

WESTERN ASSET INTERMEDIATE MUNI FUND INC.
Form N-Q
April 26, 2013

**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 811-06506

Western Asset Intermediate Muni Fund Inc.
(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY
(Address of principal executive offices)

10018
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-888-777-0102

Date of fiscal year end: November 30

Date of reporting period: February 28, 2013

ITEM 1. SCHEDULE OF INVESTMENTS

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

FORM N-Q

FEBRUARY 28, 2013

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

Schedule of investments (unaudited)

February 28, 2013

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
MUNICIPAL BONDS 130.7%				
Alaska 0.4%				
Anchorage, AK, GO, Refunding, FGIC	6.000%	10/1/14	\$ 500,000	\$ 543,010
Arizona 3.1%				
Pinal County, AZ, Electric District No. 3	4.000%	7/1/23	1,000,000	1,069,330
Pinal County, AZ, Electric District No. 3	5.000%	7/1/24	1,760,000	2,031,480
Pinal County, AZ, Electric District No. 3	5.000%	7/1/25	1,280,000	1,468,262
<i>Total Arizona</i>				<i>4,569,072</i>
California 16.4%				
Bay Area Toll Authority, CA, Toll Bridge Revenue, San Francisco Bay Area	1.210%	4/1/24	2,000,000	2,003,600(a)
California State PCFA, Water Furnishing Revenue	5.000%	7/1/27	2,000,000	2,190,100(b)
California Statewide CDA Revenue:				
Lodi Memorial Hospital, CMI	5.000%	12/1/22	2,000,000	2,140,680
Proposition 1A Receivables Program	5.000%	6/15/13	2,000,000	2,026,860
Long Beach, CA, Bond Finance Authority Lease Revenue	5.000%	8/1/31	1,855,000	2,103,347
Los Angeles County, CA, Public Works Financing Authority, Lease Revenue:				
Multiple Capital Project II	5.000%	8/1/21	1,000,000	1,221,510
Multiple Capital Project II	5.000%	8/1/22	1,000,000	1,229,070
Los Angeles, CA, COP, Hollywood Presbyterian Medical Center, INDLC	9.625%	7/1/13	185,000	190,526(c)
M-S-R Energy Authority, CA, Gas Revenue	6.125%	11/1/29	3,000,000	3,824,670
Modesto, CA, Irrigation District Electric Revenue	5.000%	7/1/24	4,130,000	4,863,942
Modesto, CA, Irrigation District Electric Revenue	5.000%	7/1/25	2,000,000	2,337,480
San Francisco, CA, Airport Improvement Corp., Lease Revenue, United Airlines Inc.	8.000%	7/1/13	60,000	61,489(c)
<i>Total California</i>				<i>24,193,274</i>
Colorado 5.5%				
Colorado Educational & Cultural Facilities Authority Revenue Charter School:				
Bromley School Project, SCA	5.125%	9/15/20	1,155,000	1,220,084
Refunding & Improvement, University Lab School, SCA	5.250%	6/1/24	1,350,000	1,379,146
E-470 Public Highway Authority Revenue, CO	5.250%	9/1/25	2,000,000	2,241,400
Public Authority for Colorado Energy, Natural Gas Purchase Revenue	6.125%	11/15/23	2,000,000	2,446,840
SBC Metropolitan District, CO, GO, ACA	5.000%	12/1/25	750,000	772,763
<i>Total Colorado</i>				<i>8,060,233</i>
Connecticut 3.1%				
Connecticut State HEFA Revenue, Bristol Hospital	5.500%	7/1/21	1,845,000	1,865,369
Connecticut State, Development Authority PCR, Connecticut Light & Power Co. Project	4.375%	9/1/28	2,500,000	2,693,725
<i>Total Connecticut</i>				<i>4,559,094</i>

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Florida 10.9%

Citizens Property Insurance Corp., FL Jacksonville, FL, Sales Tax Revenue, Better Jacksonville	5.000%	6/1/16	5,000,000	5,620,400
Miami-Dade County, FL, Aviation Revenue	5.000%	10/1/30	1,500,000	1,734,465
Miami-Dade County, FL, Aviation Revenue	5.000%	10/1/31	4,000,000	4,557,680(b)
Miami-Dade County, FL, Aviation Revenue	5.000%	10/1/32	1,000,000	1,133,270(b)
Miami-Dade County, FL, School Board, COP	5.000%	2/1/24	2,000,000	2,289,420

See Notes to Schedule of Investments.

