

Madison Strategic Sector Premium Fund
Form N-CSRS
August 27, 2012

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/Mosaic 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: June 30, 2012

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

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-0609. The

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OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. s 3507.

Item 1

SEMI-ANNUAL REPORT

June 30, 2012

Madison Strategic Sector Premium Fund (MSP)

Active Equity Management combined with a Covered Call Option Strategy

Madison Asset Management, LLC
www.madisonfunds.com

MSP | Madison Strategic Sector Premium Fund | June 30, 2012

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Review of Period

What happened in the market during the first half of 2012?

Equity markets continue to be heavily influenced by global macroeconomic and geopolitical events, in both positive and negative directions. The first three months of the year witnessed the largest quarterly gain in the S&P 500 since 1998 as the market continued its resurgence which began in October 2011. A seeming stabilization of the Euro debt crisis through higher central bank liquidity and debt guarantees had investors moving back into riskier asset classes. Better US economic data centered on improving employment and a potential bottoming of the housing market also fueled the markets higher. With no "Arab Spring" like event occurring during this year, the geopolitical front was rather tame. All of the bullishness came to halt as the market corrected sharply in April and May 2012 on renewed Euro fears, this time centered on Spain, concerns over China's slowing growth and a loss of US economic momentum. Investors, again, flocked out of equities and back into the relative, yet low yielding, safety of cash and fixed income investments. The six month period ended on a positive note with a rebound in June, however, this was seemingly on the dual hope that Europe had produced another temporary solution to its crisis and that another round of quantitative easing from the Federal Reserve would be around the corner. We view likelihood of success of both with a heavy dose of skepticism. For the full six month period, the S&P 500 rose 9.49% while the S&P BuyWrite Index (BXM), representing a passive covered call strategy on the S&P 500, rose 4.78%.

As investors moved from a "risk on" posture early during the first quarter to a "risk off" posture during the second quarter, sector leadership during the full six month period was inconsistent. Cyclical and higher beta sectors such as Information Technology, Financials and Consumer Discretionary led performance during the market rally but were among the worst performers during the correction phase. Similarly, defensive sectors such as Utilities, Telecommunication Services and Consumer Staples lagged early in the year and held up well as the markets fell during the second quarter. This led to the appearance of rather balanced sector performance over the full six month period, however the timing of performance among various sectors was anything but balanced. The Energy sector underperformed throughout the first six months of the year as crude oil prices peaked early in the year and declined over 25% from the peak to the end of June 2012. Individual stock correlations have remained relatively high as underlying company fundamentals were less pertinent to stock performance as macro issues. This environment has been challenging for our stock selection focus which relies more heavily on identifying attractive fundamental characteristics for the fund's equity holdings.

As equity markets began a six month rally in October 2011, market volatility, which typically moves in the opposite direction, began a steady decline. The April/May 2012 market correction caused volatility to surge briefly, however, the June 2012 rebound moved it lower once more. Low volatility results in lower call option premiums and can, at extremes, signal a level of complacency in equity markets. Given the continuing instability in Europe and lackluster global economic outlook, complacency can be somewhat dangerous. Complacency concerns were somewhat evidenced in the higher levels of put option premiums relative to call option which suggests that the price of protection against a market decline had risen during the first half of the year.

How did the fund perform given the marketplace conditions during the first six months of 2012?

For the six-months ending June 30, 2012, the fund's Net Asset Value (NAV) rose 5.39%, ahead of the CBOE S&P BuyWrite Index (BXM) return of 4.8% but lagging the S&P 500 return of 9.5%. The fund's market price rose 8.33%, narrowing the discount to NAV. During the early months of the year the fund tracked the S&P 500 performance and significantly outpaced the BXM index, however, as the market rally matured and the hedging aspect of the covered call strategy increased, the fund began lagging the S&P 500 while maintaining an advantage over the BXM. During this period, the fund benefitted from its exposure to cyclical sectors such as Information Technology and Consumer

Discretionary and also from a strong rebound in the Financials sector. As the market corrected in April and May 2012, the same cyclical sectors which had performed

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Review of Period (continued)

well earlier, became the areas of most aggressive selling. The fund's heightened exposure to these sectors and lesser exposure to traditionally defensive sectors, resulted in a narrowing of the fund's outperformance relative to the BXM. As mentioned earlier, as stock correlations moved higher, many of the fund's higher quality positions were tainted along with companies of lesser quality. As such, the defensiveness of maintaining high quality companies was not as beneficial during this relatively short correction phase. Despite the market extremes during the period, the fund held up well relative to its benchmarks.

