INSURED MUNICIPAL INCOME FUND INC
Form N-CSR
May 30, 2008

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: 811-07528

Insured Municipal Income Fund Inc.

(Exact name of registrant as specified in charter)

51 West 52nd Street, New York, New York 10019-6114

(Address of principal executive offices) (Zip code)

Mark F. Kemper, Esq.
UBS Global Asset Management
51 West 52nd Street
New York, NY 10019-6114
(Name and address of agent for service)

Copy to:
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Registrant s telephone number, including area code: 212-882 5000

Date of fiscal year end: March 31

Date of reporting period: March 31, 2008

Item 1. Reports to Stockholders.

Insured Municipal Income Fund Inc.

Annual Report
March 31, 2008

Insured Municipal Income Fund Inc.

May 15, 2008

Dear shareholder,
We present you with the annual report for Insured Municipal Income Fund Inc. (the Fund) for the 12 months ended March 31, 2008.

Performance
Over the 12-month period, the Fund declined 4.52% on a net asset value basis and 3.86% on a market price basis. Over the same period, the Fund's peer group, the Lipper Insured Municipal Debt Funds (Leveraged) category, posted median net asset value and market price declines of 3.65% and 5.75%, respectively. Finally, the Fund's benchmark, the Lehman Brothers Municipal Bond Index (the Index), returned 1.90% for the period. (For more performance information, please refer to Performance at a glance on page 9.)

Insured Municipal Income Fund Inc.

Investment goal:
High level of current income exempt from federal ncome tax, consistent with preservation of capital

Portfolio Manager:
Kevin McIntyre
UBS Global Asset
Management (Americas) Inc.

Commencement:
June 8, 1993

NYSE symbol:
PIF

Dividend payments:
Monthly

During the period, the Fund's underperformance on a net asset value basis versus its peer group was largely the result of an overweight to intermediate-term bonds, which lagged their shorter-term counterparts. When compared to its Index, however, the Fund's performance was significantly impacted by the fact that insured bonds underperformed other types of municipal bonds during the period.

The Fund continued to use leverage during the reporting period. As of March 31, 2008, leverage accounted for approximately 42% of the Fund's total assets. Leverage magnifies returns on both the upside and on the downside.

A word on the Fund's auction preferred shares (APS):
As you may know, APS are a type of preferred stock issued by many closed-end funds. The Fund issued APS to raise assets that were then used to leverage the Fund's investments (that is, buy more municipal securities). In utilizing leverage, the Fund has sought to deliver higher yields and returns to the Fund's common shareholders. (For purposes of

Insured Municipal Income Fund Inc.

clarification, purchasers of APS in a closed-end fund are known as "preferred shareholders," while the remaining investors are known as "common shareholders.")

In the time since we last reported to you, demand for APS has seen an unprecedented decline, leading to the widespread failure of APS auctions. (Essentially, an auction fails when existing holders of APS looking to sell their shares are unable to do so at that particular auction, because there are not sufficient buy orders.) It is important to note that these failed auctions are not "credit events" for the Fund; that is, they do not result in a default by the Fund. Rather, they are liquidity events that impact a closed-end fund's preferred and common shareholders differently.

Given that the Fund's preferred shareholders have experienced a loss of liquidity due to their inability to sell their APS, they are entitled to receive dividends at a "maximum rate." This rate is based upon a formula in the Fund's governing documents, and is currently calculated and reset on a weekly basis. Preferred shareholders will continue to receive dividends calculated in this manner until auctions successfully recommence or APS shares are redeemed by the Fund or certain other events occur (for example, shareholder-approved APS restructuring).

At this time, because the Fund's costs related to APS dividends remain lower than the long-term earnings generated by the Fund's portfolio investments, the yield realized by the Fund's common shareholders is greater than it would be without the leverage.

The Fund's board and UBS Global Asset Management are carefully monitoring the situation, including the level of reset rates. We cannot predict when (or even if) the next successful auction will occur. This depends on factors outside of our control, including the supply and demand for APS and general economic conditions.

