, due 02/15/33	Aa3	175,286
665	Goldman Sachs Group, Inc., 6.875%, due 01/15/11	Aa3	772,650
1,165	Household Finance Corp., 6.750%, due 05/15/11	A1	1,345,648
260	HSBC Holdings PLC, 5.250%, due 12/12/12	A1	274,428
750	J.P. Morgan Chase & Co., 6.750%, due 02/01/11	A2	874,554
475	Lehman Brothers Holdings, Inc., 6.625%, due 01/18/12	A1	548,942
390	Lincoln National Corp., 6.200%, due 12/15/11	A3	440,034
320	Marsh & McLennan Cos., Inc., 6.250%, due 03/15/12	A2	358,948
190	MBNA America Bank N.A., 7.125%, due 11/15/12	Baa2	224,078
195	Mellon Funding Corp., 5.000%, due 12/01/14	A2	201,888
1,640	Morgan Stanley, 6.750%, due 04/15/11	Aa3	1,894,382

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

170	Morgan Stanley, 7.250%, due 04/01/32	Aa3	205,272
360	National City Bank, 4.625%, due 05/01/13	A1	362,642
440	Pemex Project Funding Master Trust, 8.000%, due 11/15/11	Baa1	511,940
300	Pitney Bowes, Inc., 4.625%, due 10/01/12	Aa3	308,592
830	Qwest Capital Funding, Inc., 7.900%, due 08/15/10	Caa2	747,000
115	SLM Corp., 5.125%, due 08/27/12	A2	120,592
500	U.S. Bank N.A., Minnesota, 6.375%, due 08/01/11	Aa3	573,986

8

FORT DEARBORN INCOME SECURITIES, INC.

PORTFOLIO OF INVESTMENTS - MARCH 31, 2004 (UNAUDITED)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	VALUE
CORPORATE BONDS AND NOTES - (CONTINUED)			
FINANCE - (CONCLUDED)			
\$ 945	Unilever Capital Corp., 7.125%, due 11/01/10	A1	\$1,126,492
1,620	Wachovia Bank N.A. (Charlotte), 7.800%, due 08/18/10	Aa3	1,996,796
680	Washington Mutual Bank, 5.500%, due 01/15/13	A3	724,244
350	Washington Mutual Bank, 6.875%, due 06/15/11	A3	408,267
1,025	Wells Fargo Bank, N.A., 6.450%, due 02/01/11	Aa1	1,178,736
			42,581,210
INDUSTRIAL - 18.60%			

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

720	Alcoa, Inc., 6.000%, due 01/15/12	A2	810,387
675	Altria Group, Inc., 7.750%, due 01/15/27	Baa2	752,354
450	Amerada Hess Corp., 7.875%, due 10/01/29	Ba1	509,387
440	Anheuser-Busch Cos., Inc., 9.000%, due 12/01/09	A1	561,667
1,270	Avon Products, Inc., 7.150%, due 11/15/09	A2	1,498,102
325	Bear Stearns Co., 5.700%, due 11/15/14	A1	350,166
670	Bombardier, Inc., 144A, 6.750%, due 05/01/12	Baa3	728,964
395	Bristol-Myers Squibb Co., 5.750%, due 10/01/11	A1	434,232
720	Caterpillar, Inc., 6.550%, due 05/01/11	A2	837,167
340	Cendant Corp., 7.375%, due 01/15/13	Baa1	398,884
300	Centex Corp., 7.875%, due 02/01/11	Baa2	360,709
420	Conagra Foods, Inc., 6.750%, due 09/15/11	Baa1	482,144
350	Coors Brewing Co., 6.375%, due 05/15/12	Baa2	393,911
845	DaimlerChrysler N.A. Holding Corp., 8.500%, due 01/18/31	A3	1,039,176
825	Deere & Co., 7.125%, due 03/03/31	A3	998,785
330	Dow Chemical Co., 6.125%, due 02/01/11	A3	366,978
300	Federated Department Stores, Inc., 6.625%, due 04/01/11	Baa1	344,246
375	First Data Corp., 5.625%, due 11/01/11	A1	413,171
730	General Dynamics Corp., 4.250%, due 05/15/13	A2	719,132
850	ICI Wilmington, Inc., 5.625%, due 12/01/13	Baa3	887,578
875	International Paper Co., 6.750%, due 09/01/11	Baa2	995,032

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

FORT DEARBORN INCOME SECURITIES, INC.

