

NUVEEN MUNICIPAL INCOME FUND INC  
Form N-CSRS  
July 08, 2013

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 811-05488

Nuveen Municipal Income Fund, Inc.  
(Exact name of registrant as specified in charter)

Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
(Address of principal executive offices) (Zip code)

Kevin J. McCarthy  
Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700

Date of fiscal year end: October 31

Date of reporting period: April 30, 2013

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

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Chairman's  
Letter to Shareholders

Dear Shareholders,

After nine years of serving as lead director and independent chairman of the Nuveen Fund Board, my term of office is coming to an end. It has been a privilege to use this space to communicate with you on some of the broad economic trends in the U.S. and abroad and how they are impacting the investment environment in which your funds operate. In addition, I have enjoyed offering some perspective on how your Board views the various Nuveen investment teams as they apply their investment disciplines in that investment environment.

My term has coincided with a particularly challenging period for both mutual fund sponsors and investors. Since 2000 there have been three periods of unusually strong stock market growth and two major market declines. Recent years have been characterized by a search for yield in fixed income securities to compensate for an extended period of very low interest rates. Funds are investing more in foreign and emerging markets that require extensive research capabilities to overcome the more limited transparency and higher volatility in those markets. New fund concepts often incorporate derivative financial instruments that offer efficient ways to hedge investment risk or gain exposure to selected markets. Fund trading teams operate in many new domestic and international venues with quite different characteristics. Electronic trading and global communication networks mean that fund managers must be able to thrive in financial markets that react instantaneously to newsworthy events and are more interconnected than ever.

Nuveen has committed additional resources to respond to these changes in the fund industry environment. It has added IT and research resources to assemble and evaluate the increased flow of detailed information on economies, markets and individual companies. Based on its experience during the financial crisis of 2008-09, Nuveen has expanded its resources dedicated to valuing and trading portfolio securities with a particular focus on stressed financial market conditions. It has added systems and experienced risk management professionals to work with investment teams to better help evaluate whether their funds' risk exposures are appropriate in view of the return targets. The investment teams have also reflected on recent experience to reaffirm or modify their investment disciplines. Finally, experienced professionals and IT resources have been added to address new regulatory requirements designed to better inform and protect investors. The Board has enthusiastically encouraged these initiatives.

The Nuveen Fund Board has always viewed itself as your representatives to assure that Nuveen brings together experienced people, proven technologies and effective processes designed to produce results that meet investor expectations. It is important to note that our activities are highlighted by the annual contract renewal process. Despite its somewhat formal language, I strongly encourage you to read the summary because it offers an insight into our oversight process. The report is included in the back of this or a subsequent shareholder report. The renewal process is very comprehensive and includes a number of evaluations and discussions between the Board and Nuveen during the year. The summary also describes what has been achieved across the Nuveen fund complex and at individual funds such as yours.

As I leave the chairmanship and resume my role as a member of the Board, please be assured that I and my fellow Board members will continue to hold your interests uppermost in our minds as we oversee the management of your funds and that we greatly appreciate your confidence in your Nuveen fund.

Very sincerely,

Robert P. Bremner

Chairman of the Board  
June 21, 2013

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## Portfolio Managers' Comments

Nuveen Municipal Value Fund, Inc. (NUV)  
Nuveen AMT-Free Municipal Value Fund (NUW)  
Nuveen Municipal Income Fund, Inc. (NMI)  
Nuveen Enhanced Municipal Value Fund (NEV)

Portfolio managers Tom Spalding, Chris Drahn and Steve Hlavin discuss key investment strategies and the six-month performance of these four national Funds. Tom has managed NUV since its inception in 1987, adding NUW at its inception in 2009, Chris assumed portfolio management responsibility for NMI in January 2011 and Steve has been involved in the management of NEV since its inception in 2009, taking on full portfolio management responsibility for this Fund in 2010.

What key strategies were used to manage these Funds during this six-month reporting period ended April 30, 2013?

In an environment characterized by tight supply, strong demand and lower yields, we continued to take a bottom-up approach to discovering sectors that appeared undervalued as well as individual credits that had the potential to perform well over the long term. During this period, NUV and NUW found value in health care and broad-based essential services bonds backed by taxes or other revenues. We also purchased tobacco credits when we found attractive valuation levels, which resulted in an increase in our allocation to these bonds, in NUV, NUW and NEV. NMI also emphasized health care bonds (especially hospitals), toll roads and prepaid gas credits, as well as a number of education-related names. In NEV, we added broad-based essential services bonds backed by taxes or other revenues which included Oak Park Mall in Overland, Kansas. We also purchased transportation bonds, including Ohio River Bridge toll way bonds, two charter school bonds in Florida, as well as MuniMae bonds, tax-exempt bonds for the multi-family housing segment.