We remain keenly aware of concerns relating to our preferred shareholders' loss of liquidity and the impact of the Fund paying dividends to preferred shareholders at the maximum rate. At this time, we are evaluating a number of options, and would update investors should a particular course or courses of action be adopted—most likely, initially through a press release. Unfortunately, given the complexities involved, it takes time to evaluate the options and to carefully consider the impact on the Fund and all shareholders.

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An interview with Portfolio Manager Kevin McIntyre

Q. What is bond insurance, and how did the impairment of some monoline bond insurers affect the Fund?

A. Many bond issuers frequently use bond insurance to improve the credit quality of securities that they want to issue, with a goal of making it easier and less expensive to access credit markets. Bond insurance was intended to boost credit quality by offering protection against default by the issuer or downgrade if a bond issuer cannot meet its obligations to pay interest and principal to bondholders in a timely manner. Historically, this also has led to enhanced liquidity for insured bonds because there was greater demand among investors for highly-rated securities.

Companies whose primary line of business is to provide insurance services to one industry are called monoline insurers. Monoline insurers back approximately 50% of the municipal bonds outstanding. Major bond insurers in the US include Ambac Assurance Corporation, CIFG Guaranty, Financial Guaranty Insurance Company, Assured Guaranty Corp., Financial Guaranty Corp., and MBIA Insurance Corp.

No major monoline insurer had ever been downgraded, or had defaulted, prior to 2007. However, in 2007, amid a housing market decline and the global credit crisis, subprime and adjustable rate mortgages and related securities were placed under extreme strain. Many monoline bond insurers posted losses as insured structured products appeared headed for default, and utilization of bond insurance fell precipitously by the end of 2007. Several of the major insurers were downgraded by the major ratings agencies, and lost their AAA ratings.

During the period, the turmoil in this portion of the market weighed on the value of many municipal bonds, hindering performance. Some monoline insurers avoided the problem areas and were not impaired. We anticipate that the market will focus more on the underlying credit quality of the issuers of insured bonds; yet we believe that bond insurance will likely continue to be an important aspect of the municipal bond market, which has seen the entrance of new insurers (e.g., Berkshire Hathaway Assurance Corp.).

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

A. The US economy, which had been fairly resilient through the third quarter of 2007, weakened considerably during the remainder of the reporting period. After reporting that second and third quarter 2007 gross domestic product (GDP) growth was 3.8% and 4.9%,

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respectively, the US Department of Commerce said that GDP growth sank to 0.6% in the fourth quarter of 2007. Advance estimates for first quarter 2008 GDP growth remained just 0.6%. A variety of factors caused the economy to stumble, including the ongoing troubles in the housing market and tepid consumer and business spending. Housing prices continue to fall and credit conditions have tightened due, in part, to the massive write-downs associated with subprime mortgages.

While the job market had held up relatively well during the fourth quarter of 2007, it too has faltered, with the unemployment rate reaching its highest level since September 2005.

Despite slowing growth, inflationary pressures are mounting. Typically, when economic growth slows, falling demand helps to temper rising prices. However, record high oil prices and rising food prices have caused inflation to remain elevated.

Q. How did the Federal Reserve Board (the Fed) manage the federal funds rate over the period?

A. The Fed has been extremely aggressive in attempting to ease the credit crunch and keep the US economy from falling into a recession. Fed Chairman Ben Bernanke initially indicated that the issues related to the subprime mortgage market would probably not impact the overall economy. However, as the problems and fallout from subprime mortgages escalated, the Fed moved into action by pumping substantial amounts of liquidity into the financial system in order to facilitate normal market operations. In mid-September 2007, the Fed reduced the federal funds rate from 5.25% to 4.75%, the first such cut since June 2003. (The federal funds rate, or fed funds rate, is the rate that banks charge one another for funds they borrow on an overnight basis.)