PORTFOLIO OF INVESTMENTS - MARCH 31, 2004 (UNAUDITED)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	VALUE
=====			
CORPORATE BONDS AND NOTES - (CONTINUED)			
=====			
INDUSTRIAL - (CONCLUDED)			
=====			
\$ 285	Kohl's Corp., 6.300%, due 03/01/11	A3	\$ 322,414
760	Kraft Foods, Inc., 5.625%, due 11/01/11	A3	824,125
685	Kroger Co., 7.500%, due 04/01/31	Baa3	808,075
255	Lockheed Martin Corp., 8.500%, due 12/01/29	Baa2	342,058
600	McKesson Corp., Inc., 7.750%, due 02/01/12	Baa2	719,320
520	Merck & Co., Inc., 6.400%, due 03/01/28	Aaa	588,563
350	Miller Brewing Co., 144A, 5.500%, due 08/15/13	Baa1	372,077
235	Newell Rubbermaid, Inc., 6.750%, due 03/15/12	Baa2	263,080
425	Northrop Grumman Corp., 7.125%, due 02/15/11	Baa3	502,355
265	Occidental Petroleum Corp., 8.450%, due 02/15/29	Baa1	359,882
275	Progressive Corp. (The), 6.250%, due 12/01/32	A1	298,262
290	Rohm & Haas Co., 7.850%, due 07/15/29	A3	370,140
435	Safeway, Inc., 7.250%, due 02/01/31	Baa2	489,954
525	Target Corp., 7.000%, due 07/15/31	A2	619,173
1,815	Time Warner, Inc., 7.625%, due 04/15/31	Baa1	2,123,423

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

585	Transocean, Inc., 7.500%, due 04/15/31	Baa2	707,945
350	Travelers Property Casualty Corp., 6.375%, due 03/15/33	A3	371,409
125	Tyson Foods, Inc., 8.250%, due 10/01/11	Baa3	149,024
430	United Technologies Corp., 6.100%, due 05/15/12	A2	484,112
475	UST, Inc., 6.625%, due 07/15/12	A3	538,806
400	Walt Disney Co. (The), 6.375%, due 03/01/12	Baa1	446,033
310	Wendy's International, Inc., 6.200%, due 06/15/14	Baa1	343,584
665	Weyerhaeuser Co., 7.375%, due 03/15/32	Baa2	763,267
700	Wyeth, 5.250%, due 03/15/13	Baa1	734,754
			27,424,007
=====			
INTERNATIONAL - 6.70%			
=====			
DIVERSIFIED TELECOMMUNICATIONS - 1.37%			
=====			
340	British Telecommunications, PLC, 8.125%, due 12/15/10	Baa1	420,156
=====			

10

FORT DEARBORN INCOME SECURITIES, INC.

PORTFOLIO OF INVESTMENTS - MARCH 31, 2004 (UNAUDITED)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	VALUE
=====			
CORPORATE BONDS AND NOTES - (CONTINUED)			
=====			
INTERNATIONAL - (CONCLUDED)			
=====			
DIVERSIFIED TELECOMMUNICATIONS - (CONCLUDED)			
=====			
\$ 530	France Telecom S.A., 8.500%, due 03/01/31	Baa2	\$ 716,400

