

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

Madison Strategic Sector Premium Fund

Form N-CSR

February 28, 2014

OMB APPROVAL

OMB Number: 3235-0570

Expires: January 31, 2014

Estimated average burden hours per response...20.6

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21713

Madison Strategic Sector Premium Fund

(Exact name of registrant as specified in charter)

550 Science Drive, Madison, WI 53711

(Address of principal executive offices)(Zip code)

Pamela M. Krill

Madison Legal and Compliance Department

550 Science Drive

Madison, WI 53711

(Name and address of agent for service)

Registrant's telephone number, including area code: 608-274-0300

Date of fiscal year end: December 31

Date of reporting period: December 31, 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, 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. s 3507.

ANNUAL REPORT

December 31, 2013

Madison Strategic Sector
Premium Fund (MSP)

Active Equity Management combined with a Covered Call Option Strategy

Madison
www.madisonfunds.com

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

MSP | Madison Strategic Sector Premium Fund

Table of Contents

Management's Discussion of Fund Performance	2
Portfolio of Investments	7
Statement of Assets and Liabilities	11
Statement of Operations	12
Statements of Changes in Net Assets	13
Financial Highlights for a Share of Beneficial Interest Outstanding	14
Notes to Financial Statements	15
Report of Independent Registered Public Accounting Firm	22
Other Information	23
Trustees and Officers	27
Dividend Reinvestment Plan	31

1

MSP | Madison Strategic Sector Premium Fund
Management's Discussion of Fund Performance

What happened in the market during 2013?

Despite modest economic growth, U.S. equities had one of the best years in history and led the world's stock markets, as the S&P 500 advanced 32.39% in 2013. Domestic mid-cap and small-cap indices showed even stronger returns, with the Russell Midcap® Index up 34.76% and the Russell 2000® Index of small-cap stocks up 38.82%. Developed international markets were also robust, as the broad MSCI EAFE Net Index advanced 22.78%. Emerging markets, on the other hand, lagged the developed world badly, with the Russell Emerging Market Index barely positive with a 0.2% return.

Despite an array of challenges, the resilient U.S. economy grew by nearly 2% in 2013, with the rate of this growth appearing to accelerate through the final quarters. Europe seemed to be working through the worst of its problems, while emerging markets showed signs of slowing growth, putting selling pressure on what had been an investor favorite for much of the past decade.

Returns for bond investors were not as satisfying, as the broad Barclays U.S. Aggregate Bond Index dropped -2.02%. During the final quarter of 2013, fixed income investors continued to focus on the timing of a much awaited shift in monetary policy from the Federal Reserve (the "Fed"). Throughout 2013 strengthening economic fundamentals and hints from the Fed created expectations for a tapering in Fed open-market bond purchasing. These expectations for what was widely viewed as the first stage towards monetary tightening put steady pressure on interest rates. The yield on the bellwether 10-year Treasury began the year below 2% and climbed close to 3% in early September before drifting back to 2.6% at the end of the third quarter. At year's end the 10-year yield was just over 3%, marking its highest level for 2013.

How did the fund perform given the marketplace conditions during 2013?

For the year ending December 31, 2013, on a Net Asset Value (NAV) basis, Madison Strategic Sector Premium Fund ("MSP" or the "Fund") rose 16.8%, compared to the 13.3% return of the CBOE S&P BuyWrite Index (BXM), the Fund's primary index. The BXM represents the passive version of a covered call equity strategy. On a share price basis, MSP advanced 17.7%. The fund's share price discount to the NAV widened slightly throughout the year, starting at a 13.5% discount and ending the year at a 13.8% discount. In mid-February, the discount was at its narrowest level at 10.2%. MSP distributed \$1.04 per share for the full year, on par with the 2012 distribution level. We earned \$2.09 from investment operations as our NAV increased from \$12.83

to \$13.88. Using year-end values, the Fund's yield was 7.5% on NAV or 8.7% on market price.

**SHARE PRICE AND NAV PERFORMANCE FOR
MADISON STRATEGIC SECTOR PREMIUM FUND**

However, MSP outperformed the BXM by over 350 basis points on a NAV basis. The Fund was positively impacted by stock selection and sector allocation that were stronger than the S&P 500, which is the underlying asset in the BXM. In addition, the Fund's equity exposure was not fully "covered" by call options during the year which resulted in the Fund being less hedged relative to the BXM which is fully covered at all times. Being less hedged in a rising market environment allowed the Fund to participate in the positive market move to a greater extent. Partially offsetting these positive attributes was the impact of the Fund's cash exposure which detracted from performance in a rising market relative to the BXM, which has no cash exposure. The impacts of stock selection, sector allocation and cash holdings is discussed below.

2

MSP | Madison Strategic Sector Premium Fund | Management's Discussion of Fund Performance - continued

Typically, a covered call strategy will lag the overall market during periods of strong upward movement in stock prices as the sale of call options against stock positions limits full participation in favor of higher income potential and downside protection. This certainly impacted the Fund's ability to keep up with the strong returns of the S&P 500 over the past 12 months.

The strong full year performance of the S&P 500 was broad-based and led by lower-quality, higher-risk companies. From a sector perspective, the Consumer Discretionary, Health Care and Industrial sectors were the top performers for the Fund. The Fund benefited from its overweighted positioning in consumer companies with particularly strong performance coming from Best Buy, Advance Auto Parts and Amazon, only minimally offset by weakness in a few mid-cap companies such as Lululemon and Panera Bread Company. The Fund had a neutral weight in Health Care stocks, although the positioning declined throughout the year as individual holdings were trimmed or sold due to strong performance. Biotechnology companies were the best of breed performers with this sector, and the Fund benefitted from owning Celgene and Allergan. Generic drug manufacturers were mixed with Mylan Labs' strong performance offset by weakness in Teva Pharmaceuticals. The Industrials sector was under-represented in the Fund and individual stocks underperformed led by weakness in C. H. Robinson and Expeditors International. Strength in United Technologies partially offset weakness elsewhere. The weakest sectors during the year were the relatively small Telecom and Utilities sectors in which the Fund had no exposure. The Information Technology sector was up over 26% but technically underperformed the overall market. The Fund has had a consistent overweighted position in this sector so this hindered relative performance to a small degree. The Fund's individual technology holdings fared well during the year with particularly strong contribution coming from Microsoft, Linear Technology, Applied Materials, Symantec and Cisco Systems. Weaker performance came from Broadcom, Altera, Nuance Communications and eBay.

With respect to cash levels, a rising stock market typically results in a high level of stock assignments, which can occur when a holding's market price moves above the call option's strike price. A high level of assignments will lead to higher cash levels until the cash is reinvested into other appropriate equity holdings. During 2013, assignment activity was very high given the stock market's strong advance, and cash levels were consistently elevated as the fund managers prudently awaited reinvestment opportunities without the benefit of meaningful market pullbacks. The higher than normal cash levels were a hindrance to performance given the market's strong advance. At year end, cash levels were at 10.5%.

Describe the Fund's portfolio equity and option structure.

As of December 31, 2013, the Fund held 45 equity securities, and unexpired covered call options had been written against 86.5% of the Fund's stock holdings. It is the strategy of the fund to write "out-of-the-money" call options, yet, as of December 31, only 26% of the Fund's call options (17 of 65 different options) remained "out-of-the-money." The sharp market rally late in the year caused many options to move into the money although they were originally written out-of-the-money. (Out-of-the-money means the stock price is below the strike price at which the shares could be called away by the option holder.) Given concerns that the overall market had moved ahead of fundamentals, in mid-year, the Fund's managers began writing options "closer-to-the-money" in order to capture higher premium income and provide the Fund added protection from a reversal in the market's most recent upward trend. With a very high percentage of the equity holdings covered by options written closer-to-the-money, the Fund took on a greater "hedged" posture as the year wound down. Clearly, as the market continued to move higher, this was a drag on relative performance.

Which sectors are prevalent in the Fund?

From a sector perspective, MSP's largest exposure as of December 31, 2013 was to the Information Technology (and technology related) sector, followed by Consumer Discretionary, Health Care and Industrials. The Fund had no representation in the Telecommunication Services and Utilities sectors as of year-end.

3

MSP | Madison Strategic Sector Premium Fund | Management's Discussion of Fund Performance - continued
 ALLOCATION AS A PERCENTAGE OF TOTAL INVESTMENTS AS OF 12/31/13

Consumer Discretionary	16.5	%
Consumer Staples	4.5	%
Energy	7.1	%
Financials	6.1	%
Health Care	8.5	%
Industrials	8.4	%
Information Technology†	26.3	%
Materials	5.0	%
Short-Term Investments	0.4	%
Exchange Traded Funds	6.7	%
U.S. Government and Agency Obligations	10.5	%

†Information Technology includes securities in the following industries: Communications Equipment; Computers and Peripherals; Internet Software & Services; IT services; Semiconductors & Semiconductor Equipment; and Software. Discuss the Fund's security and option selection process.

The Fund is managed by primarily focusing on active stock selection before adding the call option overlay utilizing individual equity call options rather than index options. We use fundamental analysis to select solid companies with good growth prospects and attractive valuations. We then seek attractive call options to write on those stocks. It is our belief that this partnership of active management of the equity and option strategies provides investors with an innovative, risk-moderated approach to equity investing. The Fund's portfolio managers seek to invest in a portfolio of common stocks that have favorable "PEG" ratios (Price/Earnings Ratio to Growth Rate) as well as financial strength and industry leadership. As bottom-up investors, we

focus on the fundamental businesses of our companies. Our stock selection philosophy strays away from the “beat the street” mentality, as we seek companies that have sustainable competitive advantages, predictable cash flows, solid balance sheets and high-quality management teams. By concentrating on long-term prospects and circumventing the “instant gratification” school of thought, we believe we bring elements of consistency, stability and predictability to our shareholders.

Once we have selected attractive and solid names for the fund, we employ our call writing strategy. This procedure entails selling calls that are primarily out-of-the-money, meaning that the strike price is higher than the common stock price, so that the Fund can participate in some stock appreciation. By receiving option premiums, the Fund receives a high level of investment income and adds an element of downside protection. Call options may be written over a number of time periods and at differing strike prices in an effort to maximize the protective value to the strategy and spread income evenly throughout the year.

Discuss how risk is managed through the Fund’s investment process.

Risk management is a critical component of the investment manager’s overall philosophy and investment process. The primary means for managing risk are as follows:

1. Focus on the underlying security. The manager’s bottom-up stock selection process is geared toward investing in companies with very strong fundamentals including market leadership, balance sheet strength, attractive growth prospects, sustainable competitive advantages, predictable cash flows, and high-quality management teams.

Purchasing such companies at attractive valuations is vital to providing an added margin of safety and the manager’s “growth-at-a-reasonable-price” (GARP) philosophy is specifically tuned to such valuation discipline.