During this reporting period, each of these Funds took steps to enhance its positioning relative to risk, including credit risk and interest rate risk. In NUV and NUW, this involved purchasing higher credit quality bonds, with the goal of positioning the Funds slightly more defensively. NMI emphasized bonds with longer maturities in the A rated category to take advantage of more attractive yields at the longer end of the municipal yield curve. In NEV, we worked to reduce the interest rate risk of the Fund by allowing its duration to migrate lower until it was positioned neutrally relative to its benchmark. This was accomplished by

Certain statements in this report are forward-looking statements. Discussions of specific investments are for illustration only and are not intended as recommendations of individual investments. The forward-looking statements and other views expressed herein, are those of the portfolio managers as of the date of this report. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements, and the views expressed herein are subject to change at any time, due to numerous market and other factors. The Funds disclaim any obligation to update publicly or revise any forward-looking statements or views expressed herein.

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's, Moody's Investors Service, Inc., or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.



taking advantage of opportunities to reinvest the proceeds from sales, bond calls and matured bonds in segments of the yield curve other than the long end.

In NUV, NUW and NMI, cash for new purchases was generated primarily by the proceeds from an increased number of bond calls resulting from the growth in refinancings. During this reporting period, we worked to redeploy these proceeds as well as those from maturing bonds to keep the Funds as fully invested as possible.

NEV experienced several bond calls, as well as reinvestment proceeds from the Fund's secondary shelf offering. Overall, selling in all of the Funds was rather limited because the bonds in our portfolios generally offered higher yields than those available in the current marketplace.

As of April 30, 2013, all four of these Funds continued to use inverse floating rate securities. We employ inverse floaters for a variety of reasons, including duration management and income and total return enhancement. As part of our duration management strategies, NEV also invested in forward interest rates swaps to help reduce the duration of the Fund's portfolio. During the reporting period as the Fund's duration mitigated lower, we reduced our interest rate swaps. During this period, these swaps had a mildly positive impact on performance. NEV still had swaps in place at period end.

How did the Funds perform during the six-month reporting period ended April 30, 2013?

The tables in each Fund's Performance Overview and Holding Summaries section of this report provide total returns for the Funds for the six-month, one-year, five-year, ten-year and since inception periods ended April 30, 2013. Each Fund's total returns are compared with the performance of a corresponding market index and Lipper classification average.

For the six-months ended April 30, 2013, the total returns on net asset value (NAV) for NUV, NUW and NMI exceeded the return on the S&P Municipal Bond Index. NUV and NMI also outperformed the average return for the Lipper General & Insured Unleveraged Municipal Debt Funds Classification Average, while NUW trailed this Lipper average by a narrow margin. For the same period, NEV outperformed the S&P Municipal Bond Index and the Lipper General & Insured Leveraged Municipal Debt Funds Classification Average.

Key management factors that influenced the Funds' returns during this period included duration and yield curve positioning, the use of derivatives in NEV, credit exposure and sector allocation. In addition, NEV's use of leverage was an important

positive factor in its performance during this period. Leverage is discussed in more detail later in this report.

Municipal bonds with longer maturities generally outperformed those with shorter maturities during this reporting period. Overall, credits at the longest end of the municipal yield curve posted the strongest returns, while bonds at the shortest end produced the weakest results. For this period, duration and yield curve positioning was a major positive contributor to the performance of these Funds. Overall, NEV was the most advantageously positioned in terms of duration and yield curve, with the longest duration among these Funds. All of the Funds tended to be overweight in the longer segments of the yield curve that performed well and underweight at the shorter end of the curve that underperformed. In particular, the Funds benefited from their holdings of long duration bonds, many of which had zero percent coupons, which generally outperformed the market. During this period, NUV, NUW and NMI were overweight in zero coupon bonds.

Although NEV benefited from its longer duration, this Fund used forward interest rate swaps to reduce duration and moderate interest rate risk, as previously described. Because the interest rate swaps were used to hedge against a potential rise in interest rates, the swaps performed well and had a positive impact on NEV's total return performance for the period, which was offset by the Fund's overall duration and yield curve positioning and the strong performance of its municipal bond holdings.