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

430	Telecom Italia Capital, 144A, 6.375%, due 11/15/33	Baa2	449,292
365	Telus Corp., 8.000%, due 06/01/11	Baa3	439,683
			2,025,531
=====			
FINANCE - 3.22%			
=====			
570	Abbey National PLC, 7.950%, due 10/26/29	A1	727,981
2,500	Augusta Funding Ltd., 7.375%, due 04/15/13	Aaa	2,712,450
625	Deutsche Telekom International Finance BV, 8.250%, due 06/15/30	Baa2	819,395
385	Royal Bank of Scotland, 9.118%, due 03/31/10	A1	491,873
			4,751,699
=====			
FOREIGN GOVERNMENT BOND - 1.88%			
=====			
475	State of Qatar, 144A, 9.750%, due 06/15/30	A3	684,000
1,755	United Mexican States, 8.125%, due 12/30/19	Baa2	2,084,062
			2,768,062
=====			
TRANSPORTATION - 0.23%			
=====			
285	Canadian National Railway Co., 6.900%, due 07/15/28	Baa1	336,921
Total International Bonds			9,882,213
=====			
TRANSPORTATION - 2.30%			
=====			
120	Burlington Northern Santa Fe Corp., 6.875%, due 12/01/27	Baa2	136,985
740	Burlington Northern Santa Fe Corp., 7.082%, due 05/13/29	Baa2	866,760
700	Delta Air Lines, Inc., 10.500%, due 04/30/16(b)	B3	545,965
1,065	Erac U.S.A. Finance Co., 144A, 8.000%, due 01/15/11	Baa1	1,295,604
470	Union Pacific Corp., 6.650%, due 01/15/11	Baa2	539,789
			3,385,103
=====			
UTILITIES - 9.86%			
=====			

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

305	Apache Corp., 6.250%, due 04/15/12	A3	350,367
110	Boston Edison Co., 4.875%, due 10/15/12	A1	114,229
370	Burlington Resources Finance Co., 6.680%, due 02/15/11	Baa1	422,835
			11

FORT DEARBORN INCOME SECURITIES, INC.

PORTFOLIO OF INVESTMENTS - MARCH 31, 2004 (UNAUDITED)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	VALUE
=====			
CORPORATE BONDS AND NOTES - (CONCLUDED)			
=====			
UTILITIES - (CONCLUDED)			
=====			
\$ 270	Commonwealth Edison Co., 6.150%, due 03/15/12	A3	\$ 304,488
680	ConocoPhillips, 8.750%, due 05/25/10	A3	864,835
1,400	Consolidated Edison Co. of New York, 7.500%, due 09/01/10	A1	1,688,016
670	Devon Financing Corp., ULC, 6.875%, due 09/30/11	Baa2	775,276
415	Dominion Resources, Inc., 5.700%, due 09/17/12	Baa1	446,983
205	DTE Energy Co., 7.050%, due 06/01/11	Baa2	234,787
590	Duke Energy Field Services, LLC, 8.125%, due 08/16/30	Baa2	747,738
650	FirstEnergy Corp., 6.450%, due 11/15/11	Baa3	711,640
165	Kerr-McGee Corp., 7.875%, due 09/15/31	Baa3	196,026
345	MidAmerican Energy Co., 5.125%, due 01/15/13	A3	361,261
310	Oncor Electric Delivery Co., 7.250%,		

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

	due 01/15/33	Baa1	364,822
330	PP&L Capital Funding, Inc., 7.750%, due 04/15/05	Baa3	349,018
210	Praxair, Inc., 6.375%, due 04/01/12	A3	240,879
520	Progress Energy, Inc., 7.000%, due 10/30/31	Baa2	577,786
290	PSEG Power LLC, 8.625%, due 04/15/31	Baa1	382,720
3,200	Reliant Energy Transition, 01-1, Class A4, 5.630%, due 09/15/15	Aaa	3,542,534
480	Sempra Energy, 7.950%, due 03/01/10	Baa1	580,031
325	Southern Power Co., 6.250%, due 07/15/12	Baa1	359,681
300	Union Oil Co. of California, 7.500%, due 02/15/29	Baa2	363,052
470	Valero Energy Corp., 7.500%, due 04/15/32	Baa3	559,271
			14,538,275
TOTAL CORPORATE BONDS AND NOTES (COST - \$98,766,348)			108,940,878
MUNICIPAL SECURITIES - 3.18%			
2,350	Illinois State, 5.100%, due 06/01/33	Aa3	2,284,670
5,000	New Jersey Economic Development Authority, Zero Coupon Revenue Bond, due 02/15/18	Aaa	2,398,650
TOTAL MUNICIPAL SECURITIES (COST - \$3,946,194)			4,683,320
TOTAL BONDS (COST - \$132,995,273)			\$144,148,995

12

FORT DEARBORN INCOME SECURITIES, INC.

