

Edgar Filing: FEDERATED PREMIER MUNICIPAL INCOME FUND - Form 8-K

FEDERATED PREMIER MUNICIPAL INCOME FUND

Form 8-K

May 14, 2003

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 14, 2003

FEDERATED PREMIER MUNICIPAL INCOME FUND  
(Exact name of registrant as specified in its charter)

Delaware	001-31562	47-0896539
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

5800 Corporate Drive	
Pittsburgh, Pennsylvania	15237-7000
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (800) 341-7400

Item 9. Regulation FD Disclosure.

The following information is furnished pursuant to Item 9 of Form 8-K :

Following is information that may be made publicly available on or after  
May 14, 2003.

Information as of 4/30/03 unless otherwise noted.

Overview

Objective

Current income exempt from federal income tax, including the  
alternative minimum tax (AMT)

Pricing

Market Price	\$14.75 (Source: Bloomberg)
Daily NAV	\$14.54

Yield (%)

Current Yield based on Market Price 6.81

Current Yield based on NAV 6.91

Taxable Equivalent Market Yield\* 11.09

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### Dividends

Paid Monthly

Record Date: 23rd or the preceding business day of the month

4/03 \$0.08375

3/03 \$0.08375

2/03 \$0.08375

### Investment Concentration

Long-term municipal securities

### Portfolio Assets

\$142.5 million

### Portfolio Profile

Weighted Average Effective Maturity 11.24 Years

Weighted Average Effective Duration to Common\*\* 11.05 Years

Weighted Average Effective Duration to Gross 6.89 Years

Weighted Average Quality Aa2/AA (Rated Only)

Average Coupon 5.78%

Number of Securities 82

### Recommended Benchmark

Lehman Brothers Aggregate Municipal Bond Index

### Portfolio Managers

Mary Jo Ochson, CFA

Began Managing Fund: 12/02

Lee R. Cunningham, II

Began Managing Fund: 12/02

R.J. Gallo

Began Managing Fund: 12/02

### Fund History

NYSE Ticker FMN

CUSIP 31423P108

Inception 12/20/02

Inception NAV \$14.33

Inception Share Price \$15.00

### Portfolio Manager Commentary

#### Fund Performance

The fund's NAV rose 0.90% to end April at \$14.54. Based on NAV, the fund's total return, which includes the monthly dividend of 8.375 cents per share, was 1.49%. The fund's common market price increased 4.91% over the month to end at \$14.75. Based on the common market price, the fund's total return for April was 5.52%.

The share price ended the month at a premium of 1.44% relative to NAV, in contrast to the discount of 2.43% at the end of March. Trading volume of FMN's common shares on the NYSE averaged about 9,100 shares per day, up from 8,700 last month.

The annualized current yield of the fund relative to its month-end closing market price was 6.81%, which equates to 11.09% on a taxable equivalent basis for shareholders in the 38.6% federal tax bracket.

### Municipal Market

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The military success of U.S. forces in Iraq allowed market participants to refocus on the economy during April. Anticipation of accelerating economic growth following the end of fighting in Iraq seemed to diminish in the face of generally weak economic data. Treasury and municipal yields rose early in April as imminent military success was clear, but reversed course as signs of economic acceleration failed to emerge. On net, the AAA 10-year yield fell 7 basis points to 3.54% during April, and yields across the municipal yield curve fell from 1 to 14 basis points. (All yields from Municipal Market Data).

Seasonal upward pressure on short-term municipal yields during tax season contributed to a slight flattening in the slope of the municipal yield curve, with the difference between one-year and 20-year AAA yields ending April at 335 basis points, down from 350 basis points last month. The tepid pace of economic recovery continues to underpin the ongoing steep slope of the yield curve.

The total return on the Lehman Brothers Aggregate Municipal Bond Index was 0.66% for the month. The healthcare, education and insured segments of the index were the three strongest performing credit sectors. Holdings in these sectors contributed to the fund's positive performance in April and cumulatively represent over 75% of the fund portfolio.

### Investment Strategy

The portfolio management team continued to evaluate opportunities to increase fund holdings of bonds rated BBB or lower, consistent with the fund's income objective. The fund purchased such securities in the hospital, life care and special tax sectors during the month. The use of leverage continues to enhance the fund's ability to pay attractive dividends to common shareholders. The fund paid an average of 1.19% in preferred share dividends during April, while the capital contributed by preferred shareholders was invested in the fund's portfolio of long-term bonds, which had an average yield to effective maturity of 5.53% for the month.