2. Active covered call writing. The manager actively sells (writes) individual equity call options on equities that are owned by the fund. The specific characteristics of the call options (strike price, expiration, degree of coverage) are dependent on the manager’s outlook on the underlying equity and/or general market conditions. If equity prices appear over-valued due to individual company strength or surging markets, the manager may choose to become more defensive with the fund’s option strategy by selling call options that are closer to the current equity market price, generating larger option premiums which would help defend against a market reversal. The manager may also sell call options on a greater percentage of the portfolio in an effort to provide for more downside protection. Following a market downturn, the manager may sell options further out of the money in order to allow the Fund to

benefit from a market recovery. In such an environment, the manager may also determine that a
4

MSP | Madison Strategic Sector Premium Fund | Management's Discussion of Fund Performance - continued
lesser percentage of the portfolio should be covered by call options in order to more fully participate in market upside.
3. Cash management and timing. Generally, the manager believes that the Fund should be fully invested under normal market conditions. A covered call strategy is rather unique relative to most equity portfolios, as the short term nature of call options can lead to the assignment or sale of underlying stock positions on a fairly regular basis. As a result, the Fund's cash levels are likely to frequently fluctuate based on the characteristics of the call options and the market conditions. The thoughtful reinvestment of cash levels adds a layer of risk management to the investment process. This is most evident following a strong surge in equity prices above the strike prices of call options written against individual stocks in the Fund (call options move in-the-money). This could lead to a larger than normal wave of stock sales via call option assignment, which would increase the fund's cash position following a period of very strong stock growth. Given the manager's disciplined focus on purchasing underlying securities at appropriate valuation levels, the immediate reinvestment of cash may be delayed until market conditions and valuations become more attractive. If market conditions continue to surge for a period of time, the fund may underperform due to higher than normal cash levels; however, it is the manager's belief that maintaining a strong valuation discipline will provide greater downside protection over a full market cycle.

What is management's outlook for the market and Fund in 2014?

In our view, the slow but steady improvement in the U.S. real economy bodes well for 2014. Our cautiously upbeat outlook is largely based on an improving fiscal backdrop, with 2013's federal government headwind expected to recede in 2014. Relative to other countries, the U.S. enjoys favorable demographics, has strong energy and agricultural resources, and a robust consumer base. In addition, the U.S. federal budget deficit has declined from 10% to near 4% of GDP over the past four years. We remain watchful regarding still-high debt levels with governmental entities and consumers, lower labor force participation, unclear long-term fiscal and monetary policies, and lower levels of capital investments by businesses. On balance, though, the U.S. looks strong compared to the rest of the world.

In terms of the equity markets, following an incredibly strong performance in 2013, U.S. equity markets are more susceptible to short term volatility stemming from some wavering in the emerging markets and/or the negative impact from severe winter weather. There are also growing signs of complacency and greed with investors, so we would view the short term risk/reward environment as skewed toward risk. This has

been evident in the growing “hedged” positioning of the Fund in late 2013. However, looking beyond some potential near-term uncertainty, we view corporate America as being in relatively solid health with good balance sheets, excessive cash, and low but positive earnings growth. Given the recent run-up in equities, valuations have become somewhat extended but not excessive. We expect that volatility will be higher in 2014, and this should provide an improved premium environment for selling call options.

TOP TEN HOLDINGS AS OF 12/31/13

% of net assets

Apple Inc.	3.8	%
Apache Corp.	3.4	%
eBay Inc.	3.4	%
DIRECTV	3.3	%
Powershares QQQ Trust Series 1 ETF	3.3	%
Oracle Corp.	2.9	%
T. Rowe Price Group Inc.	2.8	%
Accenture PLC, Class A	2.8	%
Advance Auto Parts Inc.	2.8	%
SPDR S&P 500 ETF Trust	2.7	%

MSP | Madison Strategic Sector Premium Fund | Management's Discussion of Fund Performance - concluded
INDEX DEFINITIONS

Indices are unmanaged, reflect no expenses and it is not possible to invest directly in an index.

The S&P 500 Index is an unmanaged, capitalization weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Chicago Board Options Exchange (CBOE) Market Volatility Index, often referred to as the VIX (its ticker symbol), the fear index or the fear gauge, is a measure of the implied volatility of S&P 500 Index options. It represents a measure of the market's expectation of stock market volatility over the next 30-day period. Quoted in percentage points, the VIX represents the expected daily movement in the S&P 500 Index over the next 30-day period, which is then annualized.

The CBOE S&P 500 Buy/Write Index (BXM) is a benchmark index designed to show the hypothetical performance of a portfolio that purchases all the constituents of the S&P 500 Index and then sells at-the-money (meaning same as purchase price) call options of one-month duration against those positions.

6

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

MSP | Madison Strategic Sector Premium Fund | December 31, 2013

Portfolio of Investments

	Shares	Value
COMMON STOCKS - 87.2%		
Consumer Discretionary - 17.5%		
Advance Auto Parts Inc. (A)	20,000	\$ 2,213,600
Amazon.com Inc. * (A)	4,000	1,595,160
CBS Corp., Class B (A)	15,000	956,100
DIRECTV * (A)	39,000	2,694,510
Discovery Communications Inc., Class C * (A)	17,000	1,425,620
Home Depot Inc./The (A)	23,000	1,893,820
Lululemon Athletica Inc. * (A)	27,000	1,593,810
Panera Bread Co., Class A * (A)	9,500	1,678,555
		14,051,175
Consumer Staples - 4.8%		
Costco Wholesale Corp. (A)	15,000	1,785,150
CVS Caremark Corp. (A)	29,000	2,075,530
		3,860,680
Energy - 7.5%		
Apache Corp. (A)	32,000	2,750,080
Canadian Natural Resources Ltd. (A)	35,000	1,184,400
Petroleo Brasileiro S.A., ADR	60,000	826,800
Schlumberger Ltd. (A)	14,000	1,261,540
		6,022,820
Financials - 6.4%		
BB&T Corp. (A)	45,000	1,679,400
Morgan Stanley (A)	40,000	1,254,400
T. Rowe Price Group Inc. (A)	27,000	2,261,790
		5,195,590
Health Care - 8.9%		
Allergan Inc. (A)	16,000	1,777,280
Baxter International Inc. (A)	27,000	1,877,850
Mylan Inc. * (A)	12,000	520,800
Teva Pharmaceutical Industries Ltd., ADR (A)	35,000	1,402,800
Varian Medical Systems Inc. * (A)	21,000	1,631,490
		7,210,220
Industrials - 8.9%		
C.H. Robinson Worldwide Inc. (A)	20,000	1,166,800
Expeditors International of Washington Inc. (A)	31,000	1,371,750
Rockwell Collins Inc. (A)	23,000	1,700,160
Stericycle Inc. * (A)	10,500	1,219,785
United Technologies Corp. (A)	15,000	1,707,000
		7,165,495
Information Technology - 27.9%		
Communications Equipment - 2.7%		

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

QUALCOMM Inc. (A)	29,000	2,153,250
	Shares	Value
Computers & Peripherals - 5.6%		
Apple Inc. (A)	5,500	\$ 3,086,105
EMC Corp. (A)	55,000	1,383,250
		4,469,355
Internet Software & Services - 3.4%		
eBay Inc. * (A)	50,000	2,744,500
IT Services - 3.3%		
Accenture PLC, Class A (A)	27,000	2,219,940
Visa Inc., Class A (A)	2,000	445,360
		2,665,300
Semiconductors & Semiconductor Equipment - 6.8%		
Altera Corp.	50,000	1,626,500
Broadcom Corp., Class A (A)	60,000	1,779,000
Linear Technology Corp. (A)	46,000	2,095,300
		5,500,800
Software - 6.1%		
Microsoft Corp. (A)	42,000	1,572,060
Nuance Communications Inc. * (A)	65,000	988,000
Oracle Corp. (A)	61,000	2,333,860
		4,893,920
		22,427,125
Materials - 5.3%		
Freeport-McMoRan Copper & Gold Inc. (A)	25,000	943,500
Monsanto Co. (A)	12,000	1,398,600
Mosaic Co./The (A)	40,000	1,890,800
		4,232,900
Total Common Stocks (Cost \$66,368,041)		70,166,005
INVESTMENT COMPANIES - 7.1%		
Powershares QQQ Trust Series 1 ETF (A)	30,000	2,638,800
SPDR S&P 500 ETF Trust (A)	11,900	2,197,573
SPDR S&P MidCap 400 ETF Trust (A)	3,500	854,700
Total Investment Companies (Cost \$5,352,579)		5,691,073
	Par Value	
U.S. GOVERNMENT AND AGENCY OBLIGATIONS - 11.1%		
U.S. Treasury Bills (B) (C) - 11.1%		
0.018%, 1/30/14	\$4,000,000	3,999,944
0.038%, 2/6/14	5,000,000	4,999,812
		8,999,756
Total U.S. Government and Agency Obligations (Cost \$8,999,756)		8,999,756

See accompanying Notes to Financial Statements.

7

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

MSP | Madison Strategic Sector Premium Fund | Portfolio of Investments - continued | December 31, 2013

	Shares	Value
SHORT-TERM INVESTMENTS - 0.5%		
State Street Institutional U.S. Government Money Market Fund	367,732	\$ 367,732
Total Short-Term Investments (Cost \$367,732)		367,732
TOTAL INVESTMENTS - 105.9%		
(Cost \$81,088,108**)		85,224,566
NET OTHER ASSETS AND LIABILITIES - (0.1%)		
		(54,797)
TOTAL CALL & PUT OPTIONS WRITTEN - (5.8%)		
		(4,695,883)
TOTAL NET ASSETS - 100.0%		
		\$80,473,886

* Non-income producing.

** Aggregate cost for Federal tax purposes was \$81,209,226.

(A) All or a portion of these securities' positions represent covers (directly or through conversion rights) for outstanding options written.

(B) All or a portion of these securities are segregated as collateral for put options written. As of December 31, 2013, the total amount segregated was \$8,999,756.

(C) Rate noted represents annualized yield at time of purchase.

ADR American Depository Receipt

ETF Exchange Traded Fund

PLC Public Limited Company

See accompanying Notes to Financial Statements.