Credit exposure was another important factor in the Funds' performance during these six months, as lower quality bonds generally outperformed higher quality bonds. This outperformance was due in part to the greater demand for lower rated bonds as investors looked for investment vehicles offering higher yields. As investors became more comfortable taking on additional investment risk, credit spreads or the difference in yield spreads between U.S. Treasury securities and comparable investments such as municipal bonds, narrowed through a variety of rating categories. As a result of this spread compression, all of these Funds benefited from their holdings of lower rated credits, especially NMI, which held the largest allocation of bonds rated BBB and the fewest combined AAA and AA rated bonds. Heavier weightings of AAA rated bonds in NUV and AA rated bonds in NEV detracted from these Funds' performance, although this was offset to a large degree in NEV by the Fund's strong exposure to non-rated and subinvestment grade credits.

During this reporting period, revenue bonds as a whole outperformed the general municipal market. Holdings that generally made positive contributions to the Funds' returns included health care (together with hospitals), transportation, education, water and sewer and industrial development revenue (IDR) bonds. All of these Funds benefited from their overweighting in health care, with NUV, NUW and NMI having the

heaviest weightings. In addition, NUV, NUW and NEV had good weightings in transportation, especially toll roads in NEV. NEV also was helped by its overweighting in higher education and IDRs. Tobacco credits backed by the 1998 master tobacco settlement agreement also performed extremely well, helped in part by their longer effective durations. These bonds also benefited from market developments, including increased demand for higher yielding investments by investors who had become less risk averse. In addition, based on recent data showing that cigarette sales had fallen less steeply than anticipated, the 46 states participating in the agreement stand to receive increased payments from the tobacco companies. As of April 30, 2013, all of these Funds, especially NUV and NUW, were overweight in tobacco bonds, which boosted their performance as tobacco credits rallied.

NEV's performance also benefited from improvement in one distressed holding: American Airlines bonds. This issue recovered meaningfully during the period, which was advantageous for the Fund's overall performance.

In contrast, pre-refunded bonds, which are often backed by U.S. Treasury securities, were the poorest performing market segment during this period. The underperformance of these bonds can be attributed primarily to their shorter effective maturities and higher credit quality. Although their exposure to pre-refunded bonds declined over this reporting period, NUV held a significantly heavier weighting of pre-refunded bonds than NMI. As newer Funds, NUW and NEV had substantially smaller allocations of pre-refunded bonds. General obligation (GO) bonds and housing and utilities (e.g., resource recovery, public power) credits also lagged the performance of the general municipal market for this period. All four of these Funds had relatively lighter exposures to GOs, which lessened the impact of these holdings.

Shareholders also should be aware of issues impacting some of the Funds' non-state holdings. In December 2012, Moody's down-graded Puerto Rico GO bonds to Baa3 from Baa1 based on Puerto Rico's ongoing economic problems, unfunded pension liabilities, elevated debt levels and structural budget gaps. In addition, during July 2012, bonds issued by the Puerto Rico Sales Tax Financing Corporation (COFINA) also were downgraded by Moody's to Aa3 from Aa2. The downgrade of the COFINA bonds was due mainly to the performance of Puerto Rico's economy and its impact on the projected growth of sales tax revenues, and not to any sector or structural issues. In addition, the COFINA bonds were able to maintain a higher rating than the GOs because, unlike the revenue streams supporting some Puerto Rican issues, the sales taxes supporting the COFINA bonds cannot be diverted and used to support the commonwealth's GO bonds. All of these Funds have exposure to Puerto Rico bonds, the majority of which are the dedicated sales tax bonds issued by COFINA.

During this period, we also added to our Puerto Rico holdings in NUV and NUW based on the credit strength of these bonds. These holdings were generally purchased as part of our efforts to keep the Funds fully invested and to provide higher yields, added diversification and triple exemption (i.e., exemption from federal, state, and local taxes). For the reporting period ended April 30, 2013, Puerto Rico paper generally underperformed the market as whole. Because most of our holdings were the COFINA bonds, the overall impact on performance was minimal, differing from Fund to Fund in line with the type and amount of its holdings. As we continue to emphasize Puerto Rico's stronger credits, we view the COFINA bonds as potentially long-term holdings and note that the commonwealth recently introduced various sales tax enforcement initiatives aimed at improving future collections.