PORTFOLIO OF INVESTMENTS - MARCH 31, 2004 (UNAUDITED)

NUMBER OF
SHARES
(000)

VALUE

INVESTMENT IN AFFILIATED ISSUER - 1.07%

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

MONEY MARKET FUND* - 1.07%

1,571	UBS Supplementary Trust U.S. Cash Management Prime Fund, 1.09% (cost - \$1,570,641)	\$ 1,570,641
Total Investments (cost - \$134,565,914) - 98.85%		145,719,636
Other assets in excess of liabilities - 1.15%		1,690,655
Net assets - 100%		\$147,410,291

- (a) Moody's as a matter of policy, does not rate this issue.
- (b) Security is illiquid. This security amounted to \$545,965 or 0.37% of net assets.
- 144A Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities, valued at \$3,894,320 represent 2.6% of net assets as of March 31, 2004, may be resold in transactions exempt from registration, normally to qualified institutional buyers.
- REMIC Real Estate Mortgage Investment Conduit
- + Interest rate shown reflects yield to maturity at purchase date for zero coupon bonds.
- * Interest rate shown reflects yield at March 31, 2004.

See accompanying notes to financial statements

FORT DEARBORN INCOME SECURITIES, INC.

STATEMENT OF ASSETS AND LIABILITIES - MARCH 31, 2004 (UNAUDITED)

ASSETS:

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

Investments in securities in unaffiliated issuers, at value (cost - \$132,995,273)	\$144,148,995

Investments in securities in affiliated issuers, at value (cost - \$1,570,641)	1,570,641

Receivable for investments sold	3,310,947

Interest receivable	1,965,622

Total assets	150,996,205

LIABILITIES:	
Payable for investments purchased	3,380,439

Payable for investment advisory fees	163,192

Accrued expenses and other liabilities	42,283

Total liabilities	3,585,914

NET ASSETS:	
Capital Stock - \$0.01 par value; 12,000,000 shares authorized; 8,775,665 shares issued and outstanding	135,120,133

Undistributed net investment income	77,455

Accumulated net realized gain from investment transactions	1,058,981

Net unrealized appreciation of investments	11,153,722

Net assets	\$147,410,291

Net asset value per share	\$ 16.80
=====	

See accompanying notes to financial statements

14

Fort Dearborn Income Securities, Inc.

Statement of Operations

FOR THE
SIX MONTHS
ENDED
MARCH 31, 2004
(UNAUDITED)

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

INVESTMENT INCOME:

Interest \$4,063,711

EXPENSES:

Investment advisory fees 339,610

Directors' fees 37,603

Transfer agency fees 27,075

Professional fees 26,510

Custody and accounting fees 21,716

Reports and notices to shareholders 19,052

Franchise taxes 6,017

Other expenses 18,801

496,384

Net investment income 3,567,327

REALIZED AND UNREALIZED GAINS FROM INVESTMENT ACTIVITIES:

Net realized gains from investment transactions 1,323,952

Net change in unrealized appreciation/depreciation of investments 1,560,009

Net realized and unrealized gain from investment activities 2,883,961

Net increase in net assets resulting from operations \$6,451,288

See accompanying notes to financial statements

15

FORT DEARBORN INCOME SECURITIES, INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE SIX MONTHS ENDED MARCH 31, 2004 (UNAUDITED)	FOR THE YEAR ENDED SEPTEMBER 30, 2003
--	---

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

FROM OPERATIONS:

Net investment income	\$ 3,567,327	\$ 7,271,235

Net realized gain from investment transactions	1,323,952	186,121

Net change in unrealized appreciation/depreciation of investments	1,560,009	6,960,588
=====		
Net increase in net assets resulting from operations	6,451,288	14,417,944
=====		

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS

FROM:

Net investment income	(3,510,266)	(7,459,315)

Net realized gains	-	(351,027)

Total dividends and distributions to shareholders	(3,510,266)	(7,810,342)
=====		
Net increase in net assets	2,941,022	6,607,602
=====		

NET ASSETS:

Beginning of period	144,469,269	137,861,667

End of period (including undistributed net investment income of \$77,455 and \$20,394, respectively)	\$147,410,291	\$144,469,269
=====		

See accompanying notes to financial statements

16

FORT DEARBORN INCOME SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2004 (UNAUDITED)

ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Fort Dearborn Income Securities, Inc. ("the Fund") is registered under the Investment Company Act of 1940, as amended, as a diversified closed-end management investment company whose shares trade on the New York Stock Exchange ("NYSE"). The Fund invests principally in investment grade long-term fixed income debt securities with the primary objective of providing its shareholders with a stable stream of current income consistent with external interest rate conditions, and a total return over time that is above what they could receive by investing individually in the investment grade and long-term maturity sectors of the bond market.

In the normal course of business the Fund enters into contracts that contain a variety of representations that provide general indemnification. The Fund's

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires the Fund's management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies:

VALUATION OF INVESTMENTS -- 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 from independent pricing sources and broker-dealers. Independent pricing sources may use reported last sale prices, current market quotations or valuations from computerized "matrix" systems that derive values based on comparable securities. A matrix 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. Securities 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 which are listed on U.S. and foreign stock exchanges normally are valued at the last sale price on the day the securities are valued or, lacking any sales on such day, at the last available bid price. In cases where securities are traded on more than one exchange, the securities 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

17

FORT DEARBORN INCOME SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2004 (UNAUDITED)

indirect wholly owned asset management subsidiary of UBS AG, an internationally diversified organization with headquarters in Zurich, Switzerland and operations in many areas of the financial services industry. If a market value is not available from an independent pricing source for a particular security, that security is valued at fair value as determined in good faith by or under the direction of the Fund's Board of Directors (the "Board"). The amortized cost method of valuation, which approximates market value, generally is used to value short-term debt instruments with sixty days or less remaining to maturity, unless the Board determines that this does not represent fair value.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME -- Investment transactions are recorded on the trade date. Realized gains and losses from investment and foreign exchange transactions are calculated using the identified cost method. Interest income is recorded on an accrual basis. Discounts are accreted and premiums are amortized as adjustments to interest income and the identified cost of investments.

DIVIDENDS AND DISTRIBUTIONS -- Dividends and distributions to shareholders are

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

recorded on the ex-dividend date. The amount of dividends from net investment income and distributions from net realized capital gains and/or return of capital is determined in accordance with U.S. federal income tax regulations, which may differ from accounting principles generally accepted in the United States. These "book/tax" differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification.

MORTGAGE BACKED SECURITIES AND OTHER INVESTMENTS -- The Fund invests in Mortgage Backed Securities (MBS), representing interests in pools of mortgage loans. These securities provide shareholders with payments consisting of both principal and interest as the mortgages in the underlying mortgage pools are paid. Most of the securities are guaranteed by federally sponsored agencies - Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC). However, some securities may be issued by private, non-governmental corporations. MBS issued by private entities are not government securities and are not directly guaranteed by any government agency. They are secured by the underlying collateral of the private issuer. Yields on privately issued MBS tend to be higher than those of government backed issues. However, risk of loss due to default and sensitivity to interest rate fluctuations is also higher.

The Fund invests in Collateralized Mortgage Obligations (CMOs). A CMO is a bond, which is collateralized by a pool of MBS. The Company also invests in REMICs (Real Estate Mortgage Investment Conduit) which are simply another form of CMO.