8

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

MSP | Madison Strategic Sector Premium Fund | Portfolio of Investments - continued | December 31, 2013

Call Options Written	Contracts (100 Shares Per Contract)	Expiration Date	Strike Price	Value (Note 2)
Accenture PLC, Class A	270	January 2014	\$ 75.00	\$195,750
Advance Auto Parts Inc.	200	January 2014	85.00	513,000
Allergan Inc.	160	January 2014	95.00	260,800
Amazon.com Inc.	40	January 2014	315.00	335,900
Apache Corp.	120	January 2014	90.00	2,760
Apache Corp.	200	January 2014	92.50	1,300
Apple Inc.	15	January 2014	550.00	26,362
Apple Inc.	40	February 2014	565.00	88,600
Baxter International Inc.	135	February 2014	70.00	20,250
BB&T Corp.	450	January 2014	35.00	109,350
Broadcom Corp., Class A	300	January 2014	28.00	53,700
Broadcom Corp., Class A	300	February 2014	28.00	70,200
C.H. Robinson Worldwide Inc.	100	January 2014	60.00	2,500
C.H. Robinson Worldwide Inc.	100	February 2014	57.50	24,750
Canadian Natural Resources Ltd.	350	January 2014	33.00	40,250
CBS Corp., Class B	75	January 2014	55.00	65,625
CBS Corp., Class B	75	January 2014	60.00	29,250
Costco Wholesale Corp.	120	January 2014	118.00	25,080
Costco Wholesale Corp.	30	January 2014	120.00	3,030
CVS Caremark Corp.	290	January 2014	62.50	265,350
DIRECTV	100	January 2014	62.50	66,250
DIRECTV	215	January 2014	65.00	91,375
Discovery Communications Inc., Class C	170	March 2014	80.00	97,750
eBay Inc.	300	January 2014	52.50	84,300
eBay Inc.	200	January 2014	55.00	23,800
EMC Corp.	250	January 2014	26.00	2,500
EMC Corp.	300	February 2014	25.00	26,700
Expeditors International of Washington Inc.	180	January 2014	45.00	6,750
Expeditors International of Washington Inc.	130	February 2014	45.00	12,350
Freeport-McMoRan Copper & Gold Inc.	250	January 2014	35.00	70,375
Home Depot Inc./The	190	January 2014	75.00	140,125
Home Depot Inc./The	40	January 2014	77.50	19,800
Linear Technology Corp.	260	January 2014	40.00	144,300
Linear Technology Corp.	200	February 2014	41.00	93,000
Lululemon Athletica Inc.	135	March 2014	62.50	30,713
Microsoft Corp.	270	January 2014	35.00	68,580
Microsoft Corp.	150	February 2014	36.00	32,700

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

Monsanto Co.	120	January 2014	110.00	81,600
Morgan Stanley	200	January 2014	29.00	50,100
Morgan Stanley	200	January 2014	30.00	33,200
Mosaic Co./The	200	January 2014	47.50	17,200
Mosaic Co./The	200	January 2014	50.00	3,800
Mylan Inc.	120	January 2014	39.00	54,000
Nuance Communications Inc.	300	February 2014	16.00	24,000
Oracle Corp.	310	January 2014	34.00	131,750
Oracle Corp.	300	March 2014	35.00	110,250
Panera Bread Co., Class A	25	January 2014	165.00	30,250
Panera Bread Co., Class A	70	January 2014	170.00	53,550

See accompanying Notes to Financial Statements.

9

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

MSP | Madison Strategic Sector Premium Fund | Portfolio of Investments - concluded | December 31, 2013

Call Options Written	Contracts (100 Shares Per Contract)	Expiration Date	Strike Price	Value (Note 2)
Powershares QQQ Trust Series 1	300	January 2014	\$ 82.00	\$ 185,550
QUALCOMM Inc.	190	January 2014	70.00	82,650
QUALCOMM Inc.	100	January 2014	72.50	21,200
Rockwell Collins Inc.	180	January 2014	70.00	75,600
Schlumberger Ltd.	140	February 2014	90.00	39,620
SPDR S&P 500 ETF Trust	119	January 2014	175.00	120,428
SPDR S&P MidCap 400 ETF Trust	35	January 2014	235.00	34,125
Stericycle Inc.	55	February 2014	115.00	19,525
T. Rowe Price Group Inc.	180	January 2014	75.00	156,600
T. Rowe Price Group Inc.	90	January 2014	80.00	35,550
Teva Pharmaceutical Industries Ltd.	200	January 2014	42.50	3,800
United Technologies Corp.	100	January 2014	110.00	41,500
United Technologies Corp.	50	February 2014	110.00	25,625
Varian Medical Systems Inc.	50	February 2014	75.00	21,500
Varian Medical Systems Inc.	160	May 2014	80.00	51,200
Visa Inc., Class A	20	January 2014	200.00	45,500
Total Call Options Written (Premiums received \$2,186,508)				\$4,694,848
Put Options Written				
Monsanto Co.	90	January 2014	97.50	1,035
Total Put Options Written (Premiums received \$22,140)				\$ 1,035
Total Options Written, at Value (Premiums received \$2,208,648)				\$4,695,883

See accompanying Notes to Financial Statements.

10

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

MSP | Madison Strategic Sector Premium Fund

Statement of Assets and Liabilities as of December 31, 2013

Assets:

Investments in securities, at cost	
Unaffiliated issuers	\$ 81,088,108
Net unrealized appreciation	
Unaffiliated issuers	4,136,458
Total investments at value	85,224,566
Receivables:	
Dividends and interest	31,571
Total assets	85,256,137

Liabilities:

Payables:

Advisory agreement fees	54,586
Service agreement fees	31,782
Options written, at value (premiums received \$2,208,648) (Note 6)	4,695,883
Total liabilities	4,782,251

Net Assets \$ 80,473,886

Net assets consist of:

Paid-in capital	\$ 86,506,142
Accumulated undistributed net investment income	—
Accumulated net realized loss on investments sold, options and foreign currency related transactions	(7,681,473)
Net unrealized appreciation of investments (including appreciation (depreciation) of options and foreign currency related transactions)	1,649,217
Net Assets	\$ 80,473,886

Capital Shares Issued and Outstanding (Note 7) 5,798,291

Net Asset Value per share \$ 13.88

See accompanying Notes to Financial Statements.

11

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

MSP | Madison Strategic Sector Premium Fund

Statement of Operations For the Year Ended December 31, 2013

Investment Income:

Interest	\$	4,948
Dividends		
Unaffiliated issuers	845,288	
Less: Foreign taxes withheld	(13,108)	
Total investment income	837,128	
Expenses:		
Advisory agreement fees	625,375	
Service agreement fees	140,710	
Other expenses	137	
Total expenses	766,222	
Net Investment Income	70,906	
Net Realized and Unrealized Gain (Loss) on Investments		
Net realized gain on investments (including net realized gain (loss) on foreign currency related transactions)		
Options	4,651,127	
Unaffiliated issuers	4,403,536	
Net change in unrealized appreciation (depreciation) on investments (including net unrealized appreciation (depreciation) on foreign currency related transactions)		
Options	(2,136,567)	
Unaffiliated issuers	5,097,767	
Net Realized and Unrealized Gain on Investments and Option Transactions	12,015,863	
Net Increase in Net Assets from Operations	\$	12,086,769

See accompanying Notes to Financial Statements.

12

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

MSP | Madison Strategic Sector Premium Fund | December 31, 2013

Statements of Changes in Net Assets

	Year Ended December 31,	
	2013	2012
Net Assets at beginning of period	\$ 74,417,340	\$ 73,212,098
Increase in net assets from operations:		
Net investment income	70,906	166,882
Net realized gain on investment transactions	9,054,663	32,352
Net change in unrealized appreciation on investment transactions	2,961,200	7,036,231
Net increase in net assets from operations	12,086,769	7,235,465
Distributions to shareholders:		
From net investment income	(70,906)	(166,882)
From net capital gains	(5,959,317)	(23,748)
From return of capital	–	(5,839,593)
Total distributions	(6,030,223)	(6,030,223)
Total increase in net assets	6,056,546	1,205,242
Net Assets at end of period	\$ 80,473,886	\$ 74,417,340
Undistributed net investment income included in net assets	\$ –	\$ –

See accompanying Notes to Financial Statements.

13

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

MSP | Madison Strategic Sector Premium Fund | December 31, 2013

Financial Highlights for a Share of

Beneficial Interest Outstanding

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Net Asset Value at beginning of period	\$12.83	\$12.63	\$14.07	\$13.83	\$10.75
Income from investment operations:					
Net investment income (loss) ¹	0.01	0.03	0.002	(0.030)	(0.030)
Net realized and unrealized gain (loss) on investments	2.08	1.21	(0.400)	1.31	4.26
Total from investment operations	2.09	1.24	(0.400)	1.28	4.23
Less Distributions:					
From net investment income	(0.010)	(0.030)	(0.00) ²	–	–
From capital gains	(1.030)	(0.00) ²	(0.940)	–	(1.150)
From return of capital	–	(1.010)	(0.100)	(1.040)	–
Total distributions	(1.040)	(1.040)	(1.040)	(1.040)	(1.150)
Net increase (decrease) in net asset value	1.05	0.20	(1.440)	0.24	3.08
Net Asset Value at end of period	\$13.88	\$12.83	\$12.63	\$14.07	\$13.83
Market Value at end of period	\$11.96	\$11.09	\$10.64	\$12.82	\$12.23
Total Return					
Net asset value (%)	16.81	9.92	(2.800)	9.79	41.21
Market value (%)	17.71	13.97	(9.240)	14.01	55.81
Ratios/Supplemental Data					
Net Assets at end of period (in 000's)	\$80,474	\$74,417	\$73,212	\$81,572	\$80,178
Ratios of expenses to average net assets:					
Total expenses, excluding interest expense (%)	0.98	0.98	0.98	0.98	1.04
Total expenses, including interest expense (%)	0.98	0.98	0.98	0.98	1.23
Ratio of net investment income to average net assets(%)	0.09	0.22	0.01	(0.200)	(0.270)
Portfolio turnover (%)	153	53	83	61	25

¹Based on average shares outstanding during the year.

²Amount represents less than \$0.005 per share.

See accompanying Notes to Financial Statements.

14

MSP | Madison Strategic Sector Premium Fund

Notes to Financial Statements

1. ORGANIZATION

Madison Strategic Sector Premium Fund (the “Fund”) was organized as a Delaware statutory trust on February 4, 2005. The Fund is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended. The Fund commenced operations on April 27, 2005.

The Fund’s primary investment objective is to provide a high level of current income and current gains, with a secondary objective of long-term capital appreciation. The Fund will pursue its investment objectives by investing in a portfolio consisting primarily of common stocks of large and mid-capitalization issuers that are, in the view of Madison Asset Management, LLC, the Fund’s investment adviser (the “Adviser”), selling at a reasonable price in relation to their long-term earnings growth rates. Under normal market conditions, the Fund will seek to generate current earnings from option premiums by writing (selling) covered call options on a substantial portion of its portfolio securities. There can be no assurance that the Fund will achieve its investment objectives. The Fund’s investment objectives are considered fundamental and may not be changed without shareholder approval.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities and reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Portfolio Valuation. Securities traded on a national securities exchange are valued at their closing sale price, except for securities traded on NASDAQ, which are valued at the NASDAQ official closing price (“NOCP”), and options which are valued at the mean between the best bid and best ask price across all option exchanges. Debt securities having maturities of 60 days or less are valued at amortized cost, which approximates market value. Debt securities having longer maturities, are valued on the basis of last available bid prices or current market quotations provided by dealers or pricing services approved by the Fund. Mutual funds are valued at their Net Asset Value. Securities for which market quotations are not readily available are valued at

their fair value as determined in good faith under procedures approved by the Board of Trustees.

At times, the Fund maintains cash balances at financial institutions in excess of federally insured limits. The Fund monitors this credit risk and has not experienced any losses related to this risk.