Since that time, the Fed has lowered the fed funds rate on six additional occasions. In late April 2008, following the conclusion of the reporting period, the rate was lowered to 2.00%the lowest level since 2004. In conjunction with this latest rate cut, the Fed stated: Recent information indicates that economic activity remains weak. Household and business spending has been subdued and labor markets have softened further. Financial markets remain under considerable stress, and tight credit conditions and the deepening housing contraction are likely to weigh on economic growth over the next few quarters.

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Q. How did the bond market perform in this environment?

A. Both taxable and municipal bond prices fluctuated during the reporting period. Issues related to the bursting of the housing bubble and the subprime mortgage meltdown triggered several “flights to quality.” During those times, investors flocked to the relative safety of shorter-term US Treasuries and largely shunned other types of fixed income securities—even high-quality municipal bonds.

Overall, during the period, two-year Treasury yields fell from 4.58% to 1.62%, while 10-year Treasury yields moved from 4.65% down to 3.45%. The Treasury yield curve steepened during the reporting period, as short-term yields fell sharply given the Fed’s numerous rate cuts, while longer-term yields fell to a lesser extent, due to concerns over inflation.

Q. Municipal bonds have appeared in the headlines in recent months. What were some of the issues impacting the municipal bond market?

A. Toward the end of the reporting period, municipal bond prices fell dramatically. We believe this was mainly due to issues related to bond insurers, together with forced selling by highly leveraged hedge funds and concerns that slower growth could impact some issuers’ ability to meet their debt obligations.

While the municipal bond market rallied somewhat in March 2008, it underperformed the taxable bond market over the course of the reporting period. Within the municipal bond market, shorter-term securities outperformed their longer-term counterparts, and higher-quality bonds outperformed those of a lower quality, given investors’ increased risk aversion.

Q. In general terms, how did you position the portfolio?

A. During the reporting period, we extended the Fund’s duration somewhat, although it remained slightly shorter than that of its benchmark. (Duration is a measure of a fund’s sensitivity to interest rate changes and is related to the maturity of the bonds comprising the portfolio.)

In terms of yield curve positioning, we maintained a “bulleted” strategy, in which we held securities of specific maturities as we expected the yield curve to steepen. Specifically, we held overweight positions versus the benchmark in the 15- and 20-year area of the curve, which was beneficial to results. Our underweight to the 20+ year portion of the curve also contributed to performance. In contrast,

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our underweight to the shorter end of the municipal yield curve detracted from results, as this area generated strong performance during the reporting period.

In terms of credit quality, we were underweight to AAA rated municipal bonds and overweight to bonds rated AA, A and BBB. This detracted from performance, given the flights to quality that occurred during the period.

Q. Which sector positions were important for the Fund?

A. Water-related municipal bonds continued to be our largest sector position. We believe the water sector offers attractive levels of revenue, coupled with greater earnings stability than some other sectors of the municipal bond market. Given the uncertain economic outlook, these bonds appear to be particularly attractive, as their risk/reward characteristics remain relatively intact even during moderating growth environments. However, this position detracted from performance during the reporting period.

During the reporting period, we increased our exposures to a number of sectors, including airports and hospitals. Airports have been a focus for the Fund for quite some time, as they possess what we believe to be compelling risk/reward characteristics. We continued to find the hospitals sector attractive due to efficiency improvements and stronger management at a number of companies. Our overweight position in airports was not rewarded during the reporting period, due to concerns regarding the potential impact of the weakening economy. Our hospitals exposure detracted slightly from the Fund's performance versus the benchmark.

We reduced our exposure to general obligation (GO) bonds during the reporting period, which detracted slightly from performance. GO bonds are issued with the belief that the issuer will be able to repay its debt obligation entirely through taxation, as no assets are used as collateral. Overall, we found these bonds to be less attractive given the slower growth environment and moderating tax revenues. We also lowered our exposure to lower-quality lease revenue bonds given their unattractive risk/reward characteristics. However, this detracted from performance during the reporting period.

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Q. Were there any states or regions that were an area of focus for the Fund?