### Cumulative Total Return (%)

	1 month	Since Inception (12/20/02)
Market Price	5.52	0.07
NAV (based on \$15.00)	(3.08)	(1.42)
NAV (based on \$14.33)	1.49	3.25

### Premium/Discount of Market Price to NAV

1.44% Premium

### Top Ten Holdings

Total % of Portfolio: 24.94%

Jefferson County, AL Sewer, Capital Improvement Warrants (FGIC Insured)	2.96%
North Central Texas HFDC (AMBAC Insured)	2.94%
Wisconsin State HEFA, (MBIA Insured)	2.89%
Village Center Community Development District, FL, (MBIA Insured)	2.89%
Seattle, WA Municipal Light & Power (FSA Insured)	2.82%
Commonwealth of Massachusetts, (FGIC Insured)	2.28%
Wichita, KS Water & Sewer Utility (FGIC Insured)	2.22%
California State Public Works Board (AMBAC Insured)	2.19%
Houston, TX, Refunding Public	1.90%

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Improvement LT GO Bonds (MBIA Insured)  
South Carolina State Public Service Authority, Santee Cooper (FSA Insured) 1.85%  
\*Insured

Sector Breakdown (Top Six) (%)  
Total % of Portfolio: 91.40%  
Insured 47.90  
Hospital 19.44  
Lifecare 8.73  
Special Tax 6.94  
Industrial Revenue 4.77  
General Obligation-State 2.90

Quality Breakdown (%)  
AAA 47.90  
AA 3.55  
A 12.44  
BBB 22.11  
B 0.94  
Not Rated 13.06

Percent of Portfolio Callable  
2003 0.46%  
2004 0.00%  
2005 0.00%  
2006 0.71%  
2007 1.44%  
As of 5/8/03

Preferred Share Ratings  
Moody's Aaa  
Fitch AAA  
Face Value of Preferred Shares \$53,675,000

\*Taxable Equivalent Market Yields - In calculating these yields, the market yield is divided by (1 minus the applicable tax rate). The maximum federal tax rate (38.6%) is used when calculating the taxable equivalent market yield. Federal Tax Rates are based on the 2003 rates as stated in the Economic Growth and Tax Relief Reconciliation Act of 2001.

\*\*Duration is a measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations. The Fund is a closed-end fund. Unlike open-end funds, closed-end funds are not continually offered. There is a one-time public offering, and once issued, shares of closed-end funds are bought and sold in the open market. Consequently, shares of closed-end funds may trade at, above or below their net asset values ("NAV"). If a closed-end fund's shares trade at a price below their NAV, they are said to be trading at a "discount." Conversely, if a closed-end fund's shares trade at a price above their NAV, they are said to be trading at a "premium." Shares of closed-end funds frequently trade at a discount.

The Fund offers Common Shares and Preferred Shares. The Pricing, Yield, Dividends, Fund History and Total Return information provided herein relates to Common Shares only. Unlike Preferred Shares, Common Shares are not rated.

The Fund's issuance of Preferred Shares creates leverage risks for holders of Common Shares. Two major types of risks created by leverage include: (1) the likelihood of greater volatility of NAV and market price of Common Shares, because changes in the value of the Fund's portfolio securities are borne

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entirely by holders of Common Shares; and (2) the possibility either that income available for Common Share dividends will fall if the Preferred Shares dividend rate rises, or that income available for Common Shares dividends will fluctuate because the Preferred Shares dividend rate varies.

The Fund invests in high-yield, lower-rated securities that generally entail greater market, credit and liquidity risks than investment-grade securities. Please refer to the Fund's prospectus for more information on the risks associated with an investment in the Fund.

Income may be subject to state and local taxes.

Past performance is no guarantee of future results. Total return, price, yields, and NAV will fluctuate. Total returns of less than 1 year are cumulative.

Portfolio composition is subject to change.

Credit ratings pertain only to the securities in the Fund's portfolio and do not protect the Fund against market risk.

For additional information, including definitions of related terms and indexes, see the Financial Glossary and Benchmark Index Glossary.

The Fund's Common Shares are only available for purchase and sale on the New York Stock Exchange at the current market price. Common Shares may trade at a discount to NAV. Total return data assumes full reinvestment of dividends. Consult your investment professional for further information.

Not FDIC Insured May Lose Value No Bank Guarantee

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FEDERATED PREMIER MUNICIPAL INCOME FUND  
(Registrant)

By /s/ Mary Jo Ochson  
Mary Jo Ochson  
Vice President

Date: May 14, 2003