The Fund has adopted Financial Accounting Standards Board (“FASB”) applicable guidance on fair value measurements. Fair value is defined as the price that each fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. A three-tier hierarchy is used to maximize the use of observable market data “inputs,” minimize the use of unobservable “inputs” and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk (for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique). Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below:

Level 1 – unadjusted quoted prices in active markets for identical investments

15

MSP | Madison Strategic Sector Premium Fund | Notes to Financial Statements - continued

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rate volatilities, prepayment speeds, credit risk, benchmark yields, transactions, bids, offers, new issues, spreads and other relationships observed in the markets among comparable securities, underlying equity of the issuer; and proprietary pricing models such as yield measures calculated using factors such as cash flows, financial or collateral performance and other reference data, etc.)

Level 3 – significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments)The valuation techniques used by the Fund to measure fair value for the period ended December 31, 2013 maximized the use of observable inputs and minimized the use of unobservable inputs.

There were no transfers between classification levels during the year ended December 31, 2013. As of and during the year ended December 31, 2013, the Fund did not hold securities deemed as a Level 3.

The following table represents the Fund’s investments carried on the Statement of Assets and Liabilities by caption and by level within the fair value hierarchy as of December 31, 2013:

Description	Level 1	Level 2	Level 3	Value at 12/31/13
Assets:				
Common Stocks	\$70,166,005	\$ –	\$ –	\$70,166,005
Investment Companies U.S.	5,691,073	–	–	5,691,073
Government and Agency Obligations	–	8,999,756	–	8,999,756
Short-Term Investments	367,732	–	–	367,732
	\$76,224,810	\$ 8,999,756	\$ –	\$85,224,566
Liabilities:				
Written options	\$ 4,695,883	\$ –	\$ –	\$ 4,695,883

The following table presents the types of derivatives in the Fund and their effect:

Statement of Asset & Liability Presentation of Fair Values of Derivative Instruments

Derivatives not accounted for as hedging instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Equity contracts	–	\$ –	Options written	\$4,695,883

The following table presents the effect of derivative instruments on the Statement of Operations for the year ended December 31, 2013:

Derivatives not accounted for as hedging instruments	Realized Gain on Derivatives	Change in Unrealized Depreciation on Derivatives
Equity contracts	\$4,651,127	\$(2,136,567)

16

MSP | Madison Strategic Sector Premium Fund | Notes to Financial Statements - continued

In June 2013, FASB issued an update (“ASU 2013-08”) to ASC Topic 946, Financial Services – Investment Companies (“Topic 946”). ASU 2013-08 amends the guidance in Topic 946 for determining whether an entity qualifies as an investment company and requires certain additional disclosures. ASU 2013-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. Management is currently evaluating the impact, if any, of ASU 2013-08 on the Funds’ financial statements.

Investment Transactions and Investment Income. Investment transactions are recorded on a trade date basis. The cost of investments sold is determined on the identified cost basis for financial statement and federal income tax purposes. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis.

Distributions to Shareholders. The Fund declares and pays quarterly distributions to shareholders. Distributions to shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. These dividends consist of investment company taxable income, which generally includes qualified dividend income, ordinary income and short-term capital gains, including premiums received on written options. Distributions may also include a return of capital. Any net realized long-term capital gains are distributed annually to shareholders.

Clarification of Investment Strategy. The Fund may invest up to 15% of its net assets in foreign securities. Foreign securities are defined as securities that are: (i) issued by companies organized outside the U.S. or whose principal operations are outside the U.S., or issued by foreign governments or their agencies or instrumentalities (“foreign issuers”); (ii) principally traded outside of the U.S.; and (iii) quoted or denominated in a foreign currency (“non-dollar securities”). The Fund did not hold any foreign securities during the period.

3. INVESTMENT ADVISORY AGREEMENT AND SERVICES AGREEMENT

Pursuant to an Investment Advisory Agreement between the Fund and the Adviser, the Adviser, under the supervision of the Fund’s Board of Trustees, provides a continuous investment program for the Fund’s portfolio; provides investment research and makes and executes recommendations for the purchase and sale of securities; and provides certain facilities and personnel, including officers required for the Fund’s administrative management and compensation of all officers and trustees of the Fund who are its affiliates. For these services, the Fund pays the Adviser a fee, payable monthly, in an amount equal to an annualized rate of 0.80% of the Fund’s average

daily managed assets on the first \$500 million of assets, and 0.60% of the Fund's average daily managed assets on assets in excess of \$500 million.

Under a separate Services Agreement, the Adviser also provides or arranges to have a third party provide the Fund with such services as it may require in the ordinary conduct of its business, to the extent that the Adviser (or any other person acting as the Fund's investment adviser) has not undertaken to provide such services. In this regard, the Adviser shall provide, or arrange to have a third party provide, among other things, the following services to the Fund: compliance services, transfer agent services, custodial services, fund administration services, fund accounting services, and such other services necessary to the conduct of the Fund's business. In addition, the Adviser shall arrange and pay for independent public accounting services for audit and tax purposes, legal services, the services of independent trustees of the Fund, a fidelity bond, and directors and officers/errors and omissions insurance. In exchange for these services, the Fund pays the Adviser a service fee, payable monthly, equal to 0.18% of the Fund's average daily managed assets. Not included in this service fee (and, therefore, the responsibility of the Fund) are "excluded expenses." Excluded expenses consist of (i) any fees and expenses relating to portfolio holdings (e.g., brokerage commissions, interest on loans, etc.); (ii) extraordinary and non-recurring fees and expenses (e.g., costs relating to any borrowing costs or taxes the Fund may owe, etc.); and (iii) the costs associated with investment by the Fund in other investment companies (i.e., acquired fund fees and expenses).

Other Expenses. Certain officers and trustees of the Fund may also be officers, directors and/or employees of the Investment Adviser or its affiliates. The Fund does not compensate its officers or trustees who are officers,

17

MSP | Madison Strategic Sector Premium Fund | Notes to Financial Statements - continued

directors and/or employees of the Investment Adviser or its affiliates. The fees for the independent trustees are paid out of the Services Agreement fee and totaled \$18,000 for the year ended December 31, 2013.

4. FEDERAL INCOME TAXES

No provision is made for federal income taxes since it is the intention of the Fund to comply with the provisions of Subchapter M of the Internal Revenue Code of 1986, as amended, available to investment companies and to make the requisite distribution to shareholders of taxable income, which will be sufficient to relieve the Fund from all or substantially all federal income taxes.

Due to inherent differences in the recognition of income, expenses, and realized gains/losses under GAAP and federal income tax purposes, permanent differences between book and tax basis reporting have been identified and appropriately reclassified on the Statement of Assets and Liabilities. At December 31, 2013, \$5,959,317 was reclassified from accumulated net Investment loss, and \$135 was reclassified from accumulated net realized loss into the paid in capital account of the Fund, to reflect permanent book and tax differences relating to a net operating loss. As of December 31, 2013, for federal income tax purposes, the Fund utilized \$8,910,231 of capital loss carryforwards ("CLCF"). The Fund had a remaining CLCF of \$7,560,357, which can be used to offset future capital gains. These CLCF's will expire on December 31, 2018. Per the RIC Modernization Act, CLCFs generated in taxable years beginning after December 22, 2010 must be fully used before CLCFs generated in taxable years prior to December 22, 2010: therefore, CLCFs available as of the report date may expire unused.

Information on the tax components of investments, excluding option contracts, as of December 31, 2013, is as follows:

Cost	\$81,209,226
Gross appreciation	5,907,865
Gross depreciation	(1,892,525)
Net appreciation	\$ 4,015,340

Net realized gains or losses may differ for financial reporting and tax purposes primarily as a result of the deferral of losses relating to wash sale transactions and post-October transactions.

For the years ended December 31, 2013 and 2012, the tax character of distributions paid to shareholders was \$6,030,223 ordinary income for 2013 and \$190,630 ordinary income and \$5,839,593 return of capital for 2012.

As of December 31, 2013, the components of distributable earnings on a tax basis were as follows:

Undistributed Long-Term Capital Gains	\$ -
Undistributed Ordinary Income	\$ -

For all open tax years and all major jurisdictions, management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Uncertain tax positions are tax positions taken or expected to be taken in the course of preparing the Fund's tax returns that would not meet a more-likely-than not threshold of being sustained by the applicable tax authority and would be recorded as a tax expense in the current year. Open tax years are those that are open for examination by taxing authorities (i.e., generally the last four tax year ends). Furthermore, management of the Fund is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. It is the Fund's policy to recognize accrued interest and penalties related to uncertain tax benefits in income taxes, as appropriate.

5. INVESTMENT TRANSACTIONS

During the year ended December 31, 2013, the cost of purchases and proceeds from sales of investments, excluding short-term investments, were \$101,634,478 and \$98,856,170, respectively. No long-term U.S. Government securities were purchased or sold during the period.

6. COVERED CALL AND PUT OPTIONS

An option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or "strike" price. The writer of an option on a security has an obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price (in

18

MSP | Madison Strategic Sector Premium Fund | Notes to Financial Statements - continued

the case of a call) or pay the exercise price upon delivery of the underlying security (in the case of a put).

The number of call options the Fund can write (sell) is limited by the amount of equity securities the Fund holds in its portfolio. The Fund will not write (sell) “naked” or uncovered call options. The Fund seeks to produce a high level of current income and gains generated from option writing premiums and, to a lesser extent, from dividends.

When an option is written, a liability is recorded equal to the premium received. This liability for options written and is subsequently marked-to-market to reflect the current market value of the option written. These liabilities are reflected as options written in the Statement of Assets and Liabilities. Premiums received from writing options that expire unexercised are recorded on the expiration date as a realized gain. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchase transactions, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss.

Transactions in written option contracts during the year ended December 31, 2013 were as follows:

	Number of Contracts	Premiums Received
Options outstanding beginning of period	12,272	\$2,555,680
Options written during the period	42,035	7,459,102
Options closed during the period	(12,256)	(2,170,695)
Options exercised during the period	(19,712)	(3,459,781)
Options expired during the period	(11,525)	(2,175,658)
Options outstanding end of period	10,814	\$2,208,648

Purchased call option activity was not significant for the year ended December 31, 2013 and no purchased options were outstanding as of December 31, 2013.

7. CAPITAL

The Fund has an unlimited amount of common shares, \$0.01 par value, authorized and 5,798,291 shares issued and outstanding as of December 31, 2013. Additionally, no capital stock activity occurred for the years ended December 31, 2013 and 2012, respectively. In connection with the Fund's dividend reinvestment plan, there were no shares reinvested for the years ended December 31, 2013 and 2012, respectively.

8. INDEMNIFICATIONS

In the normal course of business, the Fund enters into contracts that provide general indemnifications. The Fund's maximum exposure under these arrangements is dependent upon claims that may be made against the Fund in the future and, therefore cannot be estimated; however, the risk of material loss from such claims is considered remote.

9. DISCUSSION OF RISKS

Please see the Fund's prospectus for a complete discussion of risks associated with investing in the Fund.

Equity Risk. The value of the securities held by the Fund may decline due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, or factors relating to specific companies in which the Fund invests.

Option Risk. There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.

As the writer of a covered call option, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but retains the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price.

