

NEUBERGER BERMAN INTERMEDIATE MUNICIPAL FUND INC
Form N-CSR
January 07, 2013

As filed with the Securities and Exchange Commission on January 4, 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: 811-21168

NEUBERGER BERMAN INTERMEDIATE MUNICIPAL FUND INC.
(Exact Name of the Registrant as Specified in Charter)
c/o Neuberger Berman Management LLC
605 Third Avenue, 2nd Floor
New York, New York 10158-0180
(Address of Principal Executive Offices – Zip Code)

Registrant's telephone number, including area code: (212) 476-8800

Robert Conti
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c/o Neuberger Berman Management LLC
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Date of fiscal year end: October 31, 2012

Date of reporting period: October 31, 2012

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 the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Report to Stockholders.

Neuberger Berman
Intermediate Municipal
Closed-End Funds

Neuberger Berman California Intermediate
Municipal Fund Inc.

Neuberger Berman Intermediate Municipal
Fund Inc.

Neuberger Berman New York Intermediate
Municipal Fund Inc.

Annual Report
October 31, 2012

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President's Letter

Dear Shareholder,

I am pleased to present this annual report for the Neuberger Berman Intermediate Municipal Closed-End Funds for the 12 months ended October 31, 2012. The report includes portfolio commentaries, listings of the Funds' investments and their audited financial statements for the reporting period.

Each Fund's investment objective is to provide a high level of current income exempt from regular federal income tax and, for each state-specific Fund, a high level of current income exempt from that state's personal income taxes (and, in the case of the New York Fund, New York City personal income tax).

We generally invest in intermediate-term municipal bonds because our experience and research indicate that this maturity range has historically offered the best risk/reward profile on the yield curve, providing much of the return of longer-term bonds with less volatility and risk. We believe that our conservative investment philosophy and disciplined investment process will benefit you with superior tax-exempt current income over the long term.

Thank you for your confidence in the Funds. We will continue to do our best to earn your trust in the years to come.

Sincerely,

Robert Conti
President And CEO
Neuberger Berman California Intermediate Municipal Fund Inc.
Neuberger Berman Intermediate Municipal Fund Inc.
Neuberger Berman New York Intermediate Municipal Fund Inc.

Neuberger Berman Intermediate Municipal Closed-End Funds Portfolio Commentaries (Unaudited)

For the 12 months ended October 31, 2012, on a net asset value ("NAV") basis, all three of the Neuberger Berman Intermediate Municipal Closed-End Funds posted positive returns and outperformed their benchmark, the Barclays 10 Year Municipal Bond Index. The California Intermediate Municipal Fund, Intermediate Municipal Fund, and New York Intermediate Municipal Fund posted 10.65%, 13.30% and 9.26% total returns, respectively, whereas the benchmark generated a 9.11% return. The use of leverage (typically a performance enhancer in up markets and a detractor during market retreats) was beneficial for performance as well.

The municipal market posted a solid return during the reporting period, with much of the return coming from market appreciation. Supporting the market were rising tax revenues, low defaults and some meaningful progress in the fiscal positions of numerous states. In addition, net new supply was low from a historical basis, whereas investor demand was typically strong. Looking at the municipal market more closely, lower-quality securities outperformed their higher-quality counterparts as investors looked to generate incremental yield in what appears to be an extended period of extremely low interest rates. In addition, longer-term securities outperformed shorter-term securities. The intermediate portion of the municipal curve produced mixed results over the 12-month period. However, intermediate-term municipal securities performed well overall, with the seven-year portion of the curve generating the best returns.

We tactically adjusted the Funds' durations several times during the reporting period. We started the period with a long duration versus the index and then generally allowed it to drift shorter in the first quarter of 2012. This adjustment was made because we anticipated some weakness in the market due to its extended rally and given seasonal weakness that typically occurs during tax season. In the second half of the reporting period, we then shifted to a longer duration and maintained this position for the remainder of the period. Overall, duration was positive for performance. In terms of the Funds' yield curve positioning, we maintained a barbell approach (investing in shorter and longer maturities). In contrast, the Funds' benchmark is concentrated in the eight- to 12-year portion of the curve. Given our underweight to the seven-year portion of the curve, the Funds' barbell approach detracted from relative results.

The Funds maintained a lower-quality bias compared to the benchmark as we sought to generate incremental yield. This was rewarded given the outperformance of lower-quality bonds during the reporting period. In addition, security selection generally contributed to results during the reporting period.

We have a generally positive outlook for the municipal market. In many ways, we believe the opportunities and the challenges in the market are similar to what we faced heading into the reporting period. The municipal yield curve continues to be steep from a historical perspective and we believe supply should remain manageable. In addition, with the economy expanding at a modest pace, we feel the Federal Reserve will hold rates at their current ultra-low levels for the foreseeable future. As such, we believe demand for municipal securities will be solid, especially given their compelling valuations versus other fixed income securities.

In terms of challenges, while we do not expect to see wholesale defaults, we do see the potential for a level of defaults above historic norms, as well as an increase in downgrade activity. Other areas that warrant our attention include the fiscal cliff and potential legislation regarding the tax-exempt status of municipal bonds. It is our view that the fiscal cliff will be resolved sooner rather than later. In light of the growing deficit in the U.S., there could be discussions in Washington DC regarding municipal bonds, but we do not anticipate seeing any meaningful changes to their tax-favored status. That being said, we could see periods of increased volatility in the municipal market in the coming months.

Sincerely,

James L. Iselin And S. Blake Miller
Portfolio Co-Managers

The portfolio composition, industries and holding of the Funds are subject to change.

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TICKER SYMBOLS

California Intermediate Municipal Fund	NBW
Intermediate Municipal Fund	NBH
New York Intermediate Municipal Fund	NBO

CALIFORNIA INTERMEDIATE MUNICIPAL FUND PORTFOLIO BY STATE AND TERRITORY

(as a % of Total Investments)

Arizona	0.5%
California	82.1
Florida	0.4
Guam	2.1
Illinois	0.9
Massachusetts	0.7
Nevada	0.8
New Jersey	0.5
Pennsylvania	1.4
Puerto Rico	8.9
Tennessee	0.4
Texas	1.3
Total	100.0%

NEW YORK INTERMEDIATE MUNICIPAL FUND PORTFOLIO BY STATE AND TERRITORY

(as a % of Total Investments)

Arizona	0.4%
California	2.9
Guam	2.4
Illinois	0.6
Massachusetts	0.9
Nevada	0.9
New York	82.5
Pennsylvania	1.6
Puerto Rico	6.2
Texas	1.6
Total	100.0%

PERFORMANCE HIGHLIGHTS¹

Neuberger Berman

Inception Average Annual Total Return

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Ended 10/31/2012

At NAV2	Date	1 Year	5 Years	10 Years	Life of Fund
California Intermediate Municipal Fund	09/24/2002	10.65%	7.33%	6.60%	6.51%
Intermediate Municipal Fund	09/24/2002	13.30%	7.63%	6.83%	6.73%
New York Intermediate Municipal Fund	09/24/2002	9.26%	6.53%	6.09%	6.02%
At Market Price3					
California Intermediate Municipal Fund	09/24/2002	19.55%	10.82%	6.63%	6.55%
Intermediate Municipal Fund	09/24/2002	17.51%	10.97%	6.63%	6.56%
New York Intermediate Municipal Fund	09/24/2002	20.49%	9.66%	6.09%	6.02%
Index					
Barclays 10 Year Municipal Bond Index4		9.11%	6.81%	5.55%	