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

Schedule of investments (unaudited) (cont d)

February 28, 2013

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
Florida continued				
Old Palm Community Development District, FL, Palm Beach Gardens	5.375%	5/1/14	\$ 825,000	\$ 819,951
<i>Total Florida</i>				<i>16,155,186</i>
Georgia 4.0%				
Atlanta, GA, Water & Wastewater Revenue	6.000%	11/1/23	2,000,000	2,534,640
DeKalb Private Hospital Authority Revenue, GA, Anticipation CTFS, Children's Health Care of Atlanta Inc.	5.000%	11/15/29	2,000,000	2,234,460
DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority Revenue, GGC Foundation LLC Project	6.000%	7/1/29	1,000,000	1,170,290
<i>Total Georgia</i>				<i>5,939,390</i>
Illinois 2.6%				
Chicago, IL, O'Hare International Airport Revenue, Refunding Bonds, Lien A-2, AGM	5.750%	1/1/19	1,500,000	1,564,140(b)
Glendale Heights, IL, Hospital Revenue, Refunding Glendale Heights Project	7.100%	12/1/15	440,000	488,963(c)
Illinois Finance Authority Revenue, Memorial Health System	5.250%	4/1/29	1,670,000	1,822,855
<i>Total Illinois</i>				<i>3,875,958</i>
Indiana 3.8%				
Indiana State Finance Authority, Environmental Revenue, U.S. Steel Corp.	6.000%	12/1/19	1,000,000	1,089,310
Indianapolis, IN, Thermal Energy System, Multi-Mode	5.000%	10/1/23	4,000,000	4,466,320(d)
<i>Total Indiana</i>				<i>5,555,630</i>
Kansas 1.7%				
Burlington, KS, Environmental Improvement Revenue, Kansas City Power & Light	5.250%	4/1/13	2,500,000	2,507,650(a)
Maryland 0.1%				
Maryland State Health & Higher EFA Revenue, Refunding Mercy Medical Center, AGM	6.500%	7/1/13	195,000	198,136
Massachusetts 0.2%				
Massachusetts State DFA Revenue, Curry College, ACA	6.000%	3/1/20	355,000	355,735
Michigan 11.8%				
Detroit, MI, Water Supply System Revenue, Senior Lien	5.250%	7/1/26	5,000,000	5,501,600
Michigan State Housing Development Authority Rental Housing Revenue	5.250%	10/1/24	2,640,000	2,807,508
Michigan State, Hospital Finance Authority Revenue:				
Oakwood Obligated Group	5.500%	11/1/18	1,000,000	1,034,630(e)
Refunding, Hospital Sparrow Obligated	5.000%	11/15/14	1,190,000	1,272,050
Walled Lake, MI, Consolidated School District, NATL	5.000%	5/1/22	1,000,000	1,080,160
	5.000%	12/1/16	5,000,000	5,686,650(b)

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Wayne County, MI, Airport Authority Revenue, Detroit
Metropolitan Airport

Total Michigan

17,382,598

Missouri 1.7%

Missouri State Environmental Improvement & Energy

Resources Authority, KC Power & Light Co. Project

4.900%

7/1/13

2,500,000

2,524,775(a)(b)

See Notes to Schedule of Investments.

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

Schedule of investments (unaudited) (cont d)