MSP | Madison Strategic Sector Premium Fund | Notes to Financial Statements - continued

When the Fund writes covered put options, it bears the risk of loss if the value of the underlying stock declines below the exercise price. If the option is exercised, the Fund could incur a loss if it is required to purchase the stock underlying the put option at a price greater than the market price of the stock at the time of exercise. While the Fund's potential gain in writing a covered put option is limited to the interest earned on the liquid assets securing the put option plus the premium received from the purchaser of the put option, the Fund risks a loss equal to the entire value of the stock.

Foreign Investment Risk. Investing in non-U.S. issuers may involve unique risks such as currency, political, and economic risks, as well as lower market liquidity, generally greater market volatility, and less complete financial information than for U.S. issuers.

Mid Cap Company Risk. Mid-cap companies often are newer or less established than larger companies. Investments in mid-cap companies carry additional risks because the earnings of these companies tend to be less predictable; they often have limited product lines, markets, distribution channels or financial resources; and the management of such companies may be dependent upon one or a few key people. The market movements of equity securities of mid-cap companies may be more abrupt or erratic than the market movements of equity securities of larger, more established companies or the stock market in general.

Industry Concentration Risk. To the extent that the Fund makes substantial investments in a single industry, the Fund will be more susceptible to adverse economic or regulatory occurrences affecting those sectors.

Fund Distribution Risk. In order to make regular quarterly distributions on its common shares, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment may not dictate such action. In addition, the Fund's ability to make distributions more frequently than annually from any net realized capital gains by the Fund is subject to the Fund obtaining exemptive relief from the Securities and Exchange Commission, which cannot be assured. To the extent the total quarterly distributions for a year exceed the Fund's net investment company income and net realized capital gain for that year, the excess will generally constitute a return of the Fund's capital to its common shareholders. Such return of capital distributions generally are tax-free up to the amount of a common shareholder's tax basis in the common shares (generally, the amount paid for the common shares). In addition, such excess distributions will decrease the Fund's total assets and may increase the Fund's expense ratio.

Financial Leverage Risk. The Fund is authorized to utilize leverage through the issuance of preferred shares and/or the Fund may borrow or issue debt securities for

financial leveraging purposes and for temporary purposes such as settlement of transactions. Although the use of any financial leverage by the Fund may create an opportunity for increased net income, gains and capital appreciation for common shares, it also results in additional risks and can magnify the effect of any losses. If the income and gains earned on securities purchased with financial leverage proceeds are greater than the cost of financial leverage, the Fund's return will be greater than if financial leverage had not been used. Conversely, if the income or gain from the securities purchased with such proceeds does not cover the cost of financial leverage, the return to the Fund will be less than if financial leverage had not been used. Financial leverage also increases the likelihood of greater volatility of net asset value and market price of, and dividends on, the common shares than a comparable portfolio without leverage.

Recent Market Developments Risk. Global and domestic financial markets have experienced periods of unprecedented turmoil. Recently, markets have witnessed more stabilized economic activity as expectations for an economic recovery increased. However, risks to a robust resumption of growth persist. Continuing uncertainty as to the status of the euro and the European Monetary Union has created significant volatility in currency and financial markets generally. A return to unfavorable economic conditions or sustained economic slowdown could adversely impact the Fund's portfolio. Financial market conditions, as well as various social and political tensions in the United States and around the world, have contributed to increased market volatility and may have long-term effects on the United States and worldwide financial markets and cause further economic uncertainties or deterioration in the United States and worldwide. The

20

MSP | Madison Strategic Sector Premium Fund | Notes to Financial Statements - concluded

Investment Adviser does not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the United States and global economies and securities markets.

10. SUBSEQUENT EVENTS

Management has evaluated all subsequent events through the date the financial statements were available for issue. No events have taken place that meet the definition of a subsequent event that requires adjustment to, or disclosure in, the financial statements.

21

MSP | Madison Strategic Sector Premium Fund

Report of Independent

Registered Public Accounting Firm

To the Shareholders and Board of Trustees of Madison Strategic Sector Premium Fund:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of the Madison Strategic Sector Premium Fund (the "Fund"), as of December 31, 2013, and the related statement of operations, statement of changes in net assets, and financial highlights for the year then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. The statement of changes in net assets for the year ended December 31, 2012 and the financial highlights for the periods ended prior to January 1, 2013 were audited by other auditors, whose report, dated February 26, 2013, expressed an unqualified opinion on this statement of changes in net assets and financial highlights.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2013, by correspondence with the custodian and brokers. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2013, the results of operations, the changes net assets, and the financial

highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche, LLP

(signature)

Milwaukee, WI

February 21, 2014

22

MSP | Madison Strategic Sector Premium Fund

Other Information (unaudited)

Federal Income Tax Information. The Fund recognized qualified dividend income of \$823,789 during the fiscal year ended December 31, 2013. The Fund intends to designate the maximum amount of dividends that qualify for the reduced tax rate pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003. For corporate shareholders, 11.26% of the dividends paid by the Fund qualifies for the dividends-received deduction.

Complete information regarding the federal tax status of the distributions received during calendar year 2013 will be reported in conjunction with Form 1099-DIV.

Results of Shareholder Vote. The Annual Meeting of shareholders of the Fund was held on July 31, 2013. At the meeting, shareholders voted on the election of two trustees, Katherine L. Frank and James R. Imhoff, Jr. The votes cast in favor of election for Ms. Frank were 4,536,219 with 370,232 withheld, and in favor of election for Mr. Imhoff were 4,519,838 with 386,613 withheld. The other trustees of the Fund, whose terms did not expire in 2013, are Philip E. Blake, Frank E. Burgess and Lorence D. Wheeler.

Additional Information. Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that from time to time, the Fund may purchase shares of its common stock in the open market at prevailing market prices.

This report is sent to shareholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or any securities mentioned in the report.

Other Considerations. The views expressed in this report reflect those of the Investment Adviser only through the report period as stated on the cover. These views are subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any kind. The material may also include forward looking statements that involve risk and uncertainty, and there is no guarantee that any predictions will come to pass. There can be no assurance that the Fund will achieve its investment objectives. The value of the Fund will fluctuate with the value of the underlying securities. Historically, closed-end funds often trade at a discount to their net asset value.

While investments in securities have been keystones in wealth building and management for a hundred years, at times they've produced surprises for even the savviest investors. Those who enjoyed growth and income of their investments were

rewarded for the risks they took by investing in the securities markets. When calamity strikes, the word “security” itself seems a misnomer. Although the Adviser seeks to appropriately address and manage the risks identified and disclosed to you in connection with the management of the securities in the Fund, you should understand that the very nature of the securities markets includes the possibility that there are additional risks that we did not contemplate for any number of reasons. We seek to identify all applicable risks and then appropriately address them, take appropriate action to reasonably manage them and, of course, to make you aware of them so you can determine if they exceed your risk tolerance. Nevertheless, the often volatile nature of the securities markets and the global economy in which we work suggests that the risk of the unknown is something you must consider in connection with your investments in securities. Unforeseen events have the potential to upset the best laid plans, and could, under certain circumstances produce a material loss of the value of some or all of the securities we manage for you in the Fund.

One of our most important responsibilities as investment company managers is to communicate with shareholders in an open and direct manner. Some of our comments in our letters to shareholders are based on current management expectations and are considered “forward-looking statements.” Actual future results, however, may prove to be different from our expectations. You can identify forward-looking statements by words such as “estimate,” “may,” “will,” “expect,” “believe,” “plan” and other similar terms. We cannot promise future returns. Our opinions are a reflection of our best judgment at the time this report is compiled, and we disclaim any obligation to update or alter forward-looking statements as a result of new information, future events, or otherwise.

23

MSP | Madison Strategic Sector Premium Fund | Other Information (unaudited) - continued

Proxy Voting Information. The Fund adopted policies that provide guidance and set forth parameters for the voting of proxies relating to securities held in the Fund's portfolios. Additionally, information regarding how the Fund voted proxies related to portfolio securities, if applicable, during the period ended June 30, 2013, is available upon request and free of charge, by writing to Madison Strategic Sector Premium Fund, 550 Science Drive, Madison, WI 53711 or by calling toll-free at 1-800-368-3195. The Fund's proxy voting policies and voting information may also be obtained by visiting the Securities and Exchange Commission ("SEC") web site at www.sec.gov.

N-Q Disclosure. The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website. The Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information about the operation of the Public Reference Room may be obtained by calling the SEC at 1-202-551-8090. Form N-Q and other information about the Fund are available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>.

Copies of this information may also be obtained, upon payment of a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, DC 20549-0102. Finally, you may call the Fund at 800-368-3195 if you would like a copy of Form N-Q and we will mail one to you at no charge.

Summary of Board's Annual Approval Process and Considerations. The Board reviewed a variety of matters in connection with the Fund's investment advisory contract with the Adviser.

With regard to the nature, extent and quality of the services to be provided by the Adviser, the Board reviewed the biographies and tenure of the personnel involved in Fund management and the experience of the Adviser and its affiliates as investment manager to other investment companies with similar investment strategies or to individual clients or institutions with similar investment strategies. They recognized the wide array of investment professionals employed by the respective firm or firms. Representatives of the Adviser discussed the firm's ongoing investment philosophies and strategies intended to provide performance consistent with the Fund's investment objectives under various market scenarios. The Trustees also noted their familiarity with the Adviser and its affiliates due to the Adviser's history of providing advisory services to its proprietary investment company clients.

The Board also discussed the quality of services provided to the Fund by its applicable transfer agent, fund administrator and custodian as well as the various administrative

services provided directly by the Adviser. Such services included arranging for third party service providers to provide all necessary administration.

With regard to the investment performance of the Fund and the investment adviser, the Board reviewed current performance information provided in the written Board materials. They discussed the reasons for both outperformance and underperformance compared with peer groups and applicable indices and benchmarks. They reviewed both long-term and short-term performance. They also considered whether any relative underperformance was appropriate in view of the Adviser's conservative investment philosophy. In connection with the review of performance, the Board engaged in a comprehensive discussion of market conditions and discussed the reasons for Fund performance under such conditions. Representatives of the Adviser discussed with the Board the methodology for arriving at peer groups and indices used for performance comparisons.

With regard to the costs of the services to be provided and the profits to be realized by the investment adviser and its affiliates from the relationship with the Fund, the Board reviewed the expense ratios for a variety of other funds in the Fund's peer group with similar investment objectives.

The Board noted that the Adviser or its affiliates provided investment management services to other investment company and/or non-investment company clients and considered the fees charged by the Adviser to such funds and clients for purposes of determining whether the given advisory fee was disproportionately large under the so-called Gartenberg standard traditionally used by investment company boards in connection with contract renewal considerations. The Board took those fees into account and considered the differences in services and time required by the various types of funds and clients to

24

MSP | Madison Strategic Sector Premium Fund | Other Information (unaudited) - continued

which the Adviser provided services. The Board recognized that significant differences may exist between the services provided to one type of fund or client and those provided to others. The Board gave such comparisons the weight that they merit in light of the similarities and differences between the services that the Fund requires and were wary of “inapt comparisons.” They considered that, if the services rendered by the Adviser to one type of fund or client differed significantly from others, then the comparison should not be used. In the case of non-investment company clients for which the Adviser may act as either investment adviser or subadviser, the Board noted that the fee may be lower than the fee charged to the Fund. The Board noted too the various administrative, operational, compliance, legal and corporate communication services required to be handled by the Adviser which are performed for investment company clients but are not performed for other institutional clients.