18

FORT DEARBORN INCOME SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2004 (UNAUDITED)

These MBS pools are divided into classes or tranches with each class having its own characteristics. The different classes are retired in sequence as the underlying mortgages are repaid. For instance, a Planned Amortization Class (PAC) is a specific class of mortgages, which over its life will generally have the most stable cash flows and the lowest prepayment risk. A Graduated Payment Mortgage (GPM) is a negative amortization mortgage where the payment amount gradually increases over the life of the mortgage. The early payment amounts are not sufficient to cover the interest due, and therefore, the unpaid interest is added to the principal, thus increasing the borrower's mortgage balance. Prepayment may shorten the stated maturity of the CMO and can result in a loss of premium, if any has been paid.

The Fund invests in Asset Backed Securities, representing interests in pools of certain types of underlying installment loans or leases or by revolving lines of credit. They often include credit enhancement that help limit investors exposure to the underlying credit. These securities are valued on the basis of timing and certainty of cash flows compared to investments with similar durations.

CONCENTRATION OF RISK

The ability of the issuers of the debt securities held by the Fund to meet their obligations may be affected by economic developments, including those particular

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

Gross depreciation (investments having an excess of cost over value)	(656,659)
<hr/>	
Net unrealized appreciation of investments	\$ 11,153,722
<hr/>	

Purchases and sales (including maturities) of portfolio securities during the six months ended March 31, 2004, were as follows: debt securities, \$23,470,254 and \$14,378,319, respectively; and United States government debt obligations, \$49,331,722 and \$59,668,324, respectively.

The Fund intends to distribute substantially all of its taxable income and to comply with the other requirements of the Internal Revenue Code applicable to regulated investment companies. Accordingly, no provision for federal income taxes is required. In addition, by distributing during each calendar year substantially all of its net investment income, capital gains and certain other amounts, if any, the Fund intends not to be subject to a federal excise tax.

The tax character of distributions paid during the fiscal year ended September 30, 2003 were as follows:

DISTRIBUTIONS PAID FROM:	2003
<hr/>	
Ordinary income	\$ 7,643,604
<hr/>	
Capital gains	166,738
<hr/>	
	\$ 7,810,342
<hr/>	

The tax character of distributions paid and the components of accumulated earnings (deficit) on a tax basis for the current fiscal year will be calculated after the Fund's fiscal year ending September 30, 2004.

20

FORT DEARBORN INCOME SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2004 (UNAUDITED)

CAPITAL STOCK

At March 31, 2004, there were 12,000,000 shares of \$0.01 par value capital stock authorized, and 8,775,665 shares issued and outstanding. During the six months ended March 31, 2004, no new shares were issued as part of the dividend reinvestment plan.

21

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

FORT DEARBORN INCOME SECURITIES, INC.

FINANCIAL HIGHLIGHTS

Selected data for a share of capital stock outstanding throughout each period is:

	SIX MONTHS ENDED MARCH 31, 2004 (UNAUDITED)	----- 2003	YEAR ENDED 2002	YEAR ENDED SEPTEMBER 2001
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 16.46	\$ 15.71	\$ 15.95	\$ 15.05
Net investment income	0.41	0.83	0.95	1.04
Net realized and unrealized gains (losses) from investment transactions	0.33	0.81	(0.07)	0.90
Net increase (decrease) from investment operations	0.74	1.64	0.88	1.94
Dividends from net investment income	(0.40)	(0.85)	(0.96)	(1.04)
Distributions from net realized gain	-	(0.04)	(0.16)	-
Total dividends and distributions	(0.40)	(0.89)	(1.12)	(1.04)
NET ASSET VALUE, END OF PERIOD	\$ 16.80	\$ 16.46	\$ 15.71	\$ 15.95
MARKET VALUE, END OF PERIOD	\$ 15.30	\$ 14.70	\$ 15.10	\$ 14.84
TOTAL INVESTMENT RETURN (MARKET VALUE) (1)	6.84%	3.21%	9.46%	18.98%
TOTAL INVESTMENT RETURN (NET ASSET VALUE) (2)	4.77%	10.63%	5.82%	13.22%
RATIOS/SUPPLEMENTAL DATA				
Net assets, end of period (in millions)	\$147.41	\$144.47	\$137.86	\$139.98
Expenses to average net assets	0.69%*	0.74%	0.73%	0.71%
Net investment income to average net assets	4.92%*	5.16%	6.07%	6.68%
Portfolio turnover	52%	62%	127%	143%