February 28, 2013

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
Nevada 3.0%				
Humboldt County, NV, PCR, Idaho Power Co. Project	5.150%	12/1/24	\$ 4,000,000	\$ 4,461,680
New Hampshire 4.7%				
New Hampshire HEFA Revenue, Healthcare Systems Covenant Health	5.000%	7/1/28	6,400,000	7,015,168
New Jersey 14.0%				
New Jersey State EDA Revenue:				
Continental Airlines Inc. Project	4.875%	9/15/19	2,000,000	2,056,800(b)
School Facilities Construction	5.000%	3/1/29	5,000,000	5,820,050
New Jersey State EFA Revenue, University of Medicine & Dentistry	7.125%	12/1/23	2,000,000	2,535,140
New Jersey State Higher Education Assistance Authority, Student Loan Revenue	5.375%	6/1/24	4,000,000	4,476,280
New Jersey State Higher Education Assistance Authority, Student Loan Revenue, AGC	5.875%	6/1/21	775,000	881,028(b)
New Jersey State Transportation Trust Fund Authority Revenue	5.250%	6/15/23	4,000,000	4,847,720
Ringwood Borough, NJ, Sewer Authority Special Obligation	9.875%	7/1/13	25,000	25,773(c)
<i>Total New Jersey</i>				20,642,791
New Mexico 2.0%				
Bernalillo County, NM, Gross Receipts Tax Revenue, AMBAC	5.250%	10/1/18	1,100,000	1,344,068
New Mexico Finance Authority Revenue, Subordinated Lien, Public Project Revolving Fund, NATL	5.000%	6/15/19	1,415,000	1,596,063
<i>Total New Mexico</i>				2,940,131
New York 7.9%				
New York State Dormitory Authority, New York & Presbyterian Hospital, AGM	5.250%	2/15/24	2,975,000	3,189,349(e)
New York State Thruway Authority Highway & Bridge Trust Fund Revenue, AMBAC	5.000%	4/1/21	2,000,000	2,221,020(f)
New York, NY, GO	5.000%	8/1/21	5,000,000	6,225,200
<i>Total New York</i>				11,635,569
North Carolina 1.3%				
North Carolina Eastern Municipal Power Agency, Power Systems Revenue	5.000%	1/1/26	1,750,000	1,990,713
Ohio 5.7%				
JobsOhio Beverage System Statewide Liquor Profits Revenue	5.000%	1/1/23	1,700,000	2,101,438
Ohio State Air Quality Development Authority Revenue, FirstEnergy Generation Corp.	5.625%	6/1/18	1,000,000	1,163,190
Ohio State Water Development Authority, Pollution Control Facilities Revenue, FirstEnergy Nuclear Generation Corp.	3.375%	7/1/15	5,000,000	5,200,300(a)
<i>Total Ohio</i>				8,464,928

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Oklahoma 2.0%

Grand River Dam Authority, OK, Revenue	5.000%	6/1/30	2,500,000	2,915,025
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Oregon 0.4%

Portland, OR, River District Urban Renewal & Redevelopment	5.000%	6/15/28	570,000	648,825
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See Notes to Schedule of Investments.

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

Schedule of investments (unaudited) (cont d)

February 28, 2013

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
Pennsylvania 4.9%				
Montgomery County, PA, IDA Revenue, New Regional Medical Center Project, FHA	5.000%	8/1/24	\$ 2,000,000	\$ 2,290,960
Pennsylvania State Public School Building Authority Lease Revenue, Philadelphia School District Project, AGM	5.000%	6/1/27	2,000,000	2,302,460
Philadelphia, PA, Gas Works Revenue, 7th General Ordinance, AMBAC	5.000%	10/1/17	1,000,000	1,143,620
Pittsburgh, PA, School District GO, AGM	5.375%	9/1/16	1,350,000	1,539,527
<i>Total Pennsylvania</i>				7,276,567
Rhode Island 0.7%				
Central Falls, RI, GO, Radian	5.875%	5/15/15	1,000,000	1,002,040
Tennessee 5.5%				
Tennessee Energy Acquisition Corp., Gas Revenue	5.250%	9/1/20	2,030,000	2,359,428
Tennessee Energy Acquisition Corp., Gas Revenue	5.250%	9/1/23	4,940,000	5,759,596
<i>Total Tennessee</i>				8,119,024
Texas 6.2%				
Dallas-Fort Worth, TX, International Airport Revenue, Refunding, AGM	5.500%	11/1/20	1,000,000	1,069,060(b)
North Texas Tollway Authority Revenue, NATL	5.125%	1/1/28	2,000,000	2,244,780
Sabine River Authority, Texas PCR, Southwestern Electric Power Co., NATL	4.950%	3/1/18	3,000,000	3,374,190
Texas State Department Housing Community Affairs Home Mortgage Revenue, RIBS, GNMA/FNMA/FHLMC-Collateralized	13.365%	7/2/24	125,000	135,645(b)(d)
Texas State Municipal Gas Acquisition & Supply Corp. III, Gas Supply Revenue	5.000%	12/15/22	2,000,000	2,314,660
<i>Total Texas</i>				9,138,335
Virginia 4.7%				
Pittsylvania County, VA, GO	5.500%	2/1/22	540,000	643,777
Pittsylvania County, VA, GO	5.500%	2/1/23	1,030,000	1,219,129
Pittsylvania County, VA, GO	5.600%	2/1/24	2,490,000	2,953,364
Virginia State Small Business Financing Authority Revenue, Elizabeth River Crossings OpCo LLC Project	5.000%	1/1/27	2,000,000	2,186,820(b)
<i>Total Virginia</i>				7,003,090
Washington 0.8%				
Washington State Health Care Facilities Authority Revenue, Multicare Health System	5.750%	8/15/29	1,000,000	1,165,130
Wisconsin 1.6%				
La Crosse, WI, Resource Recovery Revenue, Refunding Bonds, Northern States Power Co. Project	6.000%	11/1/21	2,000,000	2,408,620(b)
TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost		\$176,887,696)		193,247,377