The Trustees reviewed the Fund’s fee structure based on total Fund expense ratio as well as by comparing advisory fees to other advisory fees. The Board noted the simple expense structure maintained by the Fund: an advisory fee and a capped administrative “services” expense. The Board reviewed total expense ratios paid by other funds with similar investment objectives, recognizing that such a comparison, while not dispositive, was an important consideration. The Trustees sought to ensure that fees paid by the Fund were appropriate. The Board reviewed materials demonstrating that although the Adviser is compensated for a variety of the administrative services it provides or arranges to provide to the Fund pursuant to its administrative services agreements with the Fund, such compensation does not always cover all costs due to the cap on administrative expenses. Administrative, operational, regulatory and compliance fees and costs in excess of the Services Agreement fees are paid by the Adviser from the investment advisory fees earned. In this regard, the Trustees noted that examination of the Fund’s total expense ratio compared to those of other investment companies was more meaningful than a simple comparison of basic “investment management only” fee schedules.

In reviewing costs and profits, the Board noted that, as a relatively small Fund, the salaries of all portfolio management personnel, trading desk personnel, corporate accounting personnel and employees of the Adviser who serve as Fund officers, as well as facility costs (rent), could not be supported by fees received from its portfolio alone. However, the Board recognized that the Fund is profitable to the Adviser because such salaries and fixed costs are already paid in whole or in part from revenue generated by management of other client assets managed by the Adviser including the Fund as a consolidated financial services family. The Trustees noted that total assets managed by the Adviser and its affiliates were in excess of \$15 billion at the time of

the meeting. As a result, although the fees paid by the Fund at its present size might not be sufficient to profitably support a stand-alone fund, the Fund is reasonably profitable to the Adviser as part of its larger, diversified organization. In sum, the Trustees recognized that the Fund is important to the Adviser and is managed with the attention given to the Adviser's other clients.

The Board recognized that the obligations, responsibilities and management considerations involved with being an investment adviser to a closed-end fund differ significantly from serving as an investment adviser to an open-end (mutual) fund. As such, the Board focused its attention on the total expense ratios paid by certain other closed-end funds with similar investment objectives. The Board recognized that the Fund's total expense ratio was reasonable based on such comparisons.

With regard to the extent to which economies of scale would be realized as the Fund grows, the Trustees recognized that at its current size, it was premature to discuss any economies of scale not already factored into existing advisory and services agreements. The Trustees also took into account that the Fund does not pay any fees on leveraged assets. Counsel to the Independent Trustees confirmed that the Fund's Independent Trustees met previously and reviewed the written contract renewal materials provided by the Adviser. He noted that the Independent Trustees had considered such materials in light of the aforementioned Gartenberg standards as well as criteria either set forth or

25

MSP | Madison Strategic Sector Premium Fund | Other Information (unaudited) - concluded discussed in the recent Supreme Court decision in *Jones v. Harris* regarding the investment company contract renewal process under Section 15(c) of the Investment Company Act of 1940, as amended. The Independent Trustees made a variety of additional inquiries regarding such written materials to the Adviser and representatives of the Adviser discussed each matter raised.

After further discussion, analysis and review of the totality of the information presented, including the information set forth above and the other information considered by the Board of Trustees, the Trustees, including the Independent Trustees, concluded that the Fund's advisory fees are fair and reasonable and that renewal of its Advisory and Services Agreements are in the best interests of the Fund and its shareholders.

26

MSP | Madison Strategic Sector Premium Fund
Trustees and Officers

The address of each trustee and officer of the Fund is 550 Science Drive, Madison, WI 53711, except that Mr. Mason's address is 8777 N. Gainey Center Drive, #220, Scottsdale, AZ, 85258. The Fund's Statement of Additional Information includes additional information about the trustees of the Fund and is available, without charge, upon request, by calling 1-800-368-3195.

Interested Trustees and Officers

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

Name and Year of Birth	Position(s) and Length of Time Served	Principal Occupation(s) During Past Five Years	Other Directorships/Trusteeships
Katherine L. Frank ¹ 1960	President, 2005 - Present, and Trustee, 2005 - Present	<p>Madison Investment Holdings, Inc. (“MIH”) (affiliated investment advisory firm of Madison), Executive Director and Chief Operating Officer, 2010 - Present; Managing Director and Vice President, 1986 - 2010</p> <p>Madison Asset Management, LLC (“Madison”), Executive Director and Chief Operating Officer, 2010 - Present; Vice President, 2004 - 2010</p> <p>Madison Investment Advisors, LLC (“MIA”) (affiliated investment advisory firm of Madison), Executive Director and Chief Operating Officer, 2010 - Present; President, 1996 - 2010; Madison Covered Call and Equity Strategy Fund (closed end fund), President, December 2012 - Present; Madison Funds (21) and Ultra Series Fund (16) (mutual funds), President, 2009 - Present</p> <p>MIH, Chairman of the Board, 2012 - Present; Executive Director and President, 2010 - 2012; Managing Director and President, 1973 - 2010</p> <p>Madison, Executive Director and President, 2010 - 2012; President, 2004 - 2010</p> <p>MIA, Executive Director and President, 2010 - 2012</p>	<p>Madison Funds (21) and Ultra Series Fund (16), 2009 - Present</p>
Frank E. Burgess ¹ 1942	Trustee, 2005 - Present	<p>MIH, Chairman of the Board, 2012 - Present; Executive Director and President, 2010 - 2012; Managing Director and President, 1973 - 2010</p> <p>Madison, Executive Director and President, 2010 - 2012; President, 2004 - 2010</p> <p>MIA, Executive Director and President, 2010 - 2012</p>	<p>Capitol Bank of Madison, WI, 1995 - Present;</p> <p>American Riviera Bank of Santa Barbara, CA, 2006 - Present</p>

¹ “Interested person” as defined in the 1940 Act. Considered an interested Trustee because of the position held with the investment adviser of the Fund.

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

MSP | Madison Strategic Sector Premium Fund | Trustees and Officers - continued

Name and Year of Birth	Position(s) and Length of Time Served	Principal Occupation(s) During Past Five Years	Other Directorships/Trusteeships
Jay R. Sekelsky 1959	Vice President, 2005 - Present	MIH, Executive Director and Chief Investment Officer, 2010 - Present; Managing Director and Vice President, 1990 - 2010; Madison, Executive Director and Chief Investment Officer, 2010 - Present MIA, Executive Director and Chief Investment Officer, 2010 - Present; Vice President, 1996 - 2010 Madison Funds (21 funds), Vice President, 2009 - Present; Madison Covered Call and Equity Strategy Fund, Vice President, December 2012 - Present; and Ultra Series Fund (16), Vice President, 2009 - Present MIH, Executive Director and Head of Fixed Income Investments, 2013 - Present; Managing Director and Head of Fixed Income Investments, 2005 - 2013 Madison and MIA, Executive Director and Head of Fixed Income Investments, 2013 - Present; Managing Director and Head of Fixed Income Investments, 2010 - 2013	N/A
Paul A. Lefurgey 1964	Vice President, 2010 - Present	MEMBERS Capital Advisors, Inc. ("MCA") (investment advisory firm), Madison, WI, Vice President, 2003 - 2005 Madison Funds (21) and Ultra Series Fund (16), Vice President, 2009 - Present; Madison Covered Call & Equity Strategy Fund, Vice President, December 2012 - Present	N/A

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

Greg D. Hoppe 1969	Treasurer, 2009 - Present; Chief Financial Officer, 2005 - 2009	<p>MIH and MIA, Vice President, 1999 - Present; Madison, Vice President, 2009 - Present Madison Funds (21) and Ultra Series Fund (16) Treasurer, 2009 - Present; Madison Covered Call & Equity Strategy Fund, Treasurer, December 2012 - Present</p> <p>MIH and MIA, Vice President, 2010 - Present; Madison, Vice President, 2009 - Present; MFD Distributor, LLC (“MFD”) (an affiliated brokerage firm of Madison), Vice President, 2012 - Present</p> <p>MCA, Director-Mutual Funds, 2008-2009; Director-Mutual Fund Operations, 2006-2008; Operations Officer-Mutual Funds, 2005-2006; Senior Manager-Product & Fund Operations, 2001-2005 Madison Funds (21) and Ultra Series Fund (16), Secretary, 1999-Present and Treasurer, 2008-2009 and Assistant Treasurer, 1997-2007 and 2009-Present; Madison Covered Call & Equity Strategy Fund, Secretary and Assistant Treasurer, December 2012 - Present</p>	N/A
Holly S. Baggot 1960	Secretary and Assistant Treasurer, 2010 - Present		N/A

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

MSP | Madison Strategic Sector Premium Fund | Trustees and Officers - continued

Name and Year of Birth	Position(s) and Length of Time Served	Principal Occupation(s) During Past Five Years	Other Directorships/Trusteeships
W. Richard Mason 1960	Chief Compliance Officer, 2005 - Present; Corporate Counsel and Assistant Secretary, 2009 - Present; General Counsel and Secretary, 2005 - 2009	MIH, MIA, Madison and Madison Scottsdale, LC (an affiliated investment advisory firm of Madison), Chief Compliance Officer and Corporate Counsel, 2009 - Present; General Counsel and Chief Compliance Officer, 1996 - 2009 MFD, Principal, 1998 - Present; Concord Asset Management, LLC (“Concord”) (an affiliated investment advisory firm of Madison), General Counsel, 1996 - 2009; NorthRoad Capital Management LLC (“NorthRoad”) (an affiliated investment advisory firm of Madison), Chief Compliance Officer and Corporate Counsel, 2011 - Present Madison Covered Call & Equity Strategy Fund, Chief Compliance Officer, Corporate Counsel and Assistant Secretary, December 2012 - Present Madison Funds (21) and Ultra Series Fund (16), Chief Compliance Officer, Corporate Counsel and Assistant Secretary, 2009 - Present	N/A

Pamela M. Krill 1966	General Counsel, Chief Legal Officer and Assistant Secretary, 2010 - Present	MIH, MIA, Madison, Madison Scottsdale, LC, MFD, and Concord, General Counsel and Chief Legal Officer, 2009 - Present NorthRoad, General Counsel & Chief Legal Officer, 2011 - Present Madison Funds (21) and Ultra Series Fund (16), General Counsel, Chief Legal Officer and Assistant Secretary, 2009 - Present; Madison Covered Call & Equity Strategy Fund, General Counsel, Chief Legal Officer and Assistant Secretary, December 2012 - Present N/A CUNA Mutual Insurance Society (insurance company with affiliated investment advisory, brokerage and mutual fund operations), Madison, WI, Managing Associate General Counsel-Securities & Investments, 2007 - 2009 Godfrey & Kahn, S.C. (law firm), Madison and Milwaukee, WI, Partner/Shareholder, Securities Practice Group, 1994-2007
-------------------------	---	---

