

NUVEEN MUNICIPAL HIGH INCOME OPPORTUNITY FUND
Form N-CSR
January 06, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21449

Nuveen Municipal High Income Opportunity Fund
(Exact name of registrant as specified in charter)

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

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

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

Date of fiscal year end: October 31

Date of reporting period: October 31, 2011

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

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

ITEM 1. REPORTS TO STOCKHOLDERS.

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Chairman's
Letter to Shareholders

Dear Shareholders,

These are perplexing times for investors. The global economy continues to struggle. The solutions being implemented in the eurozone to deal with the debt crises of many of its member countries are not yet seen as sufficient by the financial markets. The political paralysis in the U.S. has prevented the compromises necessary to deal with the fiscal imbalance and government spending priorities. The efforts by individual consumers, governments and financial institutions to reduce their debts are increasing savings but reducing demand for the goods and services that drive employment. These developments are undermining the rebuilding of confidence by consumers, corporations and investors that is so essential to a resumption of economic growth.

Although it is painfully slow, progress is being made. In Europe, the turnover of a number of national governments reflects the realization by politicians and voters alike that leaders who practiced business as usual had to be replaced by leaders willing to face problems and accept the hard choices needed to resolve them. The recent coordinated efforts by central banks in the U.S. and Europe to provide liquidity to the largest European banks indicates that these monetary authorities are committed to facilitating a recovery in the European banking sector.

In the U.S., the failure of the congressionally appointed Debt Reduction Committee was a blow to those who hoped for a bipartisan effort to finally begin addressing the looming fiscal crisis. Nevertheless, Congress and the administration cannot ignore the issue for long. The Bush era tax cuts are scheduled to expire on December 31, 2012, and six months later the \$1.2 trillion of mandatory across-the-board spending cuts under the Budget Control Act of 2011 begin to go into effect. Any legislative modification would require bipartisan support and the prospects for a bipartisan solution are unclear. The impact of these two developments would be a mixed blessing: a meaningful reduction in the annual budget deficit at the cost of slowing the economic recovery.

It is in these particularly volatile markets that professional investment management is most important. Skillful investment teams who have experienced challenging markets and remain committed to their investment disciplines are critical to the success of an investor's long-term objectives. In fact, many long-term investment track records are built during challenging markets when managers are able to protect investors against these economic crosscurrents. Experienced investment teams know that volatile markets put a premium on companies and investment ideas that will weather the short-term volatility and that compelling values and opportunities are opened up when markets overreact to negative developments. By maintaining appropriate time horizons, diversification and relying on practiced investment teams, we believe that investors can achieve their long-term investment objectives.

As always, I encourage you to contact your financial consultant if you have any questions about your investment in a Nuveen Fund. On behalf of the other members of your Fund Board, we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

Robert P. Bremner
Chairman of the Board
December 21, 2011

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Portfolio Managers' Comments

Nuveen Investment Quality Municipal Fund, Inc. (NQM)
Nuveen Select Quality Municipal Fund, Inc. (NQS)
Nuveen Quality Income Municipal Fund, Inc. (NQU)
Nuveen Premier Municipal Income Fund, Inc. (NPF)
Nuveen Municipal High Income Opportunity Fund (NMZ)
Nuveen Municipal High Income Opportunity Fund 2 (NMD)

Portfolio managers Chris Drahn, Tom Spalding, Daniel Close and John Miller review U.S. economic and municipal market conditions, key investment strategies, and the twelvemonth performance of these six national Funds. Chris, who has 31 years of financial industry experience, assumed portfolio management responsibility for NQM in January 2011. A 34-year veteran of Nuveen, Tom has managed NQS and NQU since 2003. Dan, who joined Nuveen in 2000, assumed portfolio management responsibility for NPF in January 2011. John, who has 16 years of municipal market experience, has managed NMZ since its inception in 2003 and has been involved in the management of NMD since its inception in 2007. He assumed full portfolio management responsibility for NMD in December 2010.

What factors affected the U.S. economy and municipal market during the twelve-month reporting period ended October 31, 2011?

During this period, the U.S. economy's recovery from recession remained slow. The Federal Reserve (Fed) maintained its efforts to improve the overall economic environment by continuing to hold the benchmark fed funds rate at the record low level of zero to 0.25% that it had established in December 2008. At its November 2011 meeting (shortly after the end of this reporting period), the central bank reaffirmed its opinion that economic conditions would likely warrant keeping this rate at "exceptionally low levels" at least through mid-2013. The Fed also said that it would continue its program to extend the average maturity of its U.S. Treasury holdings by purchasing \$400 billion of these securities with maturities of six to thirty years and selling an equal amount of U.S. Treasury securities with maturities of three years or less. The goals of this program, which the Fed expects to complete by the end of June 2012, are to lower longer-term interest rates, support a stronger economic recovery, and help ensure that inflation remains at levels consistent with the Fed's mandates of maximum employment and price stability.

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

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

Reports on the progress of the nation's economic recovery fluctuated between promising and worrisome. In the third quarter of 2011, the U.S. economy, as measured by the U.S. gross domestic product (GDP), grew at an annualized rate of 2.0%, the best growth number since the fourth quarter of 2010 and the ninth consecutive quarter of positive growth. The Consumer Price Index (CPI) rose 3.5% year-over-year as of October 2011, while the core CPI (which excludes food and energy) increased 2.1%, edging just above the Fed's unofficial objective of 2.0% or lower for this inflation measure. Unemployment remained high, as October 2011 marked the seventh straight month with a national jobless number of 9.0% or higher. However, after the reporting period came to a close, the U.S. unemployment rate fell to 8.6% in November, 2011. While the dip was a step in the right direction, it was partly due to a number of individuals dropping out of the hunt for work. The housing market also continued to be a major weak spot. For the twelve months ended September 2011 (the most recent data available at the time this report was prepared), the average home price in the Standard & Poor's/Case-Shiller Index lost 3.6% over the preceding twelve months, with 18 of the 20 major metropolitan areas reporting losses. In addition, the U.S. economic picture continued to be clouded by concerns about the European debt crisis and efforts to reduce the federal deficit, which led to S&P's downgrade of U.S. Treasury debt from AAA to AA+ in August 2011.

Municipal bond prices ended this report generally unchanged versus the beginning of this reporting period, masking a sell-off that commenced in the fourth quarter of 2010 as the result of investor concerns about inflation, the federal deficit, and its impact on demand for U.S. Treasuries. Adding to this situation was media coverage of the strained finances of many state and local governments, which failed to differentiate between gaps in these governments' operating budgets and their ability to meet their debt service obligations. As a result, money flowed out of municipal mutual funds, yields rose and valuations declined.

During the second part of this reporting period (i.e., May-October 2011), municipal bond prices generally rallied as yields declined across the municipal curve. The decline in yields was due in part to the continued depressed level of municipal bond issuance. Tax-exempt volume, which had been limited in 2010 by issuers' extensive use of taxable Build America Bonds (BABs), continued to drift lower in 2011. Even though BABs were no longer an option for issuers (the BAB program expired at the end of 2010), some borrowers had accelerated issuance into 2010 in order to take advantage of the program's favorable terms before its termination, fulfilling their capital program borrowing needs well into 2012. This reduced the need for many borrowers to come to market with new issues during this period. Over the twelve months ended October 31, 2011, municipal bond issuance nationwide totaled \$320.2 billion, a decrease of 23% compared with the issuance of the twelve-month period ended October 31, 2010. Despite municipal bond issuance being down, demand for municipal bonds remained very strong for the majority of this period.

What key strategies were used to manage these Funds during this reporting period?

In an environment characterized by tighter municipal supply and relatively lower yields, we continued to take a bottom-up approach to discovering sectors and individual credits that we believe were undervalued and that had the potential to perform well over the long term. During this period, NQM, NQS, NQU and NPF found value in several sectors, including health care, where we added to our holdings at attractive prices; essential services such as water and sewer bonds; and tax-supported credits. In NQM, these tax-supported bonds included local school districts in California, Illinois and Kansas, while NPF purchased some higher-quality general obligation bonds as well as an issue backed by motor fuel taxes. NPF also found value in a tax increment financing district bond and credits issued for gas pre-payment contracts. In addition, NQS and NQU purchased selected transportation bonds—primarily for airlines, airports and tollroads—and took advantage of attractive valuation levels to add some tobacco credits. In general, these four Funds focused on purchasing lower-rated bonds with longer maturities in order to capitalize on opportunities to add more attractive yields at the longer end of the municipal yield curve. The purchase of longer bonds also helped maintain the Funds' duration (price sensitivity to interest rate movements) and yield curve positioning.

In NMZ and NMD, our primary emphasis continued to be on our long-term strategy of adding value to the Funds' portfolios on a credit-by-credit basis. We viewed the market reversal of the first part of this period as an excellent opportunity to take advantage of inefficiencies in the marketplace, purchasing individual credits that we believed offered stability and appreciation potential at exceptionally attractive and compelling prices and yields, especially in relation to their underlying credit quality. We also looked for bonds that would add diversification to our portfolios in sectors such as transportation, education and redevelopment agency (RDA) bonds, which fund programs to improve deteriorated, blighted and economically depressed areas in California. Some examples of our purchases in these sectors during this period included bonds issued for Florida's Mid-Bay Bridge Authority in NMZ; the North Texas Expressway in NMD; Summit Academy, a charter school in Utah, in NMZ; Roycemore, a private school in Illinois, in NMD; and March Air Force Base Redevelopment Project in California in both Funds.

Cash for new purchases during this period was generated primarily by the proceeds from called and maturing bonds and sinking fund payments, which we worked to redeploy to keep the Funds fully invested. NQM also sold bonds with short maturities or short call dates as well as some holdings of industrial development revenue bonds, which occasionally garnered strong interest during the year from crossover buyers familiar with the underlying credits. In NMZ, we sold selected tobacco bonds with longer maturities and some health care credits, where we reinvested the sale proceeds into other sectors. In most of the other Funds, active selling was relatively minimal, as the

bonds in our portfolios generally offered higher yields than those available in the current marketplace.

As of October 31, 2011, all of these Funds continued to use inverse floating rate securities. We employ inverse floaters for a variety of reasons, including duration management, income enhancement and total return enhancement. During this period, NPF took advantage of opportunities to reduce its leverage exposure by unwinding some of its inverse floater positions. In addition, NMZ and NMD continued to invest in other types of derivative instruments, such as forward interest rate swaps and futures, as part of a long-term strategy designed to moderate interest rate risk and shorten portfolio duration, respectively. The forward interest rate swaps remained in place at period end.

How did the Funds perform?

Individual results for these Funds, as well as relevant index and peer group information, are presented in the accompanying table.

Average Annual Total Returns on Common Share Net Asset Value
For periods ended 10/31/11

Fund	1-Year	5-Year	10-Year
NQM	5.58%	5.03%	5.83%
NQS	4.82%	4.93%	5.90%
NQU	3.79%	4.43%	5.52%
NPF	4.65%	4.29%	5.41%
Standard & Poor's (S&P) National Municipal Bond Index*	3.75%	4.48%	4.95%
Lipper General and Insured Leveraged Municipal Debt Funds Classification Average*	4.80%	4.20%	5.59%
NMZ	4.24%	2.10%	N/A
NMD	1.55%	N/A	N/A
Standard & Poor's (S&P) High-Yield Municipal Bond Index*	4.53%	2.32%	5.30%
Lipper High-Yield Municipal Debt Funds Classification Average*	3.76%	3.17%	5.11%

For the twelve months ended October 31, 2011, the total returns on common share net asset value (NAV) for NQM, NQS, NQU and NPF exceeded the return for the Standard & Poor's (S&P) National Municipal Bond Index. NQM and NQS outperformed the Lipper General and Insured Leveraged Municipal Debt Funds Classification Average, NPF performed in line with the Lipper peer group and NQU lagged this Lipper average. For this same period, NMZ and NMD underperformed the return for the Standard & Poor's (S&P) High-Yield Municipal Bond Index. NMZ outperformed the Lipper High-Yield Municipal Debt Funds Classification Average, while NMD trailed this Lipper average.

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares.

For additional information, see the individual Performance Overview for your Fund in this report.

* Refer to Glossary of Terms Used in this Report for definitions.

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Key management factors that influenced the Funds' returns during this period included duration and yield curve positioning, the use of derivatives, credit exposure, and sector allocation. In addition, the use of structural leverage was an important factor affecting the Funds' performance over this period. The impact of structural leverage is discussed in more detail later in this report.

During this period, municipal bonds with intermediate and longer maturities tended to outperform the short maturity categories, with credits having maturities of seven years and longer generally outpacing the market. In general during this period, the greater a Fund's exposure to the outperforming intermediate and longer parts of the curve, the greater the positive impact on the Fund's return. NQM was generally advantageously situated in terms of duration and yield curve positioning, with overweightings in the intermediate and long intermediate parts of the yield curve which performed well and an underexposure to the underperforming short end of the curve. NPF also was overweighted in the intermediate part of the curve, but this was offset to some degree by the Fund's overexposure to shorter maturities.

Although both NMZ and NMD benefited from their longer durations, these Funds also used derivative positions such as futures and forward interest rate swaps to reduce duration and moderate interest rate risk, as previously mentioned. Because the interest rate swaps were used to hedge against a potential rise in interest rates, the swaps performed poorly as interest rates fell, negatively impacting the Funds' total return performance for the period. This impact was more severe in NMD than in NMZ due to a difference in timing in executing the swaps.

Credit exposure also played a role in performance as bonds rated A and AA typically outperformed the other credit quality categories. On the whole, bonds with higher levels of credit risk were not favored by the market during this period. The performance of the BBB category, in particular, was dragged down by poor returns in the tobacco bond sector. NQS, NQU and NPF all benefited from their strong weightings in the A and AA categories. This was offset to some degree by their relatively heavy weightings in bonds rated BBB. Overall, NPF had the smallest exposure to BBB bonds, which lessened the negative impact of these holdings. Both NMZ and NMD had heavy weightings in BBB credits, with NMD having the larger allocation, and relatively small exposure to bonds rated A and AA.

Holdings that generally made positive contributions to the Funds' returns during this period included zero coupon bonds and housing, water and sewer and health care credits. General obligation and other tax-supported bonds also generally outpaced the municipal market return for the twelve months. All of these Funds, particularly NQM and NQS, had strong weightings in health care, which added to their performance. However, the Funds tended to be somewhat underweighted in general obligation bonds, which

limited their participation in the performance of this sector. In the high-yield segment of the municipal market, the community development district (CDD) sector was among the top performers. In purchasing bonds issued for CDDs, NMZ and NMD focused on those that differentiated themselves through attributes such as stronger tax receipts. Consequently, the Funds were rewarded during this period with strong performance from CDD holdings including Westchester, Harmony and Old Palm, all in Florida, as they experienced growth in assessed property valuations and debt service coverage.

On the whole, some of the best performing bonds in the Funds' portfolios for this period were those purchased during the earlier part of this period before the market rallied, when yields were relatively higher and prices especially attractive. This was particularly true in NMZ, which was very active in the market during that period. In NMZ, four of the top six performing holdings for this reporting period were bonds purchased at the end of 2010 and beginning of 2011.

In contrast, pre-refunded bonds, which are often backed by U.S. Treasury securities, were among the poorest performing market segments during this period. The under-performance of these bonds can be attributed primarily to their shorter effective maturities and higher credit quality. Although allocations of pre-refunded bonds fell substantially in NQS and NQU over the past twelve months, NQU continued to hold the heaviest weighting of pre-refunded bonds among these Funds as of October 31, 2011, while NQS had the smallest allocation. As higher quality credits with shorter durations, pre-refunded bonds generally do not fit the profiles of longer-term, higher-yielding Funds such as NMZ and NMD, and these two Funds had virtually no exposure to pre-refunded bonds.

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Fund Leverage and
Other Information

IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

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

RECENT DEVELOPMENTS REGARDING THE FUNDS' REDEMPTION OF AUCTION RATE PREFERRED SHARES

Shortly after their respective inceptions, each of the Funds (with the exception of NMD) issued auction rate preferred shares (ARPS) to create structural leverage. As noted in past shareholder reports, the ARPS issued by many closed-end funds, including these Funds, have been hampered by a lack of liquidity since February 2008. Since that time, more ARPS have been submitted for sale in each of their regularly scheduled auctions than there have been offers to buy. In fact, offers to buy have been almost completely nonexistent since late February 2008. This means that these auctions have "failed to clear," and that many, or all, of the ARPS shareholders who wanted to sell their shares in these auctions were unable to do so. This lack of liquidity in ARPS did not lower the credit quality of these shares, and ARPS shareholders unable to sell their shares continued to receive distributions at the "maximum rate" applicable to failed auctions, as calculated in accordance with the pre-established terms of the ARPS. In the recent market, with short term rates at multi-generational lows, those maximum rates also have been low.

One continuing implication for common shareholders from the auction failures is that each Fund's cost of leverage likely has been incrementally higher at times than it otherwise might have been had the auctions continued to be successful. As a result, each Fund's common share earnings likely have been incrementally lower at times than they otherwise might have been.

As noted in past shareholder reports, the Nuveen funds' Board of Directors/Trustees authorized several methods that can be used separately or in combination to refinance a portion of the Nuveen funds' outstanding ARPS. Some funds have utilized tender option bonds (TOBs), also known as inverse floating rate securities, for leverage purposes. The amount of TOBs that a fund may use varies according to the composition of each fund's portfolio. Some funds have a greater ability to use TOBs than others. Some funds have issued Variable Rate Demand Preferred (VRDP) Shares or Variable Rate MuniFund Term Preferred (VMTP) Shares, which are a floating rate form of preferred stock with a mandatory term redemption. Some funds have issued MuniFund Term Preferred (MTP) Shares, a fixed rate form of preferred stock with a mandatory redemption period of three to five years.

During 2010 and 2011, certain Nuveen leveraged closed-end funds (including NQM, NQS, NQU, NPF and NMZ) received a demand letter from a law firm on behalf of purported holders of common shares of each such fund, alleging that Nuveen and the funds' officers and Board of Directors/Trustees breached their fiduciary duties related to the redemption at par of the funds' ARPS. In response, the Board established an ad hoc Demand Committee consisting of certain of its disinterested and independent Board members to investigate the claims. The Demand Committee retained independent counsel to assist it in conducting an extensive investigation. Based upon its investigation, the Demand Committee found that it was not in the best interests of each fund or its shareholders to take the actions suggested in the demand letters, and recommended that the full Board reject the demands made in the demand letters. After reviewing the findings and recommendation of the Demand Committee, the full Board of each fund unanimously adopted the Demand Committee's recommendation.

Subsequently, 33 of the funds that received demand letters (including NQM and NMZ) were named in a consolidated complaint as nominal defendants in a putative shareholder derivative action captioned Martin Safier, et al. v. Nuveen Asset Management, et al. that was filed in the Circuit Court of Cook County, Illinois, Chancery Division (the "Cook County Chancery Court") on February 18, 2011 (the "Complaint"). The Complaint, filed on behalf of purported holders of each fund's common shares, also name Nuveen Fund Advisors, Inc. as a defendant, together with current and former Officers and interested Director/Trustees of each of the funds (together with the nominal defendants, collectively, the "Defendants"). The Complaint contains the same basic allegations contained in the demand letters. The suits seek a declaration that the Defendants have breached their fiduciary duties, an order directing the Defendants not to redeem any ARPS at their liquidation value using fund assets, indeterminate monetary damages in

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2.125% 1/15/19 407,714 443,930

U.S. Treasury Notes, Inflation Indexed

1.250% 7/15/20 23,575,308 25,225,580⁽⁴⁾

U.S. Treasury Notes, Inflation Indexed

1.125% 1/15/21 21,684,276 22,936,195

U.S. Treasury Notes, Inflation Indexed

0.625% 7/15/21 13,761,436 14,204,389

U.S. Treasury Notes, Inflation Indexed

0.125% 1/15/22 25,452,568 25,223,902

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U.S. Treasury Notes, Inflation Indexed

0.125% 7/15/22 10,236,461 10,158,889

U.S. Treasury Notes, Inflation Indexed

0.125% 1/15/23 24,804,032 24,366,092 ^(a)

U.S. Treasury Notes, Inflation Indexed

0.375% 7/15/23 4,432,420 4,448,350

U.S. Treasury Notes, Inflation Indexed

0.625% 1/15/24 17,719,615 18,021,398

U.S. Treasury Notes, Inflation Indexed

0.125% 7/15/24 1,135,862 1,107,731

U.S. Treasury Notes, Inflation Indexed

0.250% 1/15/25 3,885,565 3,811,192

Total U.S. Treasury Inflation Protected Securities (Cost \$403,898,860)

400,925,356 Asset-Backed Securities 0.0%

EMC Mortgage Loan Trust, 2004-C A1

(Cost \$3,190)

0.737% 3/25/31 7,263 **7,166** ^{(b)(c)} Collateralized Mortgage Obligations 1.7%

Banc of America Mortgage Securities Inc., 2003-D

2.661% 5/25/33 28,558 28,523 ^(b)

Bear Stearns Adjustable Rate Mortgage Trust, 2004-9 24A1

3.377% 11/25/34 70,412 68,461 ^(b)

[See Notes to Financial Statements.](#)

Table of Contents**Western Asset/Claymore Inflation-Linked Securities & Income Fund**

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations continued				
Chase Mortgage Finance Corp., 2007-A1 2A3	2.642%	2/25/37	18,148	\$ 18,173 (b)
Countrywide Alternative Loan Trust, 2004-J1	6.000%	2/25/34	3,388	3,449
Federal Home Loan Mortgage Corp. (FHLMC), 4013 AI, IO	4.000%	2/15/39	4,572,360	685,827
Federal Home Loan Mortgage Corp. (FHLMC), 4057 UI, IO	3.000%	5/15/27	2,186,791	234,109
Federal Home Loan Mortgage Corp. (FHLMC), 4085, IO	3.000%	6/15/27	6,509,563	680,059
Government National Mortgage Association (GNMA), 2011-142 IO, IO	0.923%	9/16/46	12,176,416	552,273 (b)
Government National Mortgage Association (GNMA), 2012-044 IO, IO	0.700%	3/16/49	2,017,466	90,276 (b)
Government National Mortgage Association (GNMA), 2012-112 IO, IO	0.767%	2/16/53	3,113,027	180,568 (b)
Government National Mortgage Association (GNMA), 2012-114 IO, IO	0.941%	1/16/53	2,319,695	176,090 (b)
Government National Mortgage Association (GNMA), 2012-152 IO, IO	0.755%	1/16/54	7,773,102	479,896 (b)
Government National Mortgage Association (GNMA), 2013-145 IO, IO	1.073%	9/16/44	3,530,783	246,036 (b)
Government National Mortgage Association (GNMA), 2014-047 IA, IO	1.273%	2/16/48	3,370,897	236,570 (b)
Government National Mortgage Association (GNMA), 2014-050 IO, IO	1.021%	9/16/55	3,393,288	235,993 (b)
Government National Mortgage Association (GNMA), 2014-169 IO, IO	1.071%	10/16/56	21,008,626	1,611,131 (b)
Government National Mortgage Association (GNMA), 2015-073 IO, IO	0.894%	11/16/55	5,223,260	395,521 (b)
GSR Mortgage Loan Trust, 2004-11 1A1	2.592%	9/25/34	175,480	165,589 (b)
JPMorgan Mortgage Trust, 2003-A1 1A1	2.050%	10/25/33	39,637	38,860 (b)
JPMorgan Mortgage Trust, 2004-A1 1A1	1.990%	2/25/34	5,893	5,854 (b)
JPMorgan Mortgage Trust, 2006-A2 5A1	2.442%	11/25/33	7,123	7,181 (b)
Merrill Lynch Mortgage Investors Trust, 2003-H A3	1.931%	1/25/29	3,509	3,470 (b)
Merrill Lynch Mortgage Investors Trust, 2004-A1 2A1	2.393%	2/25/34	18,183	18,274 (b)
Residential Asset Mortgage Products Inc., 2004-SL2 A4	8.500%	10/25/31	11,437	12,809
Residential Asset Mortgage Products Inc., 2004-SL4 A5	7.500%	7/25/32	85,596	81,426
Sequoia Mortgage Trust, 2003-8 A1	0.827%	1/20/34	18,151	17,300 (b)
WaMu Mortgage Pass-Through Certificates, 2003-AR8 A	2.384%	8/25/33	15,539	15,947 (b)
WaMu Mortgage Pass-Through Certificates, 2007-HY1 1A1	2.176%	2/25/37	184,229	153,595 (b)
Washington Mutual Inc., MSC Pass-Through Certificates, 2004-RA1 2A	7.000%	3/25/34	15,204	16,058
Total Collateralized Mortgage Obligations (Cost				\$6,548,821
				6,459,318

See Notes to Financial Statements.

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June 30, 2015

Western Asset/Claymore Inflation-Linked Securities & Income Fund

	Rate	Maturity Date	Face Amount	Value
Security				
Corporate Bonds & Notes 13.5%				
Consumer Staples 0.9%				
<i>Tobacco 0.9%</i>				
Altria Group Inc., Senior Notes	2.850%	8/9/22	850,000	\$ 817,029
Altria Group Inc., Senior Notes	9.950%	11/10/38	1,000,000	1,610,236
Reynolds American Inc., Senior Notes	4.750%	11/1/42	1,000,000	907,182
Total Consumer Staples				3,334,447
Energy 1.6%				
<i>Oil, Gas & Consumable Fuels 1.6%</i>				
Ecopetrol SA, Senior Notes	5.875%	9/18/23	1,500,000	1,575,000
Petrobras Global Finance BV, Senior Notes	5.375%	1/27/21	1,000,000	961,800
Petrobras Global Finance BV, Senior Notes	6.750%	1/27/41	1,123,000	983,445
Petroleos Mexicanos, Senior Notes	5.500%	6/27/44	1,277,000	1,174,840
PT Pertamina Persero, Senior Notes	4.300%	5/20/23	1,500,000	1,436,250 ^(c)
Total Energy				6,131,335
Financials 6.5%				
<i>Banks 4.0%</i>				
Bank of America Corp., Senior Notes	6.500%	8/1/16	970,000	1,023,228
Bank of America Corp., Senior Notes	4.100%	7/24/23	750,000	771,685
Bank of America Corp., Senior Notes	5.000%	1/21/44	810,000	841,009
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	2,160,000	2,459,808
Citigroup Inc., Subordinated Notes	6.675%	9/13/43	1,500,000	1,816,708
JPMorgan Chase & Co., Junior Subordinated Bonds	5.150%	5/1/23	2,250,000	2,141,100 ^{(b)(d)}
JPMorgan Chase & Co., Subordinated Notes	5.625%	8/16/43	1,080,000	1,151,778
MUFG Americas Holdings Corp., Senior Notes	3.000%	2/10/25	1,120,000	1,050,956
Wachovia Capital Trust III, Junior Subordinated Bonds	5.570%	8/13/15	2,700,000	2,669,625 ^{(b)(d)}
Wells Fargo & Co., Subordinated Notes	5.375%	11/2/43	1,300,000	1,388,036
Total Banks				15,313,933
<i>Capital Markets 0.7%</i>				
Goldman Sachs Group Inc., Senior Notes	6.250%	9/1/17	1,000,000	1,094,756
Goldman Sachs Group Inc., Senior Notes	3.500%	1/23/25	1,500,000	1,454,691
Total Capital Markets				2,549,447
<i>Consumer Finance 0.4%</i>				
American Express Co., Subordinated Debentures	6.800%	9/1/66	730,000	751,097 ^(b)
HSBC Finance Corp., Senior Notes	6.676%	1/15/21	700,000	809,833
Total Consumer Finance				1,560,930
<i>Diversified Financial Services 1.4%</i>				
Carlyle Holdings II Finance LLC, Senior Secured Notes	5.625%	3/30/43	1,000,000	1,038,919 ^(c)
General Electric Capital Corp., Junior Subordinated Bonds	6.250%	12/15/22	2,000,000	2,187,500 ^{(b)(d)}

See Notes to Financial Statements.

Table of Contents**Western Asset/Claymore Inflation-Linked Securities & Income Fund**

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Diversified Financial Services continued</i>				
General Electric Capital Corp., Senior Notes	6.875%	1/10/39	1,500,000	\$ 2,014,011
<i>Total Diversified Financial Services</i>				<i>5,240,430</i>
Total Financials				24,664,740
Health Care 0.7%				
<i>Health Care Equipment & Supplies 0.7%</i>				
Becton, Dickinson & Co., Senior Notes	4.685%	12/15/44	1,000,000	967,642
Medtronic Inc., Senior Notes	3.500%	3/15/25	1,500,000	1,494,881 ^(c)
Total Health Care				2,462,523
Industrials 0.5%				
<i>Airlines 0.2%</i>				
Air Canada, Pass-Through Trust, Secured Notes	4.125%	11/15/26	928,459	949,349 ^(c)
<i>Construction & Engineering 0.3%</i>				
Odebrecht Finance Ltd., Senior Notes	5.250%	6/27/29	1,500,000	1,125,300 ^(c)
Total Industrials				2,074,649
Materials 0.9%				
<i>Chemicals 0.4%</i>				
Braskem Finance Ltd., Senior Bonds	6.450%	2/3/24	710,000	670,950
Braskem Finance Ltd., Senior Notes	5.750%	4/15/21	790,000	750,500 ^(c)
<i>Total Chemicals</i>				<i>1,421,450</i>
<i>Metals & Mining 0.5%</i>				
Southern Copper Corp., Senior Notes	5.250%	11/8/42	1,000,000	867,840
Vale SA, Senior Notes	5.625%	9/11/42	1,362,000	1,147,036
<i>Total Metals & Mining</i>				<i>2,014,876</i>
Total Materials				3,436,326
Telecommunication Services 1.6%				
<i>Diversified Telecommunication Services 1.6%</i>				
AT&T Inc., Senior Notes	5.350%	9/1/40	1,000,000	984,517
Bharti Airtel International Netherlands BV, Senior Bonds	5.350%	5/20/24	1,500,000	1,588,320 ^(c)
Verizon Communications Inc., Senior Notes	6.550%	9/15/43	2,073,000	2,424,900
Verizon Communications Inc., Senior Notes	5.012%	8/21/54	1,076,000	987,324
Total Telecommunication Services				5,985,061
Utilities 0.8%				
<i>Electric Utilities 0.8%</i>				
FirstEnergy Corp., Notes	7.375%	11/15/31	1,000,000	1,218,403
Pacific Gas & Electric Co., First Mortgage Bonds	6.050%	3/1/34	1,500,000	1,803,316
Total Utilities				3,021,719
Total Corporate Bonds & Notes (Cost \$51,618,245)				51,110,800

See Notes to Financial Statements.

Table of Contents**Schedule of investments (unaudited) (cont d)**

June 30, 2015

Western Asset/Claymore Inflation-Linked Securities & Income Fund

	Rate	Maturity Date	Face Amount	Value
Security				
Non-U.S. Treasury Inflation Protected Securities 12.8%				
<i>Brazil 4.3%</i>				
Federative Republic of Brazil, Notes	6.000%	8/15/22	44,808,301 BRL	\$ 14,327,248
Federative Republic of Brazil, Notes	6.000%	8/15/50	5,794,498 BRL	1,880,971
Total Brazil				16,208,219
<i>Canada 1.2%</i>				
Government of Canada, Bonds	4.250%	12/1/26	3,736,122 CAD	4,426,961
<i>Israel 1.7%</i>				
Government of Israel, Bonds	3.000%	10/31/19	10,451,124 ILS	3,179,302
Government of Israel, Bonds	4.000%	7/31/24	9,751,376 ILS	3,344,109
Total Israel				6,523,411
<i>Italy 1.0%</i>				
Italy Buoni Poliennali Del Tesoro, Senior Notes	2.350%	9/15/24	2,990,879 EUR	3,671,733 (e)
<i>Japan 0.6%</i>				
Japanese Government CPI Linked Bond, Senior Bonds	0.100%	9/10/23	282,974,400 JPY	2,469,277
<i>United Kingdom 4.0%</i>				
United Kingdom Gilt, Bonds	0.125%	11/22/19	9,242,486 GBP	15,437,157 (e)
Total Non-U.S. Treasury Inflation Protected Securities (Cost \$55,524,443)				48,736,758
Sovereign Bonds 2.1%				
<i>Mexico 2.1%</i>				
United Mexican States, Medium-Term Notes	6.050%	1/11/40	520,000	590,200
United Mexican States, Senior Bonds	8.000%	6/11/20	22,950,000 MXN	1,632,117
United Mexican States, Senior Bonds	6.500%	6/9/22	82,250,000 MXN	5,421,331
United Mexican States, Senior Notes	4.600%	1/23/46	401,000	370,925
Total Sovereign Bonds (Cost \$9,334,636)				8,014,573
U.S. Government & Agency Obligations 0.1%				
<i>U.S. Government Obligations 0.1%</i>				
U.S. Treasury Notes (Cost \$349,416)	2.000%	2/15/25	350,000	340,047
		Expiration Date	Contracts	
Purchased Options 0.0%				
U.S. Treasury 5-Year Notes Futures, Call @ \$120.00		7/24/15	126	30,925
U.S. Treasury 30-Year Bonds Futures, Call @ \$160.00		7/24/15	126	33,878
U.S. Treasury Long Bond Futures, Put @ \$143.00		7/24/15	63	15,955
Total Purchased Options (Cost \$77,805)				80,758
Total Investments before Short-Term Investments (Cost \$527,355,416)				515,674,776

See Notes to Financial Statements.

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Western Asset/Claymore Inflation-Linked Securities & Income Fund

	Rate	Maturity Date	Face Amount	Value
Security				
Short-Term Investments 2.9%				
<i>Repurchase Agreements</i> 2.9%				
Bank of America repurchase agreement dated 6/30/15; Proceeds at maturity \$11,200,031; (Fully collateralized by U.S. government obligations, 3.000% due 5/15/42; Market Value \$11,424,000) (Cost \$11,200,000)	0.100%	7/1/15	11,200,000	\$ 11,200,000
Total Investments 138.7% (Cost \$538,555,416#)				526,874,776
Liabilities in Excess of Other Assets (38.7)%				(147,044,151)
Total Net Assets 100.0%				\$ 379,830,625

Face amount denominated in U.S. dollars, unless otherwise noted.

- (a) All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.
- (b) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (c) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Trustees, unless otherwise noted.
- (d) Security has no maturity date. The date shown represents the next call date.
- (e) Security is exempt from registration under Regulation S of the Securities Act of 1933. Regulation S applies to securities offerings that are made outside of the United States and do not involve direct selling efforts in the United States. This security has been deemed liquid pursuant to guidelines approved by the Board of Trustees, unless otherwise noted.

Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

BRL	Brazilian Real
CAD	Canadian Dollar
EUR	Euro
GBP	British Pound
ILS	Israeli Shekel
IO	Interest Only
JPY	Japanese Yen
MXN	Mexican Peso

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Schedule of Written Options

Security	Expiration Date	Strike Price	Contracts	Value
U.S. Treasury 30-Year Bonds Futures, Call	7/24/15	\$ 154.00	75	\$ 79,688
U.S. Treasury 30-Year Bonds Futures, Call	7/24/15	153.00	150	203,906
U.S. Treasury Long Bond Futures, Call	7/24/15	150.00	63	168,328
Total Written Options (Premiums received				\$ 451,922

\$299,252)

See Notes to Financial Statements.

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Statement of assets and liabilities (unaudited)

June 30, 2015

Assets:	
Investments, at value (Cost \$538,555,416)	\$ 526,874,776
Foreign currency, at value (Cost \$3,184,018)	3,090,527
Cash	1,653,574
Interest receivable	3,392,610
Deposits with brokers for open futures contracts	2,197,358
Unrealized appreciation on forward foreign currency contracts	1,207,084
Deposits with brokers for open written options	1,169,659
Deposits with brokers for open reverse repurchase agreements	854,906
Receivable from broker variation margin on open futures contracts	355,030
Deposits with brokers for open purchased options	209,024
OTC swaps, at value (premiums received \$0)	72,098
Foreign currency collateral for open futures contracts, at value (Cost \$32,527)	63,384
Deposits with brokers for centrally cleared swap contracts	4,834
Prepaid expenses	19,936
Total Assets	541,164,800
Liabilities:	
Payable for open reverse repurchase agreements (Note 3)	158,105,750
Unrealized depreciation on forward foreign currency contracts	2,244,556
Written options, at value (premiums received \$299,252)	451,922
Investment management fee payable	177,056
Interest payable	90,848
Payable for securities purchased	77,805
Service agent fees payable	66,396
Administration fee payable	18,493
Trustees fees payable	552
Accrued expenses	100,797
Total Liabilities	161,334,175
Total Net Assets	\$ 379,830,625
Net Assets:	
Common shares, no par value, unlimited number of shares authorized, 29,152,821 shares issued and outstanding	400,518,209
Overdistributed net investment income	(5,103,961)
Accumulated net realized loss on investments, futures contracts, written options, swap contracts and foreign currency transactions	(2,771,601)
Net unrealized depreciation on investments, futures contracts, written options, swap contracts and foreign currencies	(12,812,022)
Total Net Assets	\$ 379,830,625
Shares Outstanding	29,152,821
Net Asset Value	\$13.03

See Notes to Financial Statements.

Table of Contents**Statement of operations** (unaudited)

For the Six Months Ended June 30, 2015

Investment Income:	
<i>Interest</i>	\$ 2,329,303
Expenses:	
Investment management fee (Note 2)	1,081,182
Servicing agent fees (Note 2)	405,443
Interest expense (Note 3)	184,533
Administration fees (Note 2)	111,576
Trustees fees	50,211
Legal fees	42,509
Transfer agent fees	40,961
Custody fees	24,159
Fund accounting fees	21,734
Audit and tax fees	19,418
Shareholder reports	17,642
Stock exchange listing fees	13,395
Insurance	4,304
Miscellaneous expenses	2,467
<i>Total Expenses</i>	<i>2,019,534</i>
Net Investment Income	309,769
Realized and Unrealized Gain (Loss) on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):	
Net Realized Gain (Loss) From:	
Investment transactions	(2,819,002)
Futures contracts	(1,861,978)
Written options	3,727,719
Swap contracts	(1,553,208)
Foreign currency transactions	7,329,934
<i>Net Realized Gain</i>	<i>4,823,465</i>
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	(2,313,630)
Futures contracts	(335,021)
Written options	(152,670)
Swap contracts	515,481
Foreign currencies	(3,481,255)
<i>Change in Net Unrealized Appreciation (Depreciation)</i>	<i>(5,767,095)</i>
Net Loss on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign Currency Transactions	(943,630)
Decrease in Net Assets from Operations	\$ (633,861)

See Notes to Financial Statements.

Table of Contents**Statements of changes in net assets**For the Six Months Ended June 30, 2015 (unaudited)
and the Year Ended December 31, 2014

	2015	2014
Operations:		
Net investment income	\$ 309,769	\$ 8,542,448
Net realized gain (loss)	4,823,465	(1,920,230)
Change in net unrealized appreciation (depreciation)	(5,767,095)	7,535,365
<i>Increase (Decrease) in Net Assets from Operations</i>	<i>(633,861)</i>	<i>14,157,583</i>
Distributions to Shareholders From (Note 1):		
Net investment income	(4,664,451)	(10,151,561)
Net realized gains		(1,976,012)
<i>Decrease in Net Assets from Distributions to Shareholders</i>	<i>(4,664,451)</i>	<i>(12,127,573)</i>
<i>Increase (Decrease) in Net Assets</i>	<i>(5,298,312)</i>	<i>2,030,010</i>
Net Assets:		
Beginning of period	385,128,937	383,098,927
End of period*	\$ 379,830,625	\$ 385,128,937
*Includes overdistributed net investment income of:	\$(5,103,961)	\$(749,279)

See Notes to Financial Statements.

Table of Contents**Statement of cash flows (unaudited)**

For the Six Months Ended June 30, 2015

Increase (Decrease) in Cash:**Cash Provided (Used) by Operating Activities:**

Net decrease in net assets resulting from operations	\$ (633,861)
Adjustments to reconcile net decrease in net assets resulting from operations	

to net cash provided (used) by operating activities:

Purchases of portfolio securities	(145,177,201)
Sales of portfolio securities	136,696,305
Net purchases, sales and maturities of short-term investments	(19,616,793)
Realized loss on purchased options	(1,054,009)
Decrease in premiums paid for purchased options	368,815
Net amortization of premium (accretion of discount)	3,563,882
Increase in interest receivable	(240,497)
Increase in receivable from broker variation margin on open futures contracts	(322,683)
Increase in prepaid expenses	(9,996)
Increase in deposits with brokers for open futures contracts	(1,806,305)
Increase in deposits with brokers for open written options	(1,169,659)
Increase in deposits with brokers for open purchased options	(24,119)
Decrease in foreign currency collateral for open futures contracts	89,084
Decrease in deposits with brokers for reverse repurchase agreements	60,094
Decrease in deposits with brokers for centrally cleared swap contracts	1,092,304
Increase in payable for securities purchased	77,805
Decrease in investment management fee payable	(132)
Increase in Trustees fees payable	552
Decrease in service agent fees payable	(50)
Decrease in administration fee payable	(617)
Increase in interest payable	10,573
Increase in accrued expenses	4,487
Increase in premiums received from written options	299,252
Decrease in payable to broker variation margin on open centrally cleared swap contracts	(18,217)
Net realized loss on investments	2,819,002
Change in unrealized depreciation of investments, written options, OTC swap contracts and forward foreign currency transactions	7,246,284
Net Cash Used in Operating Activities*	(17,745,700)

Cash Flows from Financing Activities:

Distributions paid on common stock	(5,597,341)
Increase in payable for reverse repurchase agreements	24,958,849
Net Cash Provided by Financing Activities	19,361,508
Net Increase in Cash	1,615,808
Cash at Beginning of Period	3,128,293
Cash at End of Period	\$ 4,744,101

* Included in operating expenses is cash of \$173,960 paid for interest on borrowings.

See Notes to Financial Statements.

Table of Contents**Financial highlights**

For a share of common stock outstanding throughout each year ended December 31, unless otherwise noted:

	2015 ^{1,2}	2014 ²	2013 ²	2012 ²	2011 ²	2010 ²
Net asset value, beginning of period	\$13.21	\$13.14	\$14.73	\$14.14	\$13.15	\$12.85
Income (loss) from operations:						
Net investment income	0.01	0.29	0.10	0.26	0.52	0.33
Net realized and unrealized gain (loss)	(0.03)	0.20	(1.31)	0.68	0.97	0.42
<i>Total income (loss) from operations</i>	<i>(0.02)</i>	<i>0.49</i>	<i>(1.21)</i>	<i>0.94</i>	<i>1.49</i>	<i>0.75</i>
Less distributions from:						
Net investment income	(0.16) ³	(0.35)	(0.11)	(0.35)	(0.50)	(0.36)
Net realized gains		(0.07)	(0.27)			
Return of capital						(0.09)
<i>Total distributions</i>	<i>(0.16)</i>	<i>(0.42)</i>	<i>(0.38)</i>	<i>(0.35)</i>	<i>(0.50)</i>	<i>(0.45)</i>
Net asset value, end of period	\$13.03	\$13.21	\$13.14	\$14.73	\$14.14	\$13.15
Market price, end of period	\$11.27	\$11.60	\$11.42	\$13.11	\$12.64	\$12.82
<i>Total return, based on NAV^{4,5}</i>	<i>(0.16)%</i>	<i>3.68%</i>	<i>(8.29)%</i>	<i>6.72%</i>	<i>11.53%</i>	<i>5.91%</i>
<i>Total return, based on Market Price⁶</i>	<i>(1.49)%</i>	<i>5.20%</i>	<i>(10.15)%</i>	<i>6.54%</i>	<i>2.54%</i>	<i>7.99%</i>
Net assets, end of period (000s)	\$379,831	\$385,129	\$383,099	\$429,552	\$412,174	\$383,244
Ratios to average net assets:						
Gross expenses	1.05% ⁷	0.89%	0.74%	0.70%	0.68%	0.76%
Net expenses	1.05 ⁷	0.89	0.74	0.70	0.68	0.76
Net investment income	0.16 ⁷	2.17	0.72	1.79	3.79	2.52
Portfolio turnover rate	29%	30%	65%	73%	58%	43%

¹ For the six months ended June 30, 2015 (unaudited).

² Per share amounts have been calculated using the average shares method.

³ The actual source of the Fund's current fiscal year distributions may be from net investment income, return of capital or a combination of both. Shareholders will be informed of the tax characteristics of the distributions after the close of the fiscal year.

⁴ Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.

⁵ The total return calculation assumes that distributions are reinvested at NAV. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.

⁶ The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.

⁷ Annualized.

[See Notes to Financial Statements.](#)

14 Western Asset/Claymore Inflation-Linked Securities & Income Fund 2015 Semi-Annual Report

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Notes to financial statements (unaudited)

1. Organization and significant accounting policies

Western Asset/Claymore Inflation-Linked Securities & Income Fund (the Fund) is registered under the Investment Company Act of 1940, as amended (1940 Act), as a diversified, closed-end management investment company. The Fund commenced operations on September 26, 2003.

The Fund's primary investment objective is to provide current income for its shareholders. Capital appreciation, when consistent with current income, is a secondary investment objective.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ. Subsequent events have been evaluated through the date the financial statements were issued.

(a) Investment valuation. The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment's fair value. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. When the Fund holds securities or other assets that are denominated in a foreign currency, the Fund will normally use the currency exchange rates as of 4:00 p.m. (Eastern Time). If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund's Board of Trustees.

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Notes to financial statements (unaudited) (cont d)

The Board of Trustees is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North Atlantic Fund Valuation Committee (formerly, Legg Mason North American Fund Valuation Committee) (the Valuation Committee). The Valuation Committee, pursuant to the policies adopted by the Board of Trustees, is responsible for making fair value determinations, evaluating the effectiveness of the Fund's pricing policies, and reporting to the Board of Trustees. When determining the reliability of third party pricing information for investments owned by the Fund, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer's financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts' research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Trustees, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Trustees quarterly.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

GAAP establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are summarized in the three broad levels listed below:

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

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Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)
 The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used in valuing the Fund's assets and liabilities carried at fair value:

ASSETS				
Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Long-term investments :				
U.S. Treasury inflation protected securities		\$ 400,925,356		\$ 400,925,356
Asset-backed securities		7,166		7,166
Collateralized mortgage obligations		6,459,318		6,459,318
Corporate bonds & notes		51,110,800		51,110,800
Non-U.S. Treasury inflation protected securities		48,736,758		48,736,758
Sovereign bonds		8,014,573		8,014,573
U.S. government & agency obligations		340,047		340,047
Purchased options	\$ 80,758			80,758
Total long-term investments	\$ 80,758	\$ 515,594,018		\$ 515,674,776
Short-term investments		11,200,000		11,200,000
Total investments	\$ 80,758	\$ 526,794,018		\$ 526,874,776
Other financial instruments:				
Futures contracts	\$ 480,410			\$ 480,410
Forward foreign currency contracts		\$ 1,207,084		1,207,084
OTC total return swaps		72,098		72,098
Total other financial instruments	\$ 480,410	\$ 1,279,182		\$ 1,759,592
Total	\$ 561,168	\$ 528,073,200		\$ 528,634,368
LIABILITIES				
Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other financial instruments:				
Written options	\$ 451,922			\$ 451,922
Futures contracts	428,840			428,840
Forward foreign currency contracts		\$ 2,244,556		2,244,556
Total	\$ 880,762	\$ 2,244,556		\$ 3,125,318

See Schedule of Investments for additional detailed categorizations.

Values include any premiums paid or received with respect to swap contracts.

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Notes to financial statements (unaudited) (cont d)

(b) Repurchase agreements. The Fund may enter into repurchase agreements with institutions that its investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Under the terms of a typical repurchase agreement, the Fund acquires a debt security subject to an obligation of the seller to repurchase, and of the Fund to resell, the security at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian, acting on the Fund's behalf, take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction maturity exceeds one business day, the value of the collateral is marked-to-market and measured against the value of the agreement in an effort to ensure the adequacy of the collateral. If the counterparty defaults, the Fund generally has the right to use the collateral to satisfy the terms of the repurchase transaction. However, if the market value of the collateral declines during the period in which the Fund seeks to assert its rights or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

(c) Reverse repurchase agreements. The Fund may enter into reverse repurchase agreements. Under the terms of a typical reverse repurchase agreement, a fund sells a security subject to an obligation to repurchase the security from the buyer at an agreed-upon time and price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Fund's use of the proceeds of the agreement may be restricted pending a determination by the counterparty, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. In entering into reverse repurchase agreements, the Fund will maintain cash, U.S. government securities or other liquid debt obligations at least equal in value to its obligations with respect to reverse repurchase agreements or will take other actions permitted by law to cover its obligations. If the market value of the collateral declines during the period, the Fund may be required to post additional collateral to cover its obligation. Cash collateral that has been pledged to cover obligations of the Fund under reverse repurchase agreements, if any, will be reported separately in the Statement of Assets and Liabilities. Securities pledged as collateral are noted in the Schedule of Investments. Interest payments made on reverse repurchase agreements are recognized as a component of Interest expense on the Statement of Operations. In periods of increased demand for the security, the Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Fund.

(d) Futures contracts. The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are

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made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. The daily changes in contract value are recorded as unrealized gains or losses in the Statement of Operations and the Fund recognizes a realized gain or loss when the contract is closed.

Futures contracts involve, to varying degrees, risk of loss in excess of the amounts reflected in the financial statements. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(e) Purchased options. When the Fund purchases an option, an amount equal to the premium paid by the Fund is recorded as an investment on the Statement of Assets and Liabilities, the value of which is marked-to-market to reflect the current market value of the option purchased. If the purchased option expires, the Fund realizes a loss equal to the amount of premium paid. When an instrument is purchased or sold through the exercise of an option, the related premium paid is added to the basis of the instrument acquired or deducted from the proceeds of the instrument sold. The risk associated with purchasing put and call options is limited to the premium paid.

(f) Written options. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the premium received is recorded as a realized gain. When a written call option is exercised, the difference between the premium received plus the option exercise price and the Fund's basis in the underlying security (in the case of a covered written call option), or the cost to purchase the underlying security (in the case of an uncovered written call option), including brokerage commission, is recognized as a realized gain or loss. When a written put option is exercised, the amount of the premium received is subtracted from the cost of the security purchased by the Fund from the exercise of the written put option to form the Fund's basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Fund.

The risk in writing a covered call option is that the Fund may forego the opportunity of profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised. The risk in writing an uncovered call option is that the Fund is exposed to the risk of loss if the market price of the underlying security increases. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(g) Forward foreign currency contracts. The Fund enters into a forward foreign currency contract to hedge against foreign currency exchange rate risk on its non-U.S. dollar denominated securities or to facilitate settlement of a foreign currency denominated portfolio.

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Notes to financial statements (unaudited) (cont d)

lio transaction. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price with delivery and settlement at a future date. The contract is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When a forward foreign currency contract is closed, through either delivery or offset by entering into another forward foreign currency contract, the Fund recognizes a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it is closed.

Forward foreign currency contracts involve elements of market risk in excess of the amounts reflected on the Statement of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

(h) Swap agreements. The Fund invests in swaps for the purpose of managing its exposure to interest rate, credit or market risk, or for other purposes. The use of swaps involves risks that are different from those associated with other portfolio transactions. Swap agreements are privately negotiated in the over-the-counter market (OTC Swaps) or may be executed on a registered exchange (Centrally Cleared Swaps). Unlike Centrally Cleared Swaps, the Fund has credit exposure to the counterparties of OTC Swaps.

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). The daily change in valuation of Centrally Cleared Swaps, if any, is recorded as a receivable or payable for variation margin on the Statement of Assets and Liabilities. Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund's custodian in compliance with the terms of the swap contracts. Securities posted as collateral for swap contracts are identified in the Schedule of Investments and restricted cash, if any, is identified on the Statement of Assets and Liabilities. Risks may exceed amounts recorded in the Statement of Assets and Liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts' terms, and the possible lack of liquidity with respect to the swap agreements.

OTC swap payments received or made at the beginning of the measurement period are reflected as a premium or deposit, respectively, on the Statement of Assets and Liabilities. These upfront payments are amortized over the life of the swap and are recognized as realized gain or loss in the Statement of Operations. Net periodic payments received or paid by the Fund are recognized as a realized gain or loss in the Statement of Operations.

The Fund's maximum exposure in the event of a defined credit event on a credit default swap to sell protection is the notional amount. As of June 30, 2015, the Fund did not hold any credit default swaps to sell protection.

For average notional amounts of swaps held during the six months ended June 30, 2015, see Note 4.

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Credit default swaps

The Fund may enter into credit default swap (CDS) contracts for investment purposes, to manage its credit risk or to add leverage. CDS agreements involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party, typically corporate or sovereign issuers, on a specified obligation, or in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising a credit index. The Fund may use a CDS to provide protection against defaults of the issuers (i.e., to reduce risk where the Fund has exposure to an issuer) or to take an active long or short position with respect to the likelihood of a particular issuer's default. As a seller of protection, the Fund generally receives an upfront payment or a stream of payments throughout the term of the swap provided that there is no credit event. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the maximum potential amount of future payments (undiscounted) that the Fund could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. These amounts of potential payments will be partially offset by any recovery of values from the respective referenced obligations. As a seller of protection, the Fund effectively adds leverage to its portfolio because, in addition to its total net assets, the Fund is subject to investment exposure on the notional amount of the swap. As a buyer of protection, the Fund generally receives an amount up to the notional value of the swap if a credit event occurs.

Implied spreads are the theoretical prices a lender receives for credit default protection. When spreads rise, market perceived credit risk rises and when spreads fall, market perceived credit risk falls. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to enter into the agreement. Wider credit spreads and decreasing market values, when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. Credit spreads utilized in determining the period end market value of credit default swap agreements on corporate or sovereign issues are disclosed in the Notes to Financial Statements and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for credit derivatives. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values, particularly in relation to the notional amount of the contract as well as the annual payment rate, serve as an indication of the current status of the payment/performance risk.

The Fund's maximum risk of loss from counterparty risk, as the protection buyer, is the fair value of the contract (this risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty). As the protection seller, the Fund's maximum risk is the notional amount of the contract. Credit default swaps are considered to have credit risk-related contingent features since they require payment by the protection seller to the protection buyer upon the occurrence of a defined credit event.

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Notes to financial statements (unaudited) (cont d)

Entering into a CDS agreement involves, to varying degrees, elements of credit, market and documentation risk in excess of the related amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreement may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreement, and that there will be unfavorable changes in net interest rates.

Interest rate swaps

The Fund enters into interest rate swap contracts to manage its exposure to interest rate risk. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional principal amount. The Fund may elect to pay a fixed rate and receive a floating rate, or receive a fixed rate and pay a floating rate, on a notional principal amount. Interest rate swaps are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as an unrealized gain or loss in the Statement of Operations. When a swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the original cost and the settlement amount of the closing transaction.

The risks of interest rate swaps include changes in market conditions that will affect the value of the contract or changes in the present value of the future cash flow streams and the possible inability of the counterparty to fulfill its obligations under the agreement. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that that amount is positive. This risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

Total return swaps

The Fund enters into total return swaps for investment purposes. Total return swaps are agreements to exchange the return generated by one instrument for the return generated by another instrument. For example, the agreement to pay a predetermined or fixed interest rate in exchange for a market-linked return based on a notional amount. To the extent the total return of a referenced index or instrument exceeds the offsetting interest obligation, the Fund will receive a payment from the counterparty. To the extent it is less, the Fund will make a payment to the counterparty.

(i) Swaptions. The Fund purchases or writes swaptions to manage exposure to fluctuations in interest rates or to enhance yield. The Fund may also purchase and write swaption contracts to manage exposure to an underlying instrument. Swaption contracts written by the Fund represent an option that gives the purchaser the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date. Swaption contracts purchased by the Fund represent an option that gives the Fund the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date.

When the Fund writes a swaption, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current

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market value of the swaption written. If the swaption expires, the Fund realizes a gain equal to the amount of the premium received.

When the Fund purchases a swaption, an amount equal to the premium paid by the Fund is recorded as an investment on the Statement of Assets and Liabilities, the value of which is marked-to-market daily to reflect the current market value of the swaption purchased. If the swaption expires, the Fund realizes a loss equal to the amount of the premium paid.

(j) Inflation-indexed bonds. Inflation-indexed bonds are fixed-income securities whose principal value or interest rate is periodically adjusted according to the rate of inflation. As the index measuring inflation changes, the principal value or interest rate of inflation-indexed bonds will be adjusted accordingly. Inflation adjustments to the principal amount of inflation-indexed bonds are reflected as an increase or decrease to investment income on the Statement of Operations. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds. For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal.

(k) Foreign currency translation. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

The Fund does not isolate that portion of the results of operations resulting from fluctuations in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, including gains and losses on forward foreign currency contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the values of assets and liabilities, other than investments in securities, on the date of valuation, resulting from changes in exchange rates.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

(l) Stripped securities. The Fund may invest in Stripped Securities, a term used collectively for components, or strips, of fixed income securities. Stripped securities can be

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Notes to financial statements (unaudited) (cont'd)

principal only securities (PO), which are debt obligations that have been stripped of unmatured interest coupons, or interest only securities (IO), which are unmatured interest coupons that have been stripped from debt obligations. The market value of Stripped Securities will fluctuate in response to changes in economic conditions, rates of pre-payment, interest rates and the market's perception of the securities. However, fluctuations in response to interest rates may be greater in Stripped Securities than for debt obligations of comparable maturities that pay interest currently. The amount of fluctuation may increase with a longer period of maturity.

The yield to maturity on IO s is sensitive to the rate of principal repayments (including prepayments) on the related underlying debt obligation and principal payments may have a material effect on yield to maturity. If the underlying debt obligation experiences greater than anticipated prepayments of principal, the Fund may not fully recoup its initial investment in IO s.

(m) Cash flow information. The Fund invests in securities and distributes dividends from net investment income and net realized gains, which are paid in cash and may be reinvested at the discretion of shareholders. These activities are reported in the Statement of Changes in Net Assets and additional information on cash receipts and cash payments are presented in the Statement of Cash Flows.

(n) Credit and market risk. The Fund invests in high-yield and emerging market instruments that are subject to certain credit and market risks. The yields of high-yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund's investments in securities rated below investment grade typically involve risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund's investments in non-U.S. dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

Investments in securities that are collateralized by residential real estate mortgages are subject to certain credit and liquidity risks. When market conditions result in an increase in default rates of the underlying mortgages and the foreclosure values of underlying real estate properties are materially below the outstanding amount of these underlying mortgages, collection of the full amount of accrued interest and principal on these investments may be doubtful. Such market conditions may significantly impair the value and liquidity of these investments and may result in a lack of correlation between their credit ratings and values.

(o) Foreign investment risks. The Fund's investments in foreign securities may involve risks not present in domestic investments. Since securities may be denominated in foreign currencies, may require settlement in foreign currencies or pay interest or dividends in for-

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foreign currencies, changes in the relationship of these foreign currencies to the U.S. dollar can significantly affect the value of the investments and earnings of the Fund. Foreign investments may also subject the Fund to foreign government exchange restrictions, expropriation, taxation or other political, social or economic developments, all of which affect the market and/or credit risk of the investments.

(p) Counterparty risk and credit-risk-related contingent features of derivative instruments. The Fund may invest in certain securities or engage in other transactions, where the Fund is exposed to counterparty credit risk in addition to broader market risks. The Fund may invest in securities of issuers, which may also be considered counterparties as trading partners in other transactions. This may increase the risk of loss in the event of default or bankruptcy by the counterparty or if the counterparty otherwise fails to meet its contractual obligations. The Fund's investment manager attempts to mitigate counterparty risk by (i) periodically assessing the creditworthiness of its trading partners, (ii) monitoring and/or limiting the amount of its net exposure to each individual counterparty based on its assessment and (iii) requiring collateral from the counterparty for certain transactions. Market events and changes in overall economic conditions may impact the assessment of such counterparty risk by the investment manager. In addition, declines in the values of underlying collateral received may expose the Fund to increased risk of loss.

The Fund has entered into master agreements with certain of its derivative counterparties that provide for general obligations, representations, agreements, collateral, events of default or termination and credit related contingent features. The credit related contingent features include, but are not limited to, a percentage decrease in the Fund's net assets or NAV over a specified period of time. If these credit related contingent features were triggered, the derivatives counterparty could terminate the positions and demand payment or require additional collateral.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearinghouse for exchange traded derivatives while collateral terms are contract specific for over-the-counter traded derivatives. Cash collateral that has been pledged to cover obligations of the Fund under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities. Securities pledged as collateral, if any, for the same purpose are noted in the Schedule of Investments.

Absent an event of default by the counterparty or a termination of the agreement, the terms of the master agreements do not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the Fund and the applicable counterparty. The enforceability of the right to offset may vary by jurisdiction.

As of June 30, 2015, the Fund held written options and forward foreign currency contracts with credit related contingent features which had a liability position of \$2,696,478. If a contingent feature in the master agreements would have been triggered, the Fund would have been required to pay this amount to its derivatives counterparties.

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Notes to financial statements (unaudited) (cont d)

(q) Security transactions and investment income. Security transactions are accounted for on a trade date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. Paydown gains and losses on mortgage- and asset-backed securities are recorded as adjustments to interest income. Dividend income is recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults or a credit event occurs that impacts the issuer, the Fund may halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default or credit event.

(r) Distributions to shareholders. Distributions from net investment income of the Fund, if any, are declared and paid on a monthly basis. The actual source of the Fund's monthly distributions may be from net investment income, return of capital or a combination of both. Shareholders will be informed of the tax characteristics of the distributions after the close of the fiscal year. Distributions of net realized gains, if any, are declared at least annually. Pursuant to its Managed Distribution Policy, the Fund intends to make regular monthly distributions to shareholders at a fixed rate per common share, which may be adjusted from time to time by the Fund's Board of Trustees. Under the Fund's Managed Distribution Policy, if, for any monthly distribution, the value of the Fund's net investment income and net realized capital gain is less than the amount of the distribution, the difference will be distributed from the Fund's net assets (and may constitute a return of capital). Shareholders will be informed of the tax characteristics of the distributions after the close of the 2015 fiscal year. The Board of Trustees may modify, terminate or suspend the Managed Distribution Policy at any time, including when certain events would make part of the return of capital taxable to shareholders. Any such modification, termination or suspension could have an adverse effect on the market price of the Fund's shares. Distributions to shareholders of the Fund are recorded on the ex-dividend date and are determined in accordance with income tax regulations, which may differ from GAAP.

(s) Compensating balance arrangements. The Fund has an arrangement with its custodian bank whereby a portion of the custodian's fees is paid indirectly by credits earned on the Fund's cash on deposit with the bank.

(t) Federal and other taxes. It is the Fund's policy to comply with the federal income and excise tax requirements of the Internal Revenue Code of 1986 (the Code), as amended, applicable to regulated investment companies. Accordingly, the Fund intends to distribute its taxable income and net realized gains, if any, to shareholders in accordance with timing requirements imposed by the Code. Therefore, no federal or state income tax provision is required in the Fund's financial statements.

Management has analyzed the Fund's tax positions taken on income tax returns for all open tax years and has concluded that as of June 30, 2015, no provision for income tax is required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have

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not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

(u) Reclassification. GAAP requires that certain components of net assets be reclassified to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share.

2. Investment management agreement and other transactions with affiliates

The Fund has entered into an Investment Management agreement with Western Asset Management Company (Investment Adviser), which provides for payment of a monthly fee computed at the annual rate of 0.40% of the Fund's average weekly assets. Average weekly assets means the average weekly value of the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage). For purposes of calculating average weekly assets, liabilities associated with any instrument or transactions used by the Investment Adviser to leverage the Fund's portfolio (whether or not such instruments or transactions are covered as described in the prospectus) are not considered a liability.

During periods when the Fund is using leverage, the fee paid to the Investment Adviser for advisory services will be higher than if the Fund did not use leverage because the fee paid will be calculated on the basis of the Fund's average weekly assets, which includes the assets attributable to leverage.

Western Asset Management Company Pte. Ltd. (Western Asset Singapore), Western Asset Management Company Limited (Western Asset London) and Western Asset Management Company Ltd (Western Asset Japan) are the Fund's investment advisers. Western Asset London, Western Asset Singapore and Western Asset Japan provide certain advisory services to the Fund relating to currency transactions and investment in non-U.S. denominated securities. Western Asset London, Western Asset Singapore and Western Asset Japan do not receive any compensation from the Fund.

Guggenheim Funds Distributors, Inc. (Servicing Agent) acts as servicing agent for the Fund. For its services, the Servicing Agent receives an annual fee from the Fund, payable monthly in arrears, which is based on the Fund's average weekly assets in an amount equal to 0.15% of the Fund's average weekly assets.

Under an administrative agreement with the Fund, Legg Mason Partners Fund Advisor, LLC (LMPFA) (Administrator), an affiliate of the Investment Adviser, provides certain administrative and accounting functions for the Fund. The Fund pays the Administrator a monthly fee at an annual rate of 0.04% of the Fund's average weekly assets, subject to an annual minimum fee of \$225,000.

Table of Contents**Notes to financial statements (unaudited) (cont d)****3. Investments**

During the six months ended June 30, 2015, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) and U.S Government & Agency Obligations were as follows:

	Investments	U.S. Government & Agency Obligations
Purchases	\$ 44,119,871	\$ 101,057,330
Sales	58,458,280	78,238,025

At June 30, 2015, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$ 5,406,725
Gross unrealized depreciation	(17,087,365)
Net unrealized depreciation	\$ (11,680,640)

Transactions in reverse repurchase agreements for the Fund during the six months ended June 30, 2015 were as follows:

Average Daily Balance*	Weighted Average Interest Rate*	Maximum Amount Outstanding
\$158,056,165	0.24%	\$170,139,250

* Averages based on the number of days that Fund had reverse repurchase agreements outstanding.

Interest rates on reverse repurchase agreements ranged from 0.18% to 0.25% during the six months ended June 30, 2015. Interest expense incurred on reverse repurchase agreements totaled \$184,533.

At June 30, 2015, the Fund had the following open reverse repurchase agreements:

Counterparty	Rate	Effective Date	Maturity Date	Face Amount of Reverse Repurchase Agreements	Asset Class of Collateral*	Collateral Value
Deutsche Bank	0.25%	4/8/2015	7/15/2015	\$ 98,943,250	U.S. Treasury inflation protected securities	\$ 102,130,256
Morgan Stanley	0.24%	4/8/2015	7/16/2015	59,162,500	Cash	854,906
				\$ 158,105,750	U.S. Treasury inflation protected securities	\$ 60,369,898
						\$ 163,355,060

* Refer to the Schedule of Investments for positions held at the counterparty as collateral for reverse repurchase agreements.

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During the six months ended June 30, 2015, written option transactions for the Fund were as follows:

	Number of Contracts/ Notional Amount	Premiums
Written options, outstanding as of December 31, 2014		
Options written	255,046,251	\$ 7,448,633
Options closed	(19,217,068)	(6,628,631)
Options exercised	(111)	(16,983)
Options expired	(235,828,784)	(503,767)
Written options, outstanding as of June 30, 2015	288	\$ 299,252

At June 30, 2015, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Appreciation (Depreciation)
Contracts to Buy:					
U.S. Treasury 5-Year Notes	379	9/15	\$ 45,164,130	\$ 45,198,711	\$ 34,581
U.S. Treasury 10-Year Notes	285	9/15	35,895,926	35,958,984	63,058
U.S. Treasury Long-Term Bonds	238	9/15	36,176,774	35,900,813	(275,961) (178,322)
Contracts to Sell:					
90-Day Eurodollar	252	9/15	62,715,681	62,770,050	(54,369)
90-Day Eurodollar	244	3/16	60,526,457	60,560,800	(34,343)
90-Day Eurodollar	440	12/16	108,428,833	108,493,000	(64,167)
Euro-Bund	128	9/15	22,073,284	21,690,513	382,771 229,892
					\$ 51,570

Net unrealized appreciation on open futures contracts

At June 30, 2015, the Fund had the following open forward foreign currency contracts:

	Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
BRL	14,810,186	USD 4,697,769	Bank of America N.A.	7/16/15	\$ 42,204
CAD	5,490,000	USD 4,526,767	Bank of America N.A.	7/16/15	(132,062)
CAD	5,410,000	USD 4,407,924	Bank of America N.A.	7/16/15	(77,258)
MXN	20,930,000	USD 1,371,128	Bank of America N.A.	7/16/15	(40,813)
USD	7,703,352	BRL 24,810,186	Bank of America N.A.	7/16/15	(237,102)
USD	4,395,583	CAD 5,490,000	Bank of America N.A.	7/16/15	877
USD	4,622,547	CAD 5,650,000	Bank of America N.A.	7/16/15	99,762
USD	4,372,371	CAD 5,400,000	Bank of America N.A.	7/16/15	49,709
USD	2,571,430	JPY 306,606,515	Bank of America N.A.	7/16/15	65,758
USD	3,664,028	MXN 56,230,000	Bank of America N.A.	7/16/15	90,037
AUD	5,050,000	USD 3,914,356	Barclays Bank PLC	7/16/15	(21,063)
AUD	10,730,000	USD 8,317,038	Barclays Bank PLC	7/16/15	(44,754)
SEK	28,660,000	USD 3,508,793	Barclays Bank PLC	7/16/15	(50,631)

Table of Contents**Notes to financial statements (unaudited) (cont d)**

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
USD 3,830,183	AUD 5,050,000	Barclays Bank PLC	7/16/15	\$ (63,110)
USD 8,317,038	AUD 10,730,000	Barclays Bank PLC	7/16/15	44,754
USD 1,432,557	MXN 21,958,667	Barclays Bank PLC	7/16/15	36,860
USD 3,437,579	SEK 28,660,000	Barclays Bank PLC	7/16/15	(20,584)
MXN 2,960,000	USD 194,968	Citibank, N.A.	7/16/15	(6,829)
MXN 128,211,333	USD 8,276,879	Citibank, N.A.	7/16/15	(127,739)
NZD 4,800,000	USD 3,278,712	Citibank, N.A.	7/16/15	(30,000)
USD 7,616,589	BRL 24,546,742	Citibank, N.A.	7/16/15	(239,550)
USD 5,421,774	BRL 16,710,000	Citibank, N.A.	7/16/15	73,770
USD 14,519,885	GBP 9,900,000	Citibank, N.A.	7/16/15	(1,033,977)
USD 12,867,600	MXN 198,171,333	Citibank, N.A.	7/16/15	271,787
USD 3,373,872	NZD 4,800,000	Citibank, N.A.	7/16/15	125,160
SEK 23,702,510	USD 2,800,000	Bank of America N.A.	8/13/15	61,640
USD 2,900,784	SEK 23,702,510	Bank of America N.A.	8/13/15	39,144
CAD 4,651,817	USD 3,831,746	Citibank, N.A.	8/13/15	(109,365)
EUR 680,000	USD 763,833	Credit Suisse First Boston Inc.	8/13/15	(5,311)
USD 3,881,851	CAD 4,651,817	Credit Suisse First Boston Inc.	8/13/15	159,470
USD 199,053	EUR 178,001	Credit Suisse First Boston Inc.	8/13/15	497
USD 3,946,758	EUR 3,500,000	Credit Suisse First Boston Inc.	8/13/15	42,602
USD 87,991	EUR 80,000	Credit Suisse First Boston Inc.	8/13/15	(1,246)
USD 305,346	EUR 271,000	Credit Suisse First Boston Inc.	8/13/15	3,053
USD 1,124,016	BRL 3,600,000	Citibank, N.A.	9/15/15	(3,162)
Total				\$ (1,037,472)

Abbreviations used in this table:

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
EUR	Euro
GBP	British Pound
JPY	Japanese Yen
MXN	Mexican Peso
NZD	New Zealand Dollar
SEK	Swedish Krona
USD	United States Dollar

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At June 30, 2015, the Fund had the following open swap contracts:

OTC TOTAL RETURN SWAPS						
Swap Counterparty	Notional Amount	Termination Date	Periodic Payments Made by the Fund	Periodic Payments Received by the Fund	Upfront Premiums Paid (Received)	Unrealized Appreciation
Barclays Capital Inc.	\$ 32,060,000	1/27/20	1.925%*	CPURNSA*		\$ 34,506
Barclays Capital Inc.	32,060,000	1/28/20	1.955%*	CPURNSA*		37,592
Total	\$ 64,120,000					\$ 72,098

Percentage shown is an annual percentage rate.

Periodic payments made/received by the Fund are based on the total return of the referenced entity.

*One time payment at termination date.

4. Derivative instruments and hedging activities

Below is a table, grouped by derivative type, that provides information about the fair value and the location of derivatives within the Statement of Assets and Liabilities at June 30, 2015.

ASSET DERIVATIVES ¹			
	Interest Rate Risk	Foreign Exchange Risk	Total
Purchased options ²	\$ 80,758		\$ 80,758
Futures contracts ³	480,410		480,410
OTC swap contracts ⁴	72,098		72,098
Forward foreign currency contracts		\$ 1,207,084	1,207,084
Total	\$ 633,266	\$ 1,207,084	\$ 1,840,350

LIABILITY DERIVATIVES ¹			
	Interest Rate Risk	Foreign Exchange Risk	Total
Written options	\$ 451,922		\$ 451,922
Futures contracts ³	428,840		428,840
Forward foreign currency contracts		\$ 2,244,556	2,244,556
Total	\$ 880,762	\$ 2,244,556	\$ 3,125,318

¹ Generally, the balance sheet location for asset derivatives is receivables/net unrealized appreciation (depreciation) and for liability derivatives is payables/net unrealized appreciation (depreciation).

² Market value of purchased options is reported in Investments at value in the Statement of Assets and Liabilities.

³ Includes cumulative appreciation (depreciation) of futures contracts as reported in the footnotes. Only variation margin is reported within the receivables and/or payables on the Statement of Assets and Liabilities.

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⁴ Values include premiums paid (received) on swap contracts which are shown separately in the Statement of Assets and Liabilities.

The following tables provide information about the effect of derivatives and hedging activities on the Fund's Statement of Operations for the six months ended June 30, 2015. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the period. The second table provides additional information

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Notes to financial statements (unaudited) (cont d)

about the change in unrealized appreciation (depreciation) resulting from the Fund's derivatives and hedging activities during the period.

AMOUNT OF REALIZED GAIN (LOSS) ON DERIVATIVES RECOGNIZED

	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Total
Purchased options ¹	\$ (858,035)		\$ (195,974)	\$ (1,054,009)
Written options	3,558,479		169,240	3,727,719
Futures contracts	(1,861,978)			(1,861,978)
Swap contracts	(1,553,208)			(1,553,208)
Forward foreign currency contracts ²		\$ 7,841,081		7,841,081
Total	\$ (714,742)	\$ 7,841,081	\$ (26,734)	\$ 7,099,605

¹ Net realized gain (loss) from purchased options is reported in net realized gain (loss) from investment transactions in the Statement of Operations.

² Net realized gain (loss) from forward foreign currency contracts is reported in net realized gain (loss) from foreign currency transactions in the Statement of Operations.

CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON DERIVATIVES RECOGNIZED

	Interest Rate Risk	Foreign Exchange Risk	Total
Purchased options ¹	\$ 346,620		\$ 346,620
Written options	(152,670)		(152,670)
Futures contracts	(335,021)		(335,021)
Swap contracts	515,481		515,481
Forward foreign currency contracts ²		\$ (3,552,961)	(3,552,961)
Total	\$ 374,410	\$ (3,552,961)	\$ (3,178,551)

¹ The change in unrealized appreciation (depreciation) from purchased options is reported in the change in net unrealized appreciation (depreciation) from investments in the Statement of Operations.

² The change in unrealized appreciation (depreciation) from forward foreign currency contracts is reported in the change in net unrealized appreciation (depreciation) from foreign currencies in the Statement of Operations.

During the six months ended June 30, 2015, the volume of derivative activity for the Fund was as follows:

	Average Market Value
Purchased options	\$ 154,803
Written options	417,186
Futures contracts (to buy)	301,448,006
Futures contracts (to sell)	429,992,997
Forward foreign currency contracts (to buy)	25,011,335
Forward foreign currency contracts (to sell)	85,968,121
	Average Notional Balance

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Interest rate swap contracts	\$	7,560,857
Total return swap contracts		71,051,429

At June 30, 2015, there were no open positions held in this derivative.

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The following table presents by financial instrument, the Fund's derivative assets net of the related collateral received by the Fund at June 30, 2015:

	Gross Amount of Derivative Assets in the Statement of Assets and Liabilities ¹	Collateral Received	Net Amount
Purchased options ²	\$ 80,758		\$ 80,758
Futures contracts ³	355,030		355,030
OTC swap contracts	72,098		72,098
Forward foreign currency contracts	1,207,084		1,207,084
Total	\$ 1,714,970		\$ 1,714,970

The following table presents by financial instrument, the Fund's derivative liabilities net of the related collateral pledged by the Fund at June 30, 2015:

	Gross Amount of Derivative Liabilities in the Statement of Assets and Liabilities ¹	Collateral Pledged ^{4,5}	Net Amount
Written options	\$ 451,922	\$ (451,922)	
Forward foreign currency contracts	2,244,556		\$ 2,244,556
Total	\$ 2,696,478	\$ (451,922)	\$ 2,244,556

¹ Absent an event of default or early termination, derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

² Market value of purchased options is shown in Investments at value in the Statement of Assets and Liabilities.

³ Amount represents the current day's variation margin as reported in the Statement of Assets and Liabilities. It differs from the cumulative appreciation (depreciation) presented in the previous table.

⁴ Gross amounts are not offset in the Statement of Assets and Liabilities.

⁵ In some instances, the actual collateral received and/or pledged may be more than the amount shown here due to overcollateralization.

5. Distributions subsequent to June 30, 2015

The following distributions have been declared by the Fund's Board of Trustees and are payable subsequent to the period end of this report:

Record Date	Payable Date	Amount
7/15/2015	7/31/2015	\$ 0.032
8/14/2015	8/31/2015	\$ 0.032

6. Recent accounting pronouncement

The Fund has adopted the disclosure provisions of Financial Accounting Standards Board Accounting Standards Update No. 2014-11 (ASU No. 2014-11), *Transfers and Servicing (Topic 860) Repurchase-to-Maturity Transactions, Repurchase Financings and Disclosures*. ASU

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No. 2014-11 is intended to provide increased transparency about the types of collateral pledged in repurchase agreements and similar transactions that are accounted for as secured borrowings.

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Notes to financial statements (unaudited) (cont d)

7. Deferred capital losses

As of December 31, 2014, the Fund had deferred capital losses of \$309,560, which have no expiration date, that will be available to offset future taxable capital gains.

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Additional shareholder information (unaudited)

Results of annual meeting of shareholders

The Fund's annual meeting of shareholders was held on June 3, 2015. Of the 29,152,820 common shares outstanding on the record date for the meeting, the following shares were voted at the meeting:

Election of Trustee	For	Withheld
Ronald E. Toupin, Jr.	24,496,531	959,347
Jane Trust	24,502,908	952,970

Western Asset/Claymore Inflation-Linked Securities & Income Fund

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Dividend reinvestment plan (unaudited)

The Fund and American Stock Transfer & Trust Company LLC (Agent), as the Transfer Agent and Registrar of WIA, offer a convenient way to add shares of WIA to your account. WIA offers to all common shareholders a Dividend Reinvestment Plan (Plan). Under the Plan, cash distributions (e.g., dividends and capital gains) on the common shares are automatically invested in shares of WIA unless the shareholder elects otherwise by contacting the Agent at the address set forth below.

As a participant in the Dividend Reinvestment Plan, you will automatically receive your dividend or net capital gains distribution in newly issued shares of WIA, if the market price of the shares on the date of the distribution is at or above the net asset value (NAV) of the shares, minus estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market. The number of shares to be issued to you will be determined by dividing the amount of the cash distribution to which you are entitled (net of any applicable withholding taxes) by the greater of the NAV per share on such date or 95% of the market price of a share on such date. If the market price of a share on such distribution date is below the NAV, less estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market, the Agent will, as agent for the participants, buy shares of WIA through a broker on the open market. All common shares acquired on your behalf through the Plan will be automatically credited to an account maintained on the books of the Agent.

Additional information regarding the plan

WIA will pay all costs applicable to the Plan, except for brokerage commissions for open market purchases by the Agent under the Plan, which will be charged to participants. All shares acquired through the Plan receive voting rights and are eligible for any stock split, stock dividend, or other rights accruing to shareholders that the Board of Trustees may declare.

You may terminate participation in the Plan at any time by giving notice to the Agent. Such termination will be effective prior to the record date next succeeding the receipt of such instructions or by a later date of termination specified in such instructions. Upon termination, a participant will receive a certificate for the full shares credited to his or her account or may request the sale of all or part of such shares. Fractional shares credited to a terminating account will be paid for in cash at the current market price at the time of termination.

Dividends and other distributions invested in additional shares under the Plan are subject to income tax just as if they had been received in cash. After year end, dividends paid on the accumulated shares will be included in the Form 1099-DIV information return to the Internal Revenue Service and only one Form 1099-DIV will be sent to participants each year.

Inquiries regarding the Plan, as well as notices of termination, should be directed to American Stock Transfer & Trust Company LLC, 6201 15th Avenue, Brooklyn, NY 11219. Investor Relations telephone number 1-888-888-0151.

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Schedule of portfolio holdings

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. You may obtain a free copy of the Fund's Form N-Q by calling 1-800-345-7999, by visiting the Fund's website (<http://guggenheiminvestments.com/wia>), or by writing to the Fund, or you may obtain a copy of this report (and other information relating to the Fund) from the SEC's website (<http://www.sec.gov>). Additionally, the Fund's Form N-Q can be viewed or copied at the SEC's Public Reference Room in Washington D.C. Information about the operation of the Public Reference Room can be obtained by calling 1-800-SEC-0330.

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Western Asset/Claymore

Inflation-Linked Securities & Income Fund

Trustees

Michael Larson

Ronald A. Nyberg

Ronald E. Toupin, Jr.

Jane Trust*

Officers

Jane Trust*

President

Richard F. Sennett

Principal Financial and Accounting Officer and Treasurer

Todd F. Kuehl

Chief Compliance Officer

Mark E. Mathiasen

Secretary

Investment advisers

Western Asset Management Company

Western Asset Management Company Limited

Western Asset Management Company Pte. Ltd.

Western Asset Management Company Ltd

Servicing agent

Guggenheim Funds Distributors, LLC

227 W. Monroe

Chicago, IL 60606

Custodian

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State Street Bank and Trust Company

1 Lincoln Street

Boston, MA 02111

Legal counsel

Ropes & Gray LLP

1211 Avenue of the Americas

New York, NY 10036

Independent registered public accounting firm

PricewaterhouseCoopers LLP

100 East Pratt Street

Baltimore, MD 21202

Transfer agent

American Stock Transfer & Trust Company LLC

6201 15th Avenue

Brooklyn, NY 11219

* Effective April 1, 2015, Ms. Trust became a Trustee and President.

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Privacy and Security Notice

Your Privacy and the Security of Your Personal Information is Very Important to the Funds

This Privacy and Security Notice (the **Privacy Notice**) addresses the Funds' privacy and data protection practices with respect to nonpublic personal information the Funds receive. The provisions of this Privacy Notice apply to your information both while you are a shareholder and after you are no longer invested with the Funds.

The Type of Nonpublic Personal Information the Funds Collect About You

The Funds collect and maintain nonpublic personal information about you in connection with your shareholder account. Such information may include, but is not limited to:

Personal information included on applications or other forms;

Account balances, transactions, and mutual fund holdings and positions;

Online account access user IDs, passwords, security challenge question responses; and

Information received from consumer reporting agencies regarding credit history and creditworthiness (such as the amount of an individual's total debt, payment history, etc.).

How the Funds Use Nonpublic Personal Information About You

The Funds do not sell or share your nonpublic personal information with third parties or with affiliates for their marketing purposes, or with other financial institutions or affiliates for joint marketing purposes, unless you have authorized the Funds to do so. The Funds do not disclose any nonpublic personal information about you except as may be required to perform transactions or services you have authorized or as permitted or required by law. The Funds may disclose information about you to:

Employees, agents, and affiliates on a **need to know** basis to enable the Funds to conduct ordinary business or comply with obligations to government regulators;

Service providers, including the Funds' affiliates, who assist the Funds as part of the ordinary course of business (such as printing, mailing services, or processing or servicing your account with us) or otherwise perform services on the Funds' behalf, including companies that may perform marketing services solely for the Funds;

The Funds' representatives such as legal counsel, accountants and auditors; and

Fiduciaries or representatives acting on your behalf, such as an IRA custodian or trustee of a grantor trust.

Except as otherwise permitted by applicable law, companies acting on the Funds' behalf are contractually obligated to keep nonpublic personal information the Funds provide to them confidential and to use the information the Funds share only to provide the services the Funds ask them to

perform.

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Privacy and Security Notice (cont d)

The Funds may disclose nonpublic personal information about you when necessary to enforce their rights or protect against fraud, or as permitted or required by applicable law, such as in connection with a law enforcement or regulatory request, subpoena, or similar legal process. In the event of a corporate action or in the event a Fund service provider changes, the Funds may be required to disclose your nonpublic personal information to third parties. While it is the Funds' practice to obtain protections for disclosed information in these types of transactions, the Funds cannot guarantee their privacy policy will remain unchanged.

Keeping You Informed of the Funds' Privacy and Security Practices

The Funds will notify you annually of their privacy policy as required by federal law. While the Funds reserve the right to modify this policy at any time they will notify you promptly if this privacy policy changes.

The Funds' Security Practices

The Funds maintain appropriate physical, electronic and procedural safeguards designed to guard your nonpublic personal information. The Funds' internal data security policies restrict access to your non-public personal information to authorized employees, who may use your nonpublic personal information for Fund business purposes only.

Although the Funds strive to protect your nonpublic personal information, they cannot ensure or warrant the security of any information you provide or transmit to them, and you do so at your own risk. In the event of a breach of the confidentiality or security of your nonpublic personal information, the Funds will attempt to notify you as necessary so you can take appropriate protective steps. If you have consented to the Funds using electronic communications or electronic delivery of statements, they may notify you under such circumstances using the most current email address you have on record with them.

In order for the Funds to provide effective service to you, keeping your account information accurate is very important. If you believe that your account information is incomplete, not accurate or not current, or if you have questions about the Funds' privacy practices, write the Funds using the contact information on your account statements, email the Funds by clicking on the Funds' website at guggenheiminvestments.com, or contact the Fund at 1-800-345-7999.

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Western Asset/Claymore Inflation-Linked Securities & Income Fund

Western Asset/Claymore Inflation-Linked Securities & Income Fund

385 East Colorado Boulevard

Pasadena, CA 91101

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase at market prices, shares of its Common Stock in the open market.

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (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 at www.sec.gov. The Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington D.C., and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. To obtain information on Form N-Q from the Fund, shareholders can call 1-800-345-7999.

Information on how the Fund voted proxies relating to portfolio securities during the prior 12-month period ended June 30th of each year and a description of the policies and procedures that the Fund uses to determine how to vote proxies related to portfolio transactions are available (1) without charge, upon request, by calling 1-800-345-7999, (2) on the Fund's website at guggenheiminvestments.com/wia and (3) on the SEC's website at www.sec.gov.

This report is transmitted to the shareholders of Western Asset/Claymore Inflation-Linked Securities & Income Fund for their information. This 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 this report.

American Stock Transfer & Trust Company

6201 15th Avenue

Brooklyn, NY 11219

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ITEM 2. CODE OF ETHICS.

Not applicable.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable

ITEM 6. SCHEDULE OF INVESTMENTS.

Included herein under Item 1.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

NAME AND

ADDRESS

PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS

S. Kenneth Leech

Responsible for the day-to-day management with other members of the Fund's portfolio management team; Chief Investment Officer of Western Asset from 1998 to 2008 and since 2014; Senior Advisor/Chief Investment Officer Emeritus of Western Asset from 2008-2013; Co- Chief Investment Officer of Western Asset from 2013-2014.

Western Asset

385 East Colorado Blvd.

Pasadena, CA 91101

Michael C. Buchanan

Co-portfolio manager of the fund; Managing Director and head of U.S. Credit Products from 2003-2005 at Credit Suisse Asset Management

Western Asset

385 East Colorado Blvd.

Pasadena, CA 91101

Paul E. Wynn

Co-portfolio manager of the fund; portfolio manager at Western Asset for more than five years

Western Asset

385 East Colorado Blvd.

Pasadena, CA

Dennis J. McNamara Co-portfolio manager of the fund; portfolio manager at Western Asset for more than five years

Western Asset

385 East Colorado Blvd.

Pasadena, CA

Chia-Liang Lian It is anticipated that Mr. Lian will become a member of the fund's portfolio management team on or about April 30, 2015; Co-Head of Emerging Markets Debt, portfolio manager and research analyst at Western Asset since 2011; Head of Emerging Asia Portfolio Management at Pacific Investment Management Company from 2005 to 2011

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Pasadena, CA

Christopher Orndorff Co-portfolio manager of the fund; portfolio manager at Western Asset since 2010; Managing Principal and Executive Committee Member at Payden & Rygel for over 19 years

Western Asset

385 East Colorado Blvd.

Pasadena, CA

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The following tables set forth certain additional information with respect to the fund's portfolio managers for the fund. Unless noted otherwise, all information is provided as of June 30, 2015.

Other Accounts Managed by Portfolio Managers

The table below identifies the number of accounts (other than the fund) for which the fund's portfolio managers have day-to-day management responsibilities and the total assets in such accounts, within each of the following categories: registered investment companies, other pooled investment vehicles, and other accounts. For each category, the number of accounts and total assets in the accounts where fees are based on performance is also indicated.

Portfolio	Registered	Other Pooled	Other
	Investment	Investment	
Manager(s)	Companies	Vehicles	Accounts
S. Kenneth Leech	110 registered investment companies with \$191.6 billion in total assets under management	271 Other pooled investment vehicles with \$91.7 billion in assets under management ¹	641 Other accounts with \$169.6 billion in total assets under management ²
Michael C. Buchanan	43 registered investment companies with \$40.5 billion in total assets under management	75 Other pooled investment vehicles with \$35.2 billion in assets under management ³	189 Other accounts with \$51.3 billion in total assets under management ⁴
Paul E. Wynn	5 registered investment companies with \$2.1 billion in total assets under management	4 Other pooled investment vehicles with \$0.9 billion in assets under management	20 Other accounts with \$5.3 billion in total assets under management ⁵
Dennis J. McNamara	36 registered investment companies with \$139.5 billion in total assets under management	18 Other pooled investment vehicles with \$7.4 billion in assets under management ⁶	125 Other accounts with \$42.7 billion in total assets under management ⁷
Chia-Liang Lian	27 registered investment companies with \$31.6 billion in total assets under management	40 Other pooled investment vehicles with \$14.1 billion in assets under management ⁸	154 Other accounts with \$33.6 billion in total assets under management ⁹
Christopher Orndorff	13 registered investment companies with \$5.1 billion in total assets under management	27 Other pooled investment vehicles with \$10.0 billion in assets under management ¹⁰	59 Other accounts with \$26.2 billion in total assets under management ¹¹

¹ Includes 9 accounts managed, totaling \$1.8 billion, for which advisory fee is performance based.

² Includes 55 accounts managed, totaling \$17.2 billion, for which advisory fee is performance based.

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- 3 Includes 4 accounts managed, totaling \$1.2 billion, for which advisory fee is performance based.
- 4 Includes 20 accounts managed, totaling \$7.6 billion, for which advisory fee is performance based.
- 5 Includes 1 account managed, totaling \$0.04 million, for which advisory fee is performance based.
- 6 Includes 1 account managed, totaling \$0.1 billion, for which advisory fee is performance based.
- 7 Includes 7 accounts managed, totaling \$1.5 billion, for which advisory fee is performance based.
- 8 Includes 1 account managed, totaling \$0.1 billion, for which advisory fee is performance based.
- 9 Includes 27 accounts managed, totaling \$8.9 billion, for which advisory fee is performance based.
- 10 Includes 2 accounts managed, totaling \$0.2 billion, for which advisory fee is performance based.
- 11 Includes 7 accounts managed, totaling \$3.9 billion, for which advisory fee is performance based.

The numbers above reflect the overall number of portfolios managed by employees of Western Asset Management Company (Western Asset). Mr. Leech is involved in the management of all the Firm s portfolios, but he is not solely responsible for particular portfolios. Western Asset s investment discipline emphasizes a team approach that combines the efforts of groups of specialists working in different market sectors. He is responsible for overseeing implementation of Western Asset s overall investment ideas and coordinating the work of the various sector teams. This structure ensures that client portfolios benefit from a consensus that draws on the expertise of all team members.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable

ITEM 11. CONTROLS AND PROCEDURES.

(a) The registrant s principal executive officer and principal financial officer have concluded that the registrant s disclosure controls and procedures (as defined in Rule 30a- 3(c) under the Investment Company Act of 1940, as amended (the 1940 Act)) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.

(b) There were no changes in the registrant s internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are likely to materially affect the registrant s internal control over financial reporting

ITEM 12. EXHIBITS.

(a) (1) Not applicable.
Exhibit 99.CODE ETH

(a) (2) Certifications pursuant to section 302 of the Sarbanes-Oxley Act of 2002 attached hereto.
Exhibit 99.CERT

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 attached hereto.

Exhibit 99.906CERT

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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, there unto duly authorized.

Western Asset/Claymore Inflation-Linked Securities & Income Fund

By: /s/ Jane Trust
Jane Trust
Trustee and President
Date: August 24, 2015

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: /s/ Jane Trust
Jane Trust
Trustee and President
Date: August 24, 2015

By: /s/ Richard F. Sennett
Richard F. Sennett
Principal Financial Officer
Date: August 24, 2015