A. A large portion of outstanding municipal securities are issued by a fairly small number of states. As of March 31, 2008, approximately 60% of the Fund's holdings were in the securities of issuers in five states. These were California, Texas, Illinois, New York and Florida. As always, we focused on purchasing bonds from states that are, in our view, enjoying improved fiscal health and offering attractively valued municipal bonds. Given these criteria, we reduced the Fund's exposure to states that are facing budgetary challenges, such as California, New York and Florida, during the reporting period.

Q. What is your outlook for the economy and the municipal bond market?

A. Continuing concerns regarding housing, subprime mortgages and the value of various financial assets have had a negative impact on the economy and financial concerns in particular. We believe it is likely that the Fed's actions and fiscal stimulus initiatives will ultimately alleviate some of these stresses. We plan to continue to monitor the economic data closely as we seek to add value for our shareholders.

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We thank you for your continued support and welcome any comments or questions you may have. For additional information regarding your fund, please contact your Financial Advisor, or visit us at www.ubs.com/globalam-us.

Sincerely,
Kai R. Sotorp
President
Insured Municipal Income Fund Inc.
Head Americas
UBS Global Asset Management (Americas) Inc.
Kevin McIntyre
Portfolio Management Team
Insured Municipal Income Fund Inc.
Director
UBS Global Asset Management (Americas) Inc.

Elbridge T. Gerry III
Portfolio Management Team
Insured Municipal Income Fund Inc.
Managing Director
UBS Global Asset Management (Americas) Inc.

This letter is intended to assist shareholders in understanding how the Fund performed during the 12 months ended March 31, 2008. The views and opinions in the letter were current as of May 15, 2008. They are not guarantees of 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.

Insured Municipal Income Fund Inc.

Performance at a glance (unaudited)

Average annual total returns for periods ended 03/31/08

Net asset value returns	1 year	5 years	10 years
Insured Municipal Income Fund Inc.	-4.52%	2.58%	4.12%
Lipper Insured Municipal Debt Funds (Leveraged) median	-3.65	3.47	4.76
Market price returns			
Insured Municipal Income Fund Inc.	-3.86%	3.65%	5.13%
Lipper Insured Municipal Debt Funds (Leveraged) median	-5.75	3.60	4.88
Index returns			
Lehman Brothers Municipal Bond Index	1.90%	3.92%	4.99%

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 could pay on Fund dividends and other distributions, if any, or the sale of Fund shares.

The Lehman Brothers Municipal Bond Index is an unmanaged, unleveraged measure of the total return for municipal bonds issued across the United States. Index returns do not include reinvestment of dividends and do not reflect any fees or expenses.

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.

Share price, dividend and yields as of 03/31/08	
Market price	$12.38
Net asset value (per share applicable to common shareholders)	$13.71
March 2008 dividend	$0.0475
Market yield(1)	4.60%
NAV yield(1)	4.16%

(1) Market yield is calculated by multiplying the March dividend by 12 and dividing by the month-end market price. NAV yield is calculated by multiplying the March dividend by 12 and dividing by the month-end net asset value. Prices and yields will vary.

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Portfolio statistics (unaudited)

Characteristics	03/31/08	09/30/07	03/31/07
Net assets applicable to common shareholders (mm)	$282.9	$301.5	$308.6
Weighted average maturity	14.9 yrs	16.7 yrs	15.7 yrs
Weighted average modified duration	4.8 yrs	4.2 yrs	4.6 yrs
Weighted average coupon	5.0%	5.1%	5.1%
Leverage(1)	42.1%	41.0%	39.3%
Securities subject to Alternative Minimum Tax (AMT)(2)	17.9%	18.1%	15.9%
Maturing within five years(2)	6.3%	2.6%	8.2%
Maturing beyond five years(2)	93.7%	97.4%	91.8%
Insured securities(2)	82.7%	80.7%	81.8%
Non-insured securities(2)	17.3%	19.3%	18.2%