MSP | Madison Strategic Sector Premium Fund | Trustees and Officers - concluded
Independent Trustees

Edgar Filing: Madison Strategic Sector Premium Fund - Form N-CSR

Name and Year of Birth	Position(s) and Length of Time Served ¹	Principal Occupation(s) During Past Five Years	Portfolios Overseen in Fund Complex ²	Other Directorships/Trusteeships
Philip E. Blake 1943	Trustee, 2005 - Present	Retired investor; Lee Enterprises, Inc (news and advertising publisher), Madison, WI, Vice President, 1998 - 2001; Madison Newspapers, Inc., Madison, WI, President and Chief Executive Officer, 1993 - 2000	39	Edgewood College, 2003 - Present; Chairman of the Board, 2010 - 2012; Nerites Corporation (technology company), 2004 - 2013; Madison Covered Call & Equity Strategy Fund, 2005 - Aug 2009, and December 2012 - Present; Madison Funds (21) and Ultra Series Fund (16), 2009 - Present
James R. Imhoff, Jr. 1944	Trustee, 2005 - Present	First Weber Group (real estate brokers), Madison, WI, Chief Executive Officer, 1996 - Present	39	Park Bank, 1978 - Present; Madison Covered Call & Equity Strategy Fund, 2005 - Present; Madison Funds (21) and Ultra Series Fund (16), 2009 - Present
Lorence D. Wheeler 1938	Trustee, 2005 - Present	Retired investor; Credit Union Benefits Services, Inc. (a provider of retirement plans and related services for credit union employees nationwide), Madison, WI, President, 1986 - 1997	39	Grand Mountain Bank FSB and Grand Mountain Bancshares, Inc. 2003 - Present; Madison Covered Call & Equity Strategy Fund, 2005 - Present; Madison Funds (21) and Ultra Series Fund (16), 2009 - Present

¹ Independent Trustees serve in such capacity until the Trustee reaches the age of 76, unless retirement is waived by unanimous vote of the remaining Trustees on an annual basis.

² As of the date of this report, the fund complex consists of the Fund, the Madison Funds with 21 portfolios, the Ultra Series Fund with 16 portfolios, and the Madison Covered Call & Equity Strategy Fund (a closed-end fund) for a grand total of 39 separate portfolios in the fund complex. Not every Trustee is a member of the Board of Trustees of every fund in the fund complex, as noted above.

30

MSP | Madison Strategic Sector Premium Fund
Dividend Reinvestment Plan

Unless the registered owner of common shares elects to receive cash by contacting Computershare Trust Company, Inc. (the “Plan Administrator”), all dividends declared on common shares of the Fund will be automatically reinvested by the Plan Administrator in the Fund’s Dividend Reinvestment Plan (the “Plan”) in additional common shares of the Fund. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by notice if received and processed by the Plan Administrator prior to the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend or other distribution. Some brokers may automatically elect to receive cash on your behalf and may re-invest that cash in additional common shares of the Fund for you. If you wish for all dividends declared on your common shares of the Fund to be automatically reinvested pursuant to the Plan, please contact your broker.

The Plan Administrator will open an account for each common shareholder under the Plan in the same name in which such common shareholder’s common shares are registered. Whenever the Fund declares a dividend or other distribution (together, a “Dividend”) payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in common shares. The common shares will be acquired by the Plan Administrator for the participants’ accounts, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Fund (“Newly Issued Common Shares”) or (ii) by purchase of outstanding common shares on the open market (“Open-Market Purchases”) on the New York Stock Exchange or elsewhere. If, on the payment date for any Dividend, the closing market price plus estimated brokerage commission per common share is equal to or greater than the net asset value per common share, the Plan Administrator will invest the Dividend amount in Newly Issued Common Shares on behalf of the participants. The number of Newly Issued Common Shares to be credited to each participant’s account will be determined by dividing the dollar amount of the Dividend by the net asset value per common share on the payment date; provided that, if the net asset value is less than

or equal to 95% of the closing market value on the payment date, the dollar amount of the Dividend will be divided by 95% of the closing market price per common share on the payment date. If, on the payment date for any Dividend, the net asset value per common share is greater than the closing market value plus estimated brokerage commission, the Plan Administrator will invest the Dividend amount in common shares acquired on behalf of the participants in Open-Market Purchases.

If, before the Plan Administrator has completed its Open-Market Purchases, the market price per common share exceeds the net asset value per common share, the average per common share purchase price paid by the Plan Administrator may exceed the net asset value of the common shares, resulting in the acquisition of fewer common shares than if the Dividend had been paid in Newly Issued Common Shares on the Dividend payment date. Because of the foregoing difficulty with respect to Open-Market Purchases, the Plan provides that if the Plan Administrator is unable to invest the full Dividend amount in Open-Market Purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Administrator may cease making Open-Market Purchases and may invest the uninvested portion of the Dividend amount in Newly Issued Common Shares at net asset value per common share at the close of business on the Last Purchase Date provided that, if the net asset value is less than or equal to 95% of the then current market price per common share; the dollar amount of the Dividend will be divided by 95% of the market price on the payment date.

The Plan Administrator maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common shares in the account of each Plan participant will be held by the Plan Administrator on behalf of the Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Plan. The Plan Administrator will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instruction of the participants.

31

There will be no brokerage charges with respect to common shares issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commission incurred in connection with Open-Market Purchases. The automatic reinvestment of Dividends will not relieve participants of any Federal, state or local income tax that may be payable (or required to be withheld) on such Dividends.

The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants with regard to purchases in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants.

All correspondence or questions concerning the Plan should be directed to the Plan Administrator, Computershare Trust Company, N.A., 250 Royall St., Canton, MA 02021, Phone Number: 1-877-373-6374.

	Officers	
	Katherine L. Frank	
	President	
	Frank Burgess	Investment Adviser
	Vice President	Madison Asset Management, LLC
	Jay Sekelsky	550 Science Drive
	Vice President	Madison, WI 53711
Board of Trustees	Paul Lefurgey	Custodian
Philip E. Blake	Vice President	State Street Bank
Frank Burgess	W. Richard Mason	Kansas City, Missouri
Katherine L. Frank	Chief Compliance Officer	Transfer Agent
James Imhoff, Jr.	& Asst. Secretary	Computershare Investor Services, LLC
Lorence Wheeler	Greg Hoppe	Canton, Massachusetts
	Treasurer	Independent Registered
	Holly S. Baggot	Public Accounting Firm
	Secretary & Assistant Treasurer	Deloitte & Touche LLP
	Pam Krill	Milwaukee, Wisconsin
	General Counsel, CLO &	
	Asst. Secretary	

Question concerning your shares of Madison Strategic Sector Premium Fund?

If your shares are held in a Brokerage Account, contact your Broker

If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent: Computershare Trust Company, N.A., 250 Royall Street, Mail Stop 1A Canton, MA 02021

This report is sent to shareholders of Madison Strategic Sector Premium Fund for their information. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

In August 2013, the Fund submitted a CEO annual certification to the NYSE in which the Fund's principle executive officer certified that she was not aware, as of the date of the certification, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principle executive and principle financial officer have made quarterly certifications, including in filings with the SEC on forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures and internal control over financial reporting.

Madison
550 Science Drive
Madison, WI 53711
1-888-971-7135
www.madisonfunds.com
Item 2. Code of Ethics.

(a) The Madison Strategic Sector Premium Fund (hereinafter referred to either as the "Trust" or the "Fund") has adopted a code of ethics that applies to the Trust's principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, regardless of whether these individuals are employed by the Trust or a third party. The code was first adopted during the fiscal year ended December 31, 2005.

(c) The code has not been amended since it was initially adopted.

(d) The Trust granted no waivers from the code during the period covered by this report.

(f) Any person may obtain a complete copy of the code without charge by calling the Trust at 800-767-0300 and requesting a copy of the "Madison Strategic Sector Premium Fund Sarbanes Oxley Code of Ethics."

Item 3. Audit Committee Financial Expert.

In July 2013, Philip Blake, an "independent" Trustee and a member of the Trust's audit committee, was elected to serve as the Trust's audit committee financial expert among the three Fund independent Trustees who so qualify to serve in that capacity.

Item 4. Principal Accountant Fees and Services.

(a) Total audit fees paid to the registrant's principal accountant for the fiscal year ended December 31, 2013 were approved not to exceed \$12,000. For the fiscal year ended December 31, 2012, this amount was \$20,000. The registrant is affiliated with the Madison Funds (formerly known as MEMBERS Mutual Funds, an affiliated registered investment company ("MMF")), the Ultra Series Fund and the Madison Covered Call & Equity Strategy Fund (all affiliated investment companies together, the "Affiliated Funds") which paid the registrant's principal accountant an additional \$456,500 and \$438,700, respectively, for audit services provided to such funds for such periods.

(b) Audit-Related Fees. None.

(c) Tax-Fees. The aggregate fees billed for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning, including federal, state and local income tax return preparation and related advice and determination of taxable income and miscellaneous tax advice were \$3,635 and \$0 for the fiscal years ended December 31, 2013, and December 31, 2012, respectively.

(d) All Other Fees. None.

(e) (1) Before any accountant is engaged by the registrant to render audit or non-audit services, the engagement must be approved by the audit committee as contemplated by paragraph (c)(7)(i)(A) of Rule 2-01 of Regulation S-X.

(2) Not applicable.

(f) Not applicable.

(g) As stated in paragraph (c) above, the aggregate non-audit fees billed by the registrant's accountant for services rendered to the Trust, the Trust's investment adviser and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the Trust (not including a sub-adviser whose role is primarily portfolio management and is sub-contracted with or overseen by another investment adviser) that directly related to the operations and financial reporting of the registrant were \$3,635 and \$0 for the fiscal years ended December 31, 2013 and December 31, 2012, respectively.

(h) Not applicable.

Item 5. Audit Committee of Listed Registrants.

(a) The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act (15 U.S.C. 78c(a)(58)(A)). The members of the committee include all the disinterested Trustees of the registrant, namely, Philip Blake, James Imhoff and Lorence Wheeler.

(b) Not applicable.

Item 6. Schedule of Investments

Included in report to shareholders (Item 1) above.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The following discloses our current policies and procedures that we use to determine how to vote proxies relating to portfolio securities. Because we manage portfolios for clients in addition to the registrant, the policies and procedures are not specific to the registrant except as indicated.

Proxy Voting Policies

Our policies regarding voting the proxies of securities held in client accounts depend on the nature of our relationship to the client. When we are an ERISA fiduciary of an account, there are additional considerations and procedures than for all other (regular) accounts. In all cases, when we vote client proxies, we must do so in the client's best interests as described below by these policies.

Regular Accounts

We do not assume the role of an active shareholder when managing client accounts. If we are dissatisfied with the performance of a particular company, we will generally reduce or terminate our position in the company rather than attempt to force management changes through shareholder activism.