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SHORT-TERM INVESTMENTS 0.3%

Massachusetts 0.1%

Massachusetts State HEFA Revenue, Partners
Healthcare Systems, SPA-JPMorgan Chase

0.100%

7/1/27

100,000

100,000(g)(h)

See Notes to Schedule of Investments.

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

Schedule of investments (unaudited) (cont d)

February 28, 2013

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
New Jersey 0.1%				
New Jersey State Health Care Facilities Financing Authority Revenue, Virtua Health Inc., LOC-Wells Fargo Bank N.A.	0.080%	7/1/33	\$ 300,000	\$ 300,000(g)(h)
New York 0.1%				
New York City, NY, Municipal Water Finance Authority, SPA-Dexia Credit Local	0.190%	6/15/32	100,000	100,000(g)(h)
TOTAL SHORT-TERM INVESTMENTS (Cost \$500,000)				500,000
TOTAL INVESTMENTS 131.0% (Cost \$177,387,696#)				193,747,377
Auction Rate Cumulative Preferred Stock, at Liquidation Value (33.8)%				(50,000,000)
Other Assets in Excess of Liabilities 2.8%				4,112,912
TOTAL NET ASSETS 100.0%			\$	147,860,289

- (a) Maturity date shown represents the mandatory tender date.
 - (b) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax (AMT).
 - (c) Bonds are escrowed to maturity by government securities and/or U.S. government agency securities and are considered by the manager to be triple-A rated even if issuer has not applied for new ratings.
 - (d) Variable rate security. Interest rate disclosed is as of the most recent information available.
 - (e) Pre-Refunded bonds are escrowed with U.S. government obligations and/or U.S. government agency securities and are considered by the manager to be triple-A rated even if issuer has not applied for new ratings.
 - (f) All or a portion of this security is held at the broker as collateral for open futures contracts.
 - (g) Variable rate demand obligations have a demand feature under which the Fund can tender them back to the issuer or liquidity provider on no more than 7 days notice.
 - (h) Maturity date shown is the final maturity date. The security may be sold back to the issuer before final maturity.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule :

ACA	- American Capital Assurance - Insured Bonds
AGC	- Assured Guaranty Corporation - Insured Bonds
AGM	- Assured Guaranty Municipal Corporation - Insured Bonds
AMBAC	- American Municipal Bond Assurance Corporation - Insured Bonds
CDA	- Communities Development Authority
CMI	- California Mortgage Insurance Program - Insured Bonds
COP	- Certificates of Participation
CTFS	- Certificates
DFA	- Development Finance Agency
EDA	- Economic Development Authority
EFA	- Educational Facilities Authority
FGIC	- Financial Guaranty Insurance Company - Insured Bonds
FHA	- Federal Housing Administration
FHLMC	- Federal Home Loan Mortgage Corporation
FNMA	- Federal National Mortgage Association
GNMA	- Government National Mortgage Association

GO	- General Obligation
HEFA	- Health & Educational Facilities Authority
IDA	- Industrial Development Authority
INDLC	- Industrial Indemnity Company - Insured Bonds
LOC	- Letter of Credit
NATL	- National Public Finance Guarantee Corporation - Insured Bonds
PCFA	- Pollution Control Financing Authority
PCR	- Pollution Control Revenue
Radian	- Radian Asset Assurance - Insured Bonds
RIBS	- Residual Interest Bonds
SCA	- Syncora Capital Assurance Inc. - Insured Bonds
SPA	- Standby Bond Purchase Agreement - Insured Bonds

See Notes to Schedule of Investments.