Portfolio composition(3)	03/31/08	09/30/07	03/31/07
Long-term municipal bonds	94.0%	96.9%	94.6%
Short-term municipal notes	5.7	0.8	5.8
Futures	(0.0)(4)	0.0(4)	0.1
Cash equivalents and other assets less liabilities	0.3	2.3	(0.5)
Total	100.0%	100.0%	100.0%

Credit quality(2)	03/31/08	09/30/07	03/31/07
AAA	58.5%	80.1%	76.4%
AA	10.0	5.6	5.4
A	12.0	2.4	3.2
A-1	4.9	0.9	1.1
BBB	9.1	7.3	6.7

Nonrated	5.5	3.7	7.2
Total	100.0%	100.0%	100.0%

(1) As a percentage of total assets as of the dates indicated.

(2) Weightings represent percentages of total investments as of the dates indicated. The Fund's portfolio is actively managed and its composition will vary over time. Credit quality ratings shown are designated by Standard & Poor's Rating Group, an independent rating agency.

(3) As a percentage of net assets applicable to common and preferred shareholders as of the dates indicated.

(4) Represents less than 0.05% of net assets applicable to common and preferred shareholders as of the dates indicated.

Insured Municipal Income Fund Inc.

Portfolio statistics (unaudited) (concluded)

Top five states[1]	**03/31/08**		**09/30/07**		**03/31/07**
California	20.7%	California	30.3%	California	31.7%
Texas	14.0	New York	14.9	New York	10.6
Illinois	9.1	Florida	8.6	Florida	10.2
New York	8.6	Texas	7.4	Texas	8.2
Florida	7.5	South Carolina	6.3	South Carolina	6.4
Total	59.9%		67.5%		67.1%

Top five sectors[1]	**03/31/08**		**09/30/07**		**03/31/07**
Water	25.2%	Water	26.0%	Water	25.6%
Airport	16.0	General obligations	20.1	General obligations	17.7
General obligations	14.6	Power	13.0	Power	11.3
Hospital	12.0	Airport	11.1	Airport	11.1
Power	6.4	Hospital	6.5	Hospital	7.0
Total	74.2%		76.7%		72.7%

(1) Weightings represent percentages of total investments as of the dates indicated. The Fund's portfolio is actively managed and its composition will vary over time.

Insured Municipal Income Fund Inc.

Portfolio of investmentsMarch 31, 2008

	Moodys rating (unaudited)	S&P rating (unaudited)	Face amount	Value
Long-term municipal bonds163.75%				
California35.96%				
California State General Obligation (FGIC Insured), 7.000%, due 11/01/12	A1	A+	$30,000	$30,112
Long Beach Finance Authority Lease Revenue-Aquarium of the South Pacific (AMBAC Insured), 5.500%, due 11/01/15	Aaa	AAA	2,000,000	2,141,000
Los Angeles Community College District Refunding-Election 2001-Series A (FSA Insured), 5.000%, due 08/01/25	Aaa	AAA	5,000,000	5,116,750
5.000%, due 06/01/26	Aaa	AAA	9,000,000	9,165,240
Los Angeles County Sanitation Districts Financing Authority Revenue-Capital Projects-Series A (FSA Insured), 5.000%, due 10/01/20	Aaa	AAA	8,475,000	8,827,306
Los Angeles Wastewater System Revenue Refunding-Subseries A (MBIA Insured), 5.000%, due 06/01/26	Aaa	AAA	11,625,000	11,666,152
Los Angeles Water & Power Revenue-Power System-Series A, Subseries A-2 (MBIA-IBC Insured), 5.000%, due 07/01/30	Aaa	AAA	5,000,000	4,973,050
Los Angeles Water & Power Revenue-Power System-Series B (FSA Insured), 5.000%, due 07/01/25	Aaa	AAA	6,000,000	6,079,680
Manteca Financing Authority Water Revenue-Series A (MBIA Insured), 4.750%, due 07/01/33	Aaa	AAA	15,000,000	14,319,600
Metropolitan Water District of				

Southern California Waterworks Revenue-Series A (FSA Insured), 5.000%, due 07/01/35	Aaa	AAA	10,000,000	10,047,500

Insured Municipal Income Fund Inc.