Making the Initial Decision on How to Vote the Proxy

As stated above, our goal and intent is to vote all proxies in the client's best interests. For practical purposes, unless we make an affirmative decision to the contrary, when we vote a proxy as the Board of Directors of a company recommends, it means we agree with the Board that voting in such manner is in the interests of our clients as shareholders of the company for the reasons stated by the Board. However, if we believe that voting as the Board of Directors recommends would not be in a client's best interests, then we must vote against the Board's recommendation.

As a matter of standard operating procedure, all proxies received shall be voted (by telephone or Internet or through a proxy voting service), unless we are not authorized to vote proxies. When the client has reserved the right to vote proxies in his/her/its account, we must make arrangements for proxies to be delivered directly to such client

from its custodian and, to the extent any such proxies are received by us inadvertently, promptly forward them to the client.

Documenting our Decisions

In cases where a proxy will NOT be voted or, as described below, voted against the Board of Directors recommendation, our policy is to make a notation to the file containing the records for such security (e.g., Corporation X research file, since we may receive numerous proxies for the same company and it is impractical to keep such records in the file of each individual client) explaining our action or inaction, as the case may be. Alternatively, or in addition to such notation, we may include a copy of the rationale for such decision in the appropriate equity correspondence file.

Why would voting as the Board recommends NOT be in the client's best interests?

Portfolio management must, at a minimum, consider the following questions before voting any proxy:

1. Is the Board of Directors recommending an action that could dilute or otherwise diminish the value of our position? (This question is more complex than it looks: We must consider the time frames involved for both the client and the issuer. For example, if the Board of Directors is recommending an action that might initially cause the position to lose value but will increase the value of the position in the long-term, we would vote as the Board recommended for if we are holding the security for clients as a long-term investment. However, if the investment is close to our valuation limits and we are anticipating eliminating the position in the short-term, then it would be in our clients' best interests to vote against management's recommendation.)

2. If so, would we be unable to liquidate the affected securities without incurring a loss that would not otherwise have been recognized absent management's proposal?

3. Is the Board of Directors recommending an action that could cause the securities held to lose value, rights or privileges and there are no comparable replacement investments readily available on the market? (For example, a company can be uniquely positioned in the market because of its valuation compared with otherwise comparable securities such that it would not be readily replaceable if we were to liquidate the position. In such a situation, we might vote against management's recommendation if we believe a "No" vote could help prevent future share price depreciation resulting from management's proposal or if we believe the value of the investment will appreciate if management's proposal fails. A typical recent example of this type of decision is the case of a Board recommendation not to expense stock options, where we would vote against management's recommendation because we believe expensing such options will do more to enhance shareholder value going forward.)

4. Would accepting the Board of Directors recommendation cause us to violate our client's investment guidelines? (For example, a Board may recommend merging the

company into one that is not permitted by client investment guidelines, e.g. a tobacco product company, a foreign security that is not traded on any US exchange or in US dollars, etc., restrictions often found in client investment guidelines. This would be an unusual situation and it is possible we would, nevertheless, vote in favor of a Board's recommendation in anticipation of selling the investment prior to the date any vote would effectively change the nature of the investment as described. Moreover, this does not mean we will consider any client-provided proxy voting guidelines. Our policy is that client investment guidelines may not include proxy voting guidelines if our firm will vote account proxies. Rather, we will only vote client proxies in accordance with these guidelines. Clients who wish their account proxies to be voted in accordance with their own proxy voting guidelines must retain proxy voting authority for themselves.)

Essentially, we must "second guess" the Board of Directors to determine if their recommendation is in the best interests of our clients, regardless of whether the Board thinks their recommendation is in the best interests of shareholders in general. The above questions should apply no matter the type of action subject to the proxy. For example, changes in corporate governance structures, adoption or amendments to compensation plans (including stock options) and matters involving social issues or corporate responsibility should all be reviewed in the context of how it will affect our clients' investment.

In making our decisions, to the extent we rely on any analysis outside of the information contained in the proxy statements, we must retain a record of such information in the same manner as other books and records (2 years in the office, 5 years in an easily accessible place). Also, if a proxy statement is NOT available on the SEC's EDGAR database, we must keep a copy of the proxy statement.

Addressing Conflicts of Interest

Although it is not likely, in the event there is a conflict of interest between us and our client in connection with a material proxy vote (for example, (1) the issuer or an affiliate of the issuer is also a client or is actively being sought as a client or (2) we have a significant business relationship with the issuer such that voting in a particular manner could jeopardize this client and/or business relationship), our policy is to alert affected client(s) of the conflict before voting and indicate the manner in which we will vote. In such circumstances, our client(s) may instruct us to vote in a different manner. In any case, we must obtain client consent to vote the proxy when faced with a conflict of interest. If the conflict involves a security held by a mutual fund we manage, then we must present the material conflict to the Board of the applicable fund for consent or direction to vote the proxies. If the conflict involves a security held by wrap accounts, then we may present the conflict to the wrap sponsor, as our agent, to obtain wrap client consent or direction to vote the proxies. Note that no conflict generally exists for routine proxy matters such as approval of the independent auditor (unless, of course, the auditor in question is a client, we are seeking the auditor as a client or we have a significant business relationship with the auditor), electing an uncontested Board of Directors, etc.

In the event it is impractical to obtain client consent to vote a proxy when faced with a conflict of interest, or at the request of the applicable fund Board, the firm will employ the services of an independent third party "proxy services firm" to make the proxy voting decision in accordance with Rule 206(4)-6 under the Investment Advisors Act of 1940, as amended. The firm has retained the firm of Glass Lewis & Co. to serve in this capacity. All investment company Boards for which we provide investment management services have requested we utilize the recommendations of Glass Lewis & Co. in cases of conflicts of interest.

Once any member of the relevant portfolio management team determines that it would be in our clients' best interests to vote AGAINST management recommendations (or, for Madison Scottsdale and Concord Asset Management, any particular portfolio manager makes such determination), then the decision should be brought to the attention of the Investment Committee, or any subcommittee appointed by the Investment Committee from among its members (such subcommittee may be a single person), to ratify the decision to stray from our general policy of voting with management. Such ratification need not be in writing.

The Investment Committee or any subcommittee appointed by the Investment Committee from among its members (such subcommittee may be a single person) shall monitor potential conflicts of interest between our firm and clients that would affect the manner by which we vote a proxy. We maintain a "conflicted list" for proxy voting purposes.

As of January 1, 2004, Jay Sekelsky represents the Investment Committee subcommittee described above...

Voting Proxies of Securities No Longer Owned

We may be entitled to vote a proxy because a security was held in a client portfolio on the record date but have subsequently sold the security from the client's account prior to the meeting date to which the proxy relates. In such situations, our vote has no economic value to the client who is not a shareholder of the company soliciting the proxy vote. Therefore, our policy is to vote proxies of securities no longer owned in accordance with management recommendation or, if practical, not vote them at all.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

(a) (1) Frank E. Burgess, the President and founder of the adviser to the registrant and Madison Investment Advisors, Inc., and Ray Di Bernardo, Portfolio Manager of the adviser to the registrant and President of Madison Investment Holdings, Inc., are jointly responsible for the day-to-day management of the registrant. The adviser to the registrant, Madison Asset Management, LLC, is a subsidiary of Madison Investment Holdings, Inc., founded by Mr. Burgess in 1974.

(a) (2) Other portfolios managed.

As of the end of the registrant's most recent fiscal year, the portfolio managers were involved in the management of the following accounts (assets are rounded to the nearest million):

Frank Burgess:

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts ¹	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	2	\$219 million	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	0	\$0	0	\$0

¹ Numbers are approximate.

Ray DiBernardo

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts ¹	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	4	\$779 million	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	2,598	\$1,288 million	0	\$0

¹ Numbers are approximate.

Material conflicts of interest that may arise in connection with the manager's management of the Trust's investments and the investments of the other accounts: None identified.

(a) (3) Compensation.

The adviser believes investment professionals should receive compensation for the performance of the firm's client accounts, their individual effort, and the overall profitability of the firm. As such, investment professionals receive a base salary, as well as an incentive bonus based on the attainment of certain goals and objectives in the portfolio management process (described below). The manager also participates in the overall profitability of the firm directly, through an ownership interest in the firm,

or indirectly, through a firm-sponsored profit sharing plan. The adviser believes its portfolio managers' goals are aligned with those of long-term investors, recognizing client goals to outperform over the long-term, rather than focused on short-term performance contests.

With regard to incentive compensation, the incentive pools are calculated based on revenue from each investment strategy. Managers are rewarded for performance relative to their benchmark(s) over both one and three year periods. Incentive compensation earned is paid out over a three year period, so that if a portfolio manager leaves the employ of the Madison organization, he or she forfeits a percentage of his or her incentive compensation. The purpose of this structured payout is to aid in the retention of investment personnel. With the exception of Mr. Burgess, all investment professionals are eligible to participate in the incentive compensation pool.

The incentive compensation pool shared by the members of the firm's equity management team (all portfolio managers listed above except Mr. Burgess) is based on the performance of the firm's various equity composites measured against the appropriate index benchmarks. All firm equity accounts, including mutual funds, regardless of whether they are included in such composites, are managed with the same general investment philosophy, approach and applicable allocations, quality and other portfolio characteristics.

There is no difference in terms of the way the firm compensates portfolio managers for managing a mutual fund or a private client account (or any other type of account for that matter). Instead, compensation is based on the entire employment relationship, not based on the performance of any single account or type of account.

(a) (4) Ownership of Securities.

As of December 31, 2013, the portfolio manager beneficially owned the following amounts of the registrant:

Name of Manager	Name of Registrant	Range of Ownership Interest
Frank Burgess	Madison Strategic Sector Premium Fund	\$100,001 - \$500,000
Ray DiBernardo	Madison Strategic Sector Premium Fund	None

(b) Not applicable.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers

(a) None*

(b) None*

*Note to Item 9: As announced and disclosed in the registrant's prospectus, the registrant maintains a Dividend Reinvestment Plan. The plan has no expiration date and no limits on the dollar amount of securities that may be purchased by the registrant to satisfy the plan's dividend reinvestment requirements.

Item 10. Submission of Matters to a Vote of Security Holders.

Not applicable.

Item 11. Controls and Procedures.

(a) The Trust's principal executive officer and principal financial officer determined that the registrant's disclosure controls and procedures are effective, based on their evaluation of these controls and procedures within 90 days of the date of this report. There were no significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation. The officers identified no significant deficiencies or material weaknesses.

(b) There have been no changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Exhibits.

(a)(1) Code of ethics referred to in Item 2 (no change from the previously filed Code).

(a)(2) Certifications of principal executive and principal financial officers as required by Rule 30a-2(a) under the Act.

(b) Certification of principal executive and principal financial officers as required by Rule 30a-2(b) under the Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Madison Strategic Sector Premium Fund

By: (signature)

W. Richard Mason, Chief Compliance Officer and Assistant Secretary

Date: February 26, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: (signature)

Katherine L. Frank, Principal Executive Officer

Date: February 26, 2014

By: (signature)

Greg Hoppe, Principal Financial Officer

Date: February 26, 2014