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## Fund Leverage

## IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the returns of NEV, relative to its comparative index was its use of leverage. This was also a factor, although less significantly, for NUV, NUW and NMI because their use of leverage is more modest. The Funds use leverage because their managers believe that, over time, leveraging provides opportunities for additional income and total return for shareholders. However, use of leverage also can expose shareholders to additional volatility. For example, as the prices of securities held by a Fund decline, the negative impact of these valuation changes on net asset value and shareholder total return is magnified by the use of leverage. Conversely, leverage may enhance share returns during periods when the prices of securities held by a Fund generally are rising. Leverage made a positive contribution to the performance of the Funds over this reporting period.

As of April 30, 2013, the Funds' percentages of effective leverage are shown in the accompanying table.

	Effective Leverage*
NUV	1.78%
NUW	6.99%
NMI	8.77%
NEV	31.96%

\* Effective Leverage is a Fund's effective economic leverage, and includes both regulatory leverage and the leverage effects of certain derivative and other investments in a Fund's portfolio that increase the Fund's investment exposure. Currently, the leverage effects of Tender Option Bond (TOB) inverse floater holdings are included in effective leverage values.

## Share Information

## DIVIDEND INFORMATION

During the current reporting period ended April 30, 2013, the Funds' monthly dividends to shareholders were as shown in the accompanying table.

	Per Common Share Amounts			
	NUV	NUW	NMI	NEV
November	\$ 0.0370	\$ 0.0670	\$ 0.0475	\$ 0.0800
December	0.0370	0.0670	0.0475	0.0800
January	0.0370	0.0670	0.0475	0.0800
February	0.0370	0.0670	0.0475	0.0800
March	0.0370	0.0670	0.0475	0.0800
April	0.0370	0.0670	0.0475	0.0800
Long-Term Capital Gain*	\$ —	\$ 0.0090	\$ —	\$ —
Ordinary Income Distribution*	\$ 0.0035	\$ —	\$ 0.0016	\$ 0.0031
Market Yield**	4.27%	4.58%	4.59%	5.91%
Taxable-Equivalent Yield**	5.93%	6.36%	6.38%	8.21%

\* Distribution paid in December 2012.

\*\* Market Yield is based on the Fund's current annualized monthly dividend divided by the Fund's current market price as of the end of the reporting period. Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a federal income tax rate of 28.0%. When comparing a Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

All of the Funds in this report seek to pay stable dividends at rates that reflect each Fund's past results and projected future performance. During certain periods, each Fund may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it holds the excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid dividends in excess of its earnings, the excess constitutes negative UNII that is likewise reflected in the Fund's NAV. Each Fund will, over time, pay all of its net investment income as dividends to shareholders. As of April 30, 2013, all of the Funds in this report had positive UNII balances, based on our best estimate, for tax purposes and positive UNII balances for financial reporting purposes.

## SHARE EQUITY SHELF PROGRAMS

NUV, NUW and NEV have each filed a registration statement with the Securities and Exchange Commission (SEC) authorizing each Fund to issue an additional 19.6 million, 1.2 million and 1.9 million shares, respectively, through an equity shelf program. Under these equity shelf programs, the Funds, subject to market conditions, may raise additional capital from time to time in varying amounts and offering methods at a net price at or above each Fund's NAV per share.

During the current reporting period, NUV, NUW and NEV sold shares through their equity shelf program at a weighted average premium to NAV per share as shown in the accompanying table.

Fund	Shares Sold through Equity Shelf Program	Weighted Average Premium to NAV Per Share Sold
NUV	1,027,916	1.18%
NUW	163,893	1.71%
NEV	1,535,527	2.74%

Refer to Notes to Financial Statements, Footnote 1 — General Information and Significant Accounting Policies for further details on the Funds' equity shelf programs.

## SHARE REPURCHASES

During November 2012, the Nuveen Funds' Board of Directors/Trustees reauthorized the Funds' open-market share repurchase program, allowing each Fund to repurchase an aggregate of up to approximately 10% of its outstanding shares.

Since the inception of the Funds' repurchase programs, the Funds have not repurchased any of their outstanding shares.

## OTHER SHARE INFORMATION

As of April 30, 2013, and during the current reporting period, the share prices of the Funds were trading at a premium/(discount) to their NAVs as shown in the accompanying table.

	NUV	NUW	NMI	NEV
NAV	\$ 10.40	\$ 17.81	\$ 11.75	\$ 16.04
Share Price	\$ 10.39	\$ 17.57	\$	