Portfolio of investmentsMarch 31, 2008

	Moodys rating (unaudited)	S&P rating (unaudited)	Face amount	Value
Long-term municipal bonds (continued)				
California(concluded) Oxnard Financing Authority Wastewater Revenue-Redwood Trunk Sewer & Headworks-Series A (FGIC Insured), 5.250%, due 06/01/34	A3	A+	$7,160,000	$7,204,392
Sacramento County Sanitation District Financing Authority Revenue Refunding (AMBAC Insured), 5.000%, due 12/01/27	Aaa	AAA	10,000,000	10,031,200
Sacramento Municipal Utility District Electric Revenue-Municipal Utility District-Series R (MBIA Insured), 5.000%, due 08/15/33	Aaa	AAA	5,000,000	4,971,250
San Francisco City & County Airports Commission International Airport Revenue Refunding-Second Series 27B (FGIC Insured), 5.250%, due 05/01/15	A1	A	4,000,000	4,144,720
San Francisco City & County Public Utilities Commission Water Revenue-Series A (MBIA Insured), 5.000%, due 11/01/25	Aaa	AAA	3,000,000	3,018,180
				101,736,132
District of Columbia4.23% District of Columbia Hospital Revenue Refunding-Medlantic Healthcare-Series A (Escrowed to Maturity) (MBIA Insured), 5.750%, due 08/15/14	Aaa	AAA	4,000,000	4,046,600
District of Columbia Water & Sewer Authority Public Utility Revenue-Subordinate Lien Revenue (FGIC Insured),				

5.000%, due 10/01/33	A1	A+	6,000,000	5,839,800

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Portfolio of investments March 31, 2008

	Moody s rating (unaudited)	S&P rating (unaudited)	Face amount	Value
Long-term municipal bonds (continued)				
District of Columbia (concluded) Metropolitan Washington, D.C. Airport Authority Airport System Revenue-Series A (MBIA Insured), 5.250%, due 10/01/16[1]	Aaa	AAA	$2,000,000	$2,089,680
				11,976,080
Florida 11.33% Florida State Board of Education-Capital Outlay-Series E (FGIC Insured), 5.000%, due 06/01/24	Aa1	AAA	8,000,000	8,095,360
Hillsborough County Port District Revenue-Tampa Port Authority Project-Series A (MBIA Insured)[1], 5.750%, due 06/01/16	Aaa	AAA	1,060,000	1,116,710
5.750%, due 06/01/17	Aaa	AAA	1,115,000	1,169,456
5.750%, due 06/01/18	Aaa	AAA	1,175,000	1,225,584
5.750%, due 06/01/19	Aaa	AAA	1,240,000	1,287,579
Miami-Dade County Aviation Revenue Refunding-Miami International Airport-Series B (XLCA Insured), 5.000%, due 10/01/18[1]	A2	A-	10,000,000	10,021,700
Miami-Dade County Expressway Authority Toll System Revenue-Series B (FGIC Insured), 5.250%, due 07/01/26	A3	A	3,000,000	3,058,950
Miami-Dade County School Board-Certificates of Participation-Series A (FGIC Insured), 5.000%, due 05/01/21	A3	A	6,000,000	6,085,920
				32,061,259
Georgia 6.52%				

Atlanta Airport Revenue Refunding-Series D (FGIC Insured), 5.250%, due 01/01/15[(1)]	A1	A+	11,545,000	12,014,189
Columbus Building Authority Lease Revenue-Series A (FGIC Insured), 5.250%, due 01/01/16	Aa3	AA	1,015,000	1,097,367

Insured Municipal Income Fund Inc.