1 Total investment return is calculated assuming a \$10,000 purchase of common

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

stock at the current market price on the first day of each period reported and a sale at the current market price on the last day of each period reported, and assuming reinvestment of dividends and other distributions at prices obtained under the Fund's Dividend Reinvestment Plan. Total investment return does not reflect brokerage commissions and has not been annualized for the period less than one year. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions.

- 2 Total investment return is calculated assuming a \$10,000 purchase of common stock at the current net asset value on the first day of each period reported and a sale at the current net asset value on the last day of each period reported, and assuming reinvestment of dividends and other distributions at prices obtained under the Fund's Dividend Reinvestment Plan. Total investment return does not reflect brokerage commissions and has not been annualized for the period less than one year. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions.

* Annualized.

22

FORT DEARBORN INCOME SECURITIES, INC.

GENERAL INFORMATION (UNAUDITED)

THE FUND

Fort Dearborn Income Securities, Inc. (the "Fund") is a diversified, closed-end management investment company whose shares trade on the New York Stock Exchange ("NYSE"). The Fund's investment objective is to provide its shareholders with a stable stream of current income consistent with external interest rate conditions and a total return over time that is above what they could receive by investing individually in the investment grade and long-term maturity sectors of the bond market. The Fund's investment advisor is UBS Global Asset Management (Americas) Inc. ("UBS Global AM"), an indirect wholly owned asset management subsidiary of UBS AG, which has over \$53.1 billion in assets under management as of April 30, 2004.

PROXY VOTING POLICIES AND PROCEDURES

You may obtain a description of the Fund's proxy voting policies and procedures, without charge, upon request by contacting the Fund directly at 1-800-446-2617 or online on the Funds Web site www.ubs.com/ubsglobalam-proxy.

STOCK REPURCHASE PLAN

On July 28, 1988, the Board of Directors of the Fund approved a resolution to repurchase up to 700,000 of its common shares. The Fund may repurchase shares, at a price not in excess of market and at a discount from net asset value, if and when such repurchases are deemed appropriate and in the shareholder's best interest. Any repurchases will be made in compliance with applicable requirements of the federal securities law.

FORT DEARBORN INCOME SECURITIES, INC.

SHAREHOLDER INFORMATION

The Fund's NYSE trading symbol is "FTD." Comparative net asset value and market price information about the Fund is published weekly in The Wall Street Journal, The New York Times and Barron's, as well as in numerous other publications.

An annual meeting of shareholders of the Fund was held on December 15, 2003. At the meeting Adela Cepeda, Frank K. Reilly, Edward M. Roob and J. Mikesell Thomas were elected to serve as directors until the next annual meeting of shareholders, or until their successors are elected and qualified or until they resign or are otherwise removed. The shares were voted as indicated below.

TO VOTE FOR OR WITHHOLD AUTHORITY IN THE ELECTION OF:	SHARES VOTED FOR	SHARES WITHHOLD AUTHORITY
Adela Cepeda	7,554,442	59,384
Frank K. Reilly	7,552,412	61,414
Edward M. Roob	7,553,142	60,684
J. Mikesell Thomas	7,540,835	72,991

The Plan had 752 participants on March 30, 2004. Under the terms of the Plan, any shareholder may terminate participation by giving written notice to the Company. Upon termination, a certificate for all full shares, plus a check for the value of any fractional interest in shares, will be sent to the withdrawing shareholders, unless the sale of all or part of such shares is requested. ANY REGISTERED SHAREHOLDER WHO WISHES TO PARTICIPATE IN THE PLAN MAY DO SO BY WRITING TO EQUISERVE TRUST COMPANY N.A. OF NEW YORK, P.O. BOX 2500, JERSEY CITY, NJ 07303-2500 OR CALLING THEM AT (800) 446-2617. A copy of the Plan and enrollment card will be mailed to you. Shareholders who own shares in nominee name should contact their brokerage firm. All new shareholders will receive a copy of the Plan and a card, which may be signed to authorize reinvestment of dividends pursuant to the Plan.