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

Schedule of investments (unaudited) (cont'd)

February 28, 2013

Summary of Investments by Industry

Industrial Revenue	18.0%
Power	16.0
Transportation	14.2
Health Care	10.3
Local General Obligation	8.6
Education	7.9
Water & Sewer	5.3
Special Tax Obligation	5.3
Leasing	4.8
Other	4.0
Pre-Refunded/Escrowed to Maturity	2.6
Housing	1.5
Solid Waste/Resource Recovery	1.3
Short - Term Investments	0.2
	100.0%

As a percentage of total investments. Please note that Fund holdings are as of February 28, 2013 and are subject to change.

Ratings Table*

Standard & Poor's/Moody's/Fitch**

AAA/Aaa	1.0%
AA/Aa	29.3
A	54.9
BBB/Baa	10.9
BB/Ba	1.1
B/B	1.1
A-1/VMIG 1	0.2
NR	1.5
	100.0%

* As a percentage of total investments.

** The ratings shown are based on each portfolio security's rating as determined by Standard & Poor's, Moody's or Fitch, each a Nationally Recognized Statistical Rating Organization (NRSRO). These ratings are the opinions of the NRSRO and are not measures of quality or guarantees of performance. Securities may be rated by other NRSROs, and these ratings may be higher or lower. In the event that a security is rated by multiple NRSROs and receives different ratings, the Fund will treat the security as being rated in the highest rating category received from a NRSRO.

See Notes to Schedule of Investments.

Notes to schedule of investments (unaudited)

1. Organization and significant accounting policies

Western Asset Intermediate Muni Fund Inc. (the Fund) was incorporated in Maryland on December 19, 1991 and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Board of Directors authorized 100 million shares of \$0.001 par value common stock. The Fund's investment objective is to provide common shareholders a high level of current income exempt from regular federal income taxes consistent with prudent investing.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

(a) Investment valuation. The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment's fair value. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund's Board of Directors.

The Board of Directors is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North American Fund Valuation Committee (the Valuation Committee). The Valuation Committee, pursuant to the policies adopted by the Board of Directors, is responsible for making fair value determinations, evaluating the effectiveness of the Fund's pricing policies, and reporting to the Board of Directors. When determining the reliability of third party pricing information for investments owned by the Fund, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer's financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts' research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

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For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Directors, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Directors quarterly.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

GAAP establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are summarized in the three broad levels listed below:

Notes to schedule of investments (unaudited) (continued)

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used in valuing the Fund's assets carried at fair value:

DESCRIPTION	QUOTED PRICES (LEVEL 1)	ASSETS		TOTAL
		OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	
Municipal bonds		\$ 193,247,377		\$ 193,247,377
Short-term investments		500,000		500,000
Total investments		\$ 193,747,377		\$ 193,747,377
Other financial instruments:				
Futures contracts	\$ 142,078			\$ 142,078
Total investments	\$ 142,078	\$ 193,747,377		\$ 193,889,455

See Schedule of Investments for additional detailed categorizations.

(b) Futures contracts. The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded.

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Futures contracts involve, to varying degrees, risk of loss. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(c) **Security transactions.** Security transactions are accounted for on a trade date basis.

2. Investments

At February 28, 2013, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$	16,599,753
Gross unrealized depreciation		(240,072)
Net unrealized appreciation	\$	16,359,681

At February 28, 2013, the Fund had the following open futures contracts:

Notes to schedule of investments (unaudited) (continued)

	NUMBER OF CONTRACTS	EXPIRATION DATE	BASIS VALUE	MARKET VALUE	UNREALIZED GAIN
Contracts to Sell:					
U.S. Treasury 30-Year Bonds	53	3/13	\$ 7,841,984	\$ 7,699,906	\$ 142,078