Portfolio of investmentsMarch 31, 2008

	Moodys rating (unaudited)	S&P rating (unaudited)	Face amount	Value
Long-term municipal bonds(continued)				
Georgia(concluded)				
George L Smith II World Congress Center Authority Revenue Refunding-Domed Stadium Project (MBIA Insured), 5.750%, due 07/01/14[1]	Aaa	AAA	$5,000,000	$5,310,850
Georgia Municipal Electric Authority Power Revenue-Series Y (Escrowed to Maturity) (MBIA-IBC Insured), 10.000%, due 01/01/10	Aaa	AAA	15,000	16,958
				18,439,364
Illinois15.81%				
Chicago Board of Education-Series D (FSA Insured), 5.000%, due 12/01/21	Aaa	AAA	9,885,000	10,387,850
Chicago General Obligation-Unrefunded Balance-Series A (FSA Insured), 5.000%, due 01/01/25	Aaa	AAA	260,000	263,741
5.000%, due 01/01/26	Aaa	AAA	350,000	353,980
Chicago OHare International Airport Revenue, Series A (FSA Insured), 5.000%, due 01/01/19	Aaa	AAA	8,960,000	9,565,069
Series B (FSA Insured), 5.000%, due 01/01/18	Aaa	AAA	10,670,000	11,434,292
Chicago Wastewater Transmission Revenue Refunding-Second Lien-Series B (FSA-CR FGIC Insured), 5.000%, due 01/01/25	Aaa	AAA	5,000,000	5,091,850
Illinois Health Facilities Authority Revenue-Franciscan Sisters Health Care-Series C (Escrowed to Maturity)				

(MBIA Insured), 5.750%, due 09/01/18	Aaa	AAA	4,500,000	5,013,720

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Portfolio of investments—March 31, 2008

	Moody's rating (unaudited)	S&P rating (unaudited)	Face amount	Value
Long-term municipal bonds—(continued)				
Illinois—(concluded)				
Metropolitan Pier & Exposition Authority Dedicated State Tax-Series A-2002 (Escrowed to Maturity) (FGIC Insured), 5.500%, due 12/15/23	A1	AAA	$2,395,000	$2,630,955
				44,741,457
Indiana—6.45%				
Indiana Health & Educational Facilities Financing Authority Hospital Revenue Refunding-Clarian Health Obligation Group-Series B, 5.000%, due 02/15/30	A2	A+	5,000,000	4,624,000
Indianapolis Airport Authority Revenue Refunding-Special Facilities-Fed Ex Corp. Project, 5.100%, due 01/15/17(1)	Baa2	BBB	8,000,000	7,565,760
Indiana State Finance Authority Revenue-Ascension Health-Series E-8 (Mandatory Put 12/15/09 @ 100), 3.500%, due 11/15/36(2),(3)	Aa1	AA+	5,000,000	4,992,850
Indiana University Revenue-Student Fee-Series O (FGIC Insured), 5.250%, due 08/01/18	Aa1	AA	1,000,000	1,056,490
				18,239,100
Maine—5.28%				
Maine Health & Higher Educational Facilities Authority Revenue-Series A (Escrowed to Maturity) (FSA Insured), 5.500%, due 07/01/23	Aaa	AAA	4,785,000	4,853,043
Maine Health & Higher Educational Facilities Authority Revenue-Series A (MBIA Insured), 5.000%, due 07/01/29	Aaa	NR	10,200,000	10,080,864

14,933,907

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Portfolio of investments March 31, 2008

	Moody s rating (unaudited)	S&P rating (unaudited)	Face amount	Value
Long-term municipal bonds (continued)				
Massachusetts 2.70%				
Massachusetts State Port Authority Revenue-US Airways Project (MBIA Insured), 6.000%, due 09/01/21[1]	Aaa	AAA	$1,500,000	$1,509,270
Massachusetts State School Building Authority Dedicated Sales Tax Revenue-Series A (FSA Insured), 5.000%, due 08/15/25	Aaa	AAA	6,000,000	6,121,980
				7,631,250
Michigan 3.99%				
Michigan State Hospital Finance Authority Revenue Refunding-Trinity Health Credit Group-Series D, 5.000%, due 08/15/25	Aa2	AA	5,525,000	5,430,246
Michig				