The investment of dividends does not relieve participants of any income tax which may be payable thereon. The Fund strongly recommends that all Automatic Dividend Investment Plan participants retain each year's final statement on their plan participation as a part of their permanent tax record. This will insure that cost information is available if and when it is needed.

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

24

DIRECTORS

Adela Cepeda

Frank K. Reilly

Edward M. Roob

J. Mikesell Thomas

PRINCIPAL OFFICERS

Joseph A. Varnas
President

Paul H. Schubert
Vice President and Treasurer

David M. Goldenberg
Vice President and Secretary

Craig G. Ellinger, CFA
Vice President

INVESTMENT ADVISOR

UBS Global Asset Management (Americas) Inc.
One N. Wacker Drive
Chicago, Illinois 60606

The financial information included herein is taken from the records of the Fund without examination by independent auditors who do not express an opinion thereon.

Notice is hereby given in accordance with Section 23(c) of the investment Company Act of 1940 that from time to time the Fund may purchase shares of its common stock in the open market at market prices.

This report is sent to the shareholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

(c) 2004 UBS Global Asset Management (Americas) Inc. All rights reserved.

[UBS LOGO OMITTED]

UBS GLOBAL ASSET MANAGEMENT (AMERICAS) INC.
One N. Wacker Drive
38th Floor

Presorted
Standard
US Postage
PAID
Smithtown, NY
Permit 700

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

Chicago, Illinois 60606

ITEM 2. CODE OF ETHICS.

Form N-CSR disclosure requirement not applicable to this filing of a semi-annual report.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Form N-CSR disclosure requirement not applicable to this filing of a semi-annual report.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Form N-CSR disclosure requirement not applicable to this filing of a semi-annual report.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Form N-CSR disclosure requirement not applicable to this filing of a semi-annual report.

ITEM 6. [RESERVED BY SEC FOR FUTURE USE.]

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Form N-CSR disclosure requirement not applicable to this filing of a semi-annual report.

ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Form N-CSR disclosure requirement not yet effective with respect to the registrant.

ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The registrant's Board has established a Nominating, Compensation and Governance Committee. The Nominating, Compensation and Governance Committee will consider nominees recommended by shareholders if a vacancy occurs among those board members who are not "interested persons" as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended. In order to recommend a nominee, a shareholder should send a letter to the chairperson of the Nominating, Compensation and Governance Committee, Mr. Frank Reilly, care of the Secretary of the registrant at UBS Global Asset Management (US) Inc., 51 West 52nd Street, New York, New York 10019-6114, and indicate on the envelope "Nominating, Compensation and Governance Committee." The shareholder's letter should state

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

the nominee's name and should include the nominee's resume or curriculum vitae, and must be

accompanied by a written consent of the individual to stand for election if nominated for the Board and to serve if elected by shareholders.

ITEM 10. 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) 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 that occurred during the registrant's most recent fiscal half-year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 11. EXHIBITS.

- (a) (1) Code of Ethics - Form N-CSR disclosure requirement not applicable to this filing of a semi-annual report.
- (a) (2) Certifications of principal executive officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 is attached hereto as Exhibit EX-99.CERT.
- (b) Certifications of principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 is attached hereto as Exhibit EX-99.906CERT.

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/ Joseph A. Varnas

Joseph A. Varnas
President

Date: June 9, 2004

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

Edgar Filing: FORT DEARBORN INCOME SECURITIES INC - Form N-CSRS

dates indicated.

By: /s/ Joseph A. Varnas

Joseph A. Varnas
President

Date: June 9, 2004

By: /s/ Paul H. Schubert

Paul H. Schubert
Treasurer

Date: June 9, 2004