Describe the fund's portfolio equity and option structure.

As of June 30, 2012, the fund held 42 equity securities and unexpired call options had been written against 62% of the fund's stock holdings. The relatively low level of stock positions fully covered by call options reflected an effort to allow holdings to participate in a market rebounded. During the six-month period, the fund generated premiums of \$2.8 million from its covered call and put writing activities. It is the strategy of the fund to write "out-of-the-money" call options, as of June 30, 71% of the fund's call options (42 of 59 different options) remained "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). Of the 59 option positions, 6 are put options which have been sold against existing equity holdings that also have covered call options written. The writing of out-of-the-money put options allows the fund to increase the level of income generated and provides for a lower entry point for adding to existing equity holdings. The cash potentially required to purchase additional shares of the underlying stocks in the event a put option is assigned is segregated from other cash and held in separated short term treasury securities.

Which sectors are prevalent in the fund?

From a sector perspective, MSP's largest exposure as of June 30, 2012 was to the Health Care sector, followed by Information Technology (and technology related), Financials, Consumer Discretionary and Energy. The fund had small, under-weight holdings in the Materials and Industrial sectors and had no positions in the Consumer Staples, Telecommunication Services and Utilities sectors, which although defensive in nature, typically provide less attractive call writing opportunities.

SECTOR ALLOCATION AS A
PERCENTAGE OF TOTAL
INVESTMENTS AS OF 6/30/12

Consumer Discretionary	9.5%
Energy	6.8%
Financials	14.8%
Health Care	22.7%
Industrials	1.9%
Information Technology	21.5%
Materials	1.3%
Investment Companies	4.8%
US Treasury Bills	6.2%
US Treasury Note	0.9%
Cash & Other	9.6%

Discuss the fund's security and option selection process.

The fund is managed by two teams of investment professionals. We like to think of these teams as a "right hand" and "left hand" meaning they work together to make common stock and option decisions. 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 between the equity and option teams 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 generally 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, we believe we bring elements of consistency, stability and predictability to our shareholders.

Once we have selected attractive and solid investments 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

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Review of Period (concluded)

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.

What is management's outlook for the market and fund for the remainder of 2012?

While we maintain a cautiously optimistic outlook over the longer term, the remainder of 2012 may continue to be unsettled. We believe that the Euro debt crisis will remain a highly troubling factor in terms of its negative impact on global growth and investor sentiment. Europe remains in recession and its ability to extricate itself from the current situation is very uncertain. In addition, the emerging markets show signs of slowing. There is a great deal of concern over China's economy and its ability to jump start the rest of the world's growth. And finally, while US economic conditions had been slowly improving, recent data suggests that growth may be stalling and uncertainty surrounding the upcoming presidential election and the potentially negative impact of the so-called "fiscal cliff" are keeping investors solidly on the sidelines. On the positive side, we have historically low global interest rates which, while not having the stimulative effect that many would have envisioned, are providing liquidity that is keeping the global economic mechanism from completely seizing. Corporate profits and profit margins, particularly in the US, remain quite strong and companies continue to maintain high cash balances and strong balance sheets in general. Over the short term, equity markets will continue to be driven by macro factors and will be heavily data dependent. This typically means an ebbing and flowing of markets as economic and/or geopolitical news impacts investment decisions in both positive and negative directions. Longer term, we remain optimistic with respect to the equity markets as global economic conditions improve beyond the current turmoil. As such, we believe the fund will continue to be positioned in a relatively defensive manner, protecting as best possible with high quality underlying equity holdings with call option premium support and additional put writing as opportunities present. Following expected bouts of market euphoria, the fund will likely become more defensive and following market corrections, the fund will advantageously become somewhat more aggressive.

TOP TEN STOCK HOLDINGS AS OF
6/30/12

	% of net assets
Google Inc., Class A	3.91%
State Street Corp.	3.61%
Target Corp.	3.14%
Best Buy Co. Inc.	3.11%
Apache Corp.	2.96%
Mylan Inc.	2.88%
St Jude Medical Inc.	2.69%
Teva Pharmaceutical Industries Ltd., ADR	2.66%
Schlumberger Ltd.	2.62%
Zimmer Holdings Inc.	2.60%

SHARE PRICE AND NAV PERFORMANCE FOR
MADISON STRATEGIC SECTOR PREMIUM FUND

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Portfolio of Investments | June 30, 2012 (unaudited)

	Shares	Value
COMMON STOCK -		
80.7%**		
Consumer Discretionary -		
9.8%		
American Eagle Outfitters Inc.	18,000	\$ 355,140
Best Buy Co. Inc.	110,000	2,305,600
Kohl's Corp.	35,000	1,592,150
Staples Inc.	50,000	652,500
Target Corp.	40,000	2,327,600
		7,232,990
Energy - 7.0%		
Apache Corp.	25,000	2,197,250
Canadian Natural Resources Ltd.	40,000	1,074,000
Schlumberger Ltd.	30,000	1,947,300
		5,218,550
Financials - 15.2%		
Affiliated Managers Group Inc.*	15,000	1,641,750
Bank of America Corp.	199,800	1,634,364
Goldman Sachs Group Inc.	14,000	1,342,040
JPMorgan Chase & Co.	30,400	1,086,192
Morgan Stanley	70,000	1,021,300
State Street Corp.	60,000	2,678,400
Wells Fargo & Co.	55,000	1,839,200
		11,243,246
Health Care - 23.3%		
Celgene Corp.*	25,000	1,604,000
Community Health Systems Inc.*	50,000	1,401,500
Laboratory Corp. of America Holdings*	20,000	1,852,200
Medtronic Inc.	40,000	1,549,200
Mylan Inc.*	100,000	2,137,000
Pfizer Inc.	39,800	915,400
St Jude Medical Inc.	50,000	1,995,500
Stryker Corp.	35,000	1,928,500
Teva Pharmaceutical Industries Ltd., ADR	50,000	1,972,000
Zimmer Holdings Inc.	30,000	1,930,800
		17,286,100
Industrials - 1.9%		
Norfolk Southern Corp.	20,000	1,435,400

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Information Technology -
22.1%

Adobe Systems Inc.*	20,000	647,400
Altera Corp.	20,000	676,800
Apple Inc.*	2,200	1,284,800
Applied Materials Inc.	90,000	1,031,400
Cisco Systems Inc.	100,000	1,717,000
EMC Corp.*	30,000	768,900
Facebook Inc.-A*	25,000	778,000
Flextronics International Ltd.*	184,900	1,146,380
FLIR Systems Inc.	80,000	1,560,000
	Shares	Value
Google Inc., Class A*	5,000	\$ 2,900,350
Hewlett-Packard Co.	60,000	1,206,600
Microsoft Corp.	50,000	1,529,500
Symantec Corp.*	80,000	1,168,800
		16,415,930

Materials - 1.4%

Freeport-McMoRan Copper & Gold Inc.	30,000	1,022,100
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Total Common Stock (Cost \$66,800,789) 59,854,316

INVESTMENT

COMPANIES - 4.9%

SPDR S&P MidCap 400 ETF Trust	10,000	1,713,000
Powershares QQQ Trust Series	30,000	1,924,800
Total Investment Companies (Cost \$3,634,103)		3,637,800

Par Value

U.S. GOVERNMENT AND AGENCY OBLIGATIONS -
7.2%

U.S. Treasury Bills - 6.3%

0.07%, 8/23/12	\$ 550,000	549,939
0.14%, 9/20/12	750,000	749,762
0.12%, 10/18/12	300,000	299,886
0.12%, 11/15/12	2,000,000	1,999,057
0.13%, 1/10/13	625,000	624,559
0.14%, 2/7/13	475,000	474,585
		4,697,787

U.S. Treasury Note - 0.9%

1.5%, 7/15/12	700,000	700,383
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Total U.S. Government and Agency Obligations (Cost \$5,398,170)		5,398,170
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Repurchase Agreement - 9.9%

With U.S. Bank National Association issued 6/29/12 at 0.01%, due 7/2/12,		7,321,546
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collateralized by \$7,468,110
in Freddie Mac Gold Pool
#E99143 due 9/1/18. Proceeds
at maturity are \$7,321,552
(Cost \$7,321,546)
TOTAL INVESTMENTS - 102.7% (Cost
\$83,154,608) 76,211,832
NET OTHER ASSETS AND LIABILITIES -
0.0% 19,885
TOTAL CALL & PUT OPTIONS WRITTEN -
(2.7%) (2,037,110)
TOTAL ASSETS - 100.0% \$74,194,607

*Non-income Producing

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

American Depository

ADRReceipt

ETFExchange Traded Fund

See accompanying Notes to Financial Statements.

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Portfolio of Investments (continued)

Call Options Written	Contracts (100 Shares Per Contract	Expiration Date	Strike Price	Market Value
Adobe Systems Inc.	200	October 2012	\$ 35.00	\$ 20,400
Affiliated Managers Group Inc.	100	December 2012	110.00	86,500
Altera Corp.	200	December 2012	35.00	51,500
American Eagle Outfitters Inc.	180	August 2012	15.00	86,400
Apache Corp.	150	July 2012	105.00	150
Apache Corp.	50	October 2012	110.00	1,475
Apple Inc.	22	August 2012	625.00	19,360
Applied Materials Inc.	600	July 2012	13.00	600
Applied Materials Inc.	300	July 2012	14.00	300
Bank of America Corp.	500	August 2012	9.00	8,750
Bank of America Corp.	500	November 2012	8.00	48,250
Bank of America Corp.	400	November 2012	10.00	10,600
Best Buy Co. Inc.	300	September 2012	27.00	14,550
Canadian Natural Resources Ltd.	200	September 2012	43.00	1,000
Celgene Corp.	100	January 2013	67.50	40,750
Cisco Systems Inc.	200	July 2012	21.00	200
Cisco Systems Inc.	300	January 2013	17.50	35,700
Community Health Systems Inc.	300	December 2012	24.00	172,500
EMC Corp.	200	January 2013	26.00	40,800
Facebook Inc.	250	December 2012	32.00	95,000
Flextronics International Ltd.	500	July 2012	7.00	750
FLIR Systems Inc.	150	July 2012	26.00	750
	150		36.00	29,250

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Freeport-McMoRan Copper & Gold Inc. Goldman Sachs Group Inc.	70	November 2012 July 2012	105.00	2,345
Google Inc.	16	September 2012	625.00	17,840
Hewlett-Packard Co.	400	November 2012	24.00	15,400
JPMorgan Chase & Co.	200	December 2012	36.00	58,100
Kohl's Corp.	200	July 2012	50.00	1,000
Kohl's Corp.	150	January 2013	52.50	13,500
Laboratory Corp. of America Holdings	100	November 2012	90.00	62,500
Medtronic Inc.	250	August 2012	41.00	6,250
Medtronic Inc.	150	January 2013	39.00	33,975
Microsoft Corp.	300	July 2012	28.00	79,950
Microsoft Corp.	200	October 2012	33.00	10,200
Mylan Inc.	300	July 2012	25.00	600
Mylan Inc.	300	October 2012	24.00	8,250
Norfolk Southern Corp.	200	December 2012	70.00	107,000
Powershares QQQ Trust Series	200	August 2012	64.00	36,300
Powershares QQQ Trust Series	100	September 2012	63.00	30,400
Schlumberger Ltd.	220	August 2012	80.00	1,760
SPDR S&P MidCap 400 ETF Trust	50	September 2012	176.00	21,750
SPDR S&P MidCap 400 ETF Trust	50	September 2012	183.00	7,875
St Jude Medical Inc.	250	October 2012	42.50	35,625
Staples Inc.	150	September 2012	16.00	1,125
Staples Inc.	250	September 2012	17.00	1,250

See accompanying Notes to Financial Statements.

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Portfolio of Investments (concluded)

	Contracts (100 Shares Per Contract	Expiration Date	Strike Price	Market Value
Call Options Written				
State Street Corp.	300	August 2012 December	\$ 44.00	\$ 60,450
Stryker Corp.	150	2012	55.00	50,250
Symantec Corp.	300	October 2012	18.00	3,750
Target Corp.	200	July 2012	52.50	115,000
Target Corp.	200	October 2012	57.50	51,700
Teva Pharmaceutical Industries Ltd.	250	September 2012	47.50	2,250
Wells Fargo & Co.	250	July 2012	29.00	111,875
Wells Fargo & Co.	150	October 2012	33.00	31,725
Total Call Options Written (Premiums received \$2,460,825)				\$1,745,530
Put Options Written				
Apple Inc.	22	August 2012	575.00	45,980
Cisco Systems Inc.	200	July 2012	19.00	38,600
EMC Corp.	200	January 2013 December	23.00	24,300
Facebook Inc.	250	2012	27.00	67,500
Microsoft Corp.	200	October 2012	31.00	36,600
Symantec Corp.	300	October 2012	17.00	78,600
Total Put Options Written (Premiums received \$321,237)				\$ 291,580
Total Value Options Written (Premiums received \$2,782,062)				\$2,037,110

See accompanying Notes to Financial Statements.

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Statement of Assets and Liabilities | June 30, 2012 (unaudited)

ASSETS

Investments, at value (Notes 1 and 2)	
Short term investments	\$12,719,716
Investment securities	63,492,116
Total investments (cost \$83,154,608)	76,211,832
Receivables	
Dividends and interest	93,044
Total assets	76,304,876

LIABILITIES

Options written, at value (premiums received of \$2,782,062)	2,037,110
Payables	
Management fees	47,885
Service fees	7,699
Administration	1,496
Fund accounting	1,579
Auditor fees	10,000
Independent trustee fees	4,500
Total liabilities	2,110,269

NET ASSETS \$74,194,607

Net assets consist of:

Paid in capital	98,328,935
Accumulated net realized loss on investments and options transactions	(14,744,491)
Net unrealized depreciation on investments and options transactions	(6,404,676)
Accumulated net investment loss	(2,985,161)
Net assets	\$74,194,607

CAPITAL SHARES ISSUED AND OUTSTANDING

An unlimited number of capital shares authorized, \$.01 par value per share (Note 8) 5,798,291

NET ASSET VALUE PER SHARE \$12.80

See accompanying Notes to Financial Statements.

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Statement of Operations | For the six-months ended June 30, 2012 (unaudited)

INVESTMENT INCOME (Note 1)	
Interest income	\$ 2,575
Dividend income	399,422
Total investment income	401,997
EXPENSES (Notes 3 and 4)	
Investment advisory	303,712
Administration	9,491
Fund accounting	9,880
Auditor fees	10,000
Independent trustee fees	9,000
Service	29,964
Total expenses	372,047
NET INVESTMENT INCOME	29,950
REALIZED AND UNREALIZED GAIN ON INVESTMENTS	
Net realized gain on:	
Investments	214,931
Options	1,602,350
Net unrealized appreciation (depreciation) on:	
Investments	2,004,464
Options	145,925
NET GAIN ON INVESTMENTS AND OPTIONS TRANSACTIONS	3,967,670
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 3,997,620

See accompanying Notes to Financial Statements.

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Statements of Changes in Net Assets

	(unaudited)	
	Six-Months Ended June 30, 2012	Year Ended December 31, 2011
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS		
Net investment income	\$ 29,950	\$ 8,232
Net realized gain on investments and options transactions	1,817,281	5,223,827
Net unrealized appreciation (depreciation) on investments and options transactions	2,150,389	(7,561,472)
Net increase (decrease) in net assets resulting from operations	3,997,620	(2,329,413)
DISTRIBUTION TO SHAREHOLDERS (Note 4)		
From and in excess of net investment income	(3,015,111)	(8,232)
From net capital gains		-(5,487,017)
From return of capital		- (534,974)
Total distributions	(3,015,111)	(6,030,223)
CAPITAL SHARE TRANSACTIONS		
	-	-
NET INCREASE (DECREASE) IN NET ASSETS		
	982,509	(8,359,636)
NET ASSETS		
Beginning of period	\$73,212,098	\$81,571,734
End of period ((including distributions in excess of net investment income of (\$2,985,161) and (\$0), respectively)	\$74,194,607	\$73,212,098

See accompanying Notes to Financial Statements.

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Financial Highlights

Per Share Operating Performance for One Share Outstanding Throughout the Period