

Edgar Filing: Madison/Claymore Covered Call & Equity Strategy Fund - Form N-CSRS

Madison/Claymore Covered Call & Equity Strategy Fund  
Form N-CSRS  
September 05, 2008

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 811-21582  
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Madison / Claymore Covered Call & Equity Strategy Fund  
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(Exact name of registrant as specified in charter)

2455 Corporate West Drive  
Lisle, IL 60532  
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(Address of principal executive offices) (Zip code)

J. Thomas Futrell  
Madison / Claymore Covered Call & Equity Strategy Fund  
2455 Corporate West Drive  
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Lisle, IL 60532  
(Name and address of agent for service)

Registrant's telephone number, including area code: (630) 505-3700  
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Date of fiscal year end: December 31  
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Date of reporting period: June 30, 2008  
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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. Section 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The registrant's semi-annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the "Investment Company Act"), is as follows:

# Edgar Filing: Madison/Claymore Covered Call & Equity Strategy Fund - Form N-CSRS

SEMIANNUAL  
REPORT  
June 30, 2008  
(Unaudited)

Madison/Claymore  
Covered Call & Equity Strategy Fund | MCN

Madison Investment Advisors

Logo: CLAYMORE (SM)

[www.madisonclaymore.com](http://www.madisonclaymore.com)  
... YOUR ROAD TO THE LATEST,  
MOST UP-TO-DATE INFORMATION ABOUT THE  
MADISON/CLAYMORE COVERED CALL & EQUITY STRATEGY FUND

The shareholder report you are reading right now is just the beginning of the story. Online at [WWW.MADISONCLAYMORE.COM](http://WWW.MADISONCLAYMORE.COM), you will find:

- o Daily, weekly and monthly data on share prices, distributions and more
- o Portfolio overviews and performance analyses
- o Announcements, press releases and special notices
- o Fund and adviser contact information

Madison Asset Management and Claymore are continually updating and expanding shareholder information services on the Fund's website, in an ongoing effort to provide you with the most current information about how your Fund's assets are managed, and the results of our efforts. It is just one more way we are working to keep you better informed about your investment in the Fund.

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund

Dear SHAREHOLDER |

We are pleased to submit the semi-annual shareholder report for the Madison/Claymore Covered Call & Equity Strategy Fund (the "Fund") for the six months ended June 30, 2008.

Madison Asset Management, LLC, a wholly-owned subsidiary of Madison Investment Advisors, Inc., is the Fund's investment manager. Founded in 1974, Madison is an independently owned firm that acts as an investment adviser for individuals, corporations, pension funds, endowments, insurance companies and mutual funds. Madison and its subsidiaries manage in excess of \$8 billion in assets. Claymore Advisors, LLC is the investment adviser to the Fund.

The Fund's primary investment objective is to provide a high level of current income and current gains, with a secondary objective of long-term capital appreciation. The Fund pursues its investment objectives by investing in a

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portfolio consisting primarily of high-quality, large-capitalization common stocks that are, in the view of the Fund's investment manager, selling at a reasonable price in relation to their long-term earnings growth rates. On an ongoing and consistent basis, the Fund sells covered call options to seek to generate a reasonably steady return from option premiums. There can be no assurance that the Fund will achieve its investment objectives.

Under normal market conditions, the Fund allocates at least 80% of its total assets to an integrated investment strategy pursuant to which the Fund invests in a portfolio of equity securities and writes covered call options on a portion of the equity securities held in the Fund's portfolio; pending investment in equity securities or as covered call options, the assets of the Fund allocated to its integrated investment strategy are held in cash or cash equivalents. The Fund invests, under normal market conditions, at least 65% of its total assets in equity securities in common stocks of large capitalization issuers that meet the Fund's selection criteria.

All Fund returns cited--whether based on net asset value ("NAV") or market price--assume the reinvestment of all distributions. For the six months ended June 30, 2008, the Fund provided a total return based on market price of -7.12% and a return of -9.61% based on NAV. As of June 30, 2008, the Fund's market price of \$10.00 represented a discount of 10.39% to NAV of \$11.16. Past performance is not a guarantee of future results.

The market value of the Fund's shares fluctuates from time to time, and it may be higher or lower than the Fund's NAV. The current discount to NAV may provide an opportunity for suitable investors to purchase shares of the Fund below the market value of the securities in the underlying portfolio. We believe that, over the long term, the progress of the NAV will be reflected in the market price return to shareholders.

We encourage shareholders to consider the opportunity to reinvest their distributions from the Fund through the Dividend Reinvestment Plan ("DRIP"), which is described in detail on page 23 of the Fund's semi-annual report. When shares trade at a discount to NAV, the DRIP takes advantage of the discount by reinvesting the quarterly dividend distribution in common shares of the Fund purchased in the market at a price less than NAV. Conversely, when the

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund |  
DEAR SHAREHOLDER continued

market price of the Fund's common shares is at a premium above NAV, the DRIP reinvests participants' dividends in newly-issued common shares at NAV, subject to an IRS limitation that the purchase price cannot be more than 5% below the market price per share. The DRIP provides a cost-effective means to accumulate additional shares and enjoy the benefits of compounding returns over time. Since the Fund endeavors to maintain a steady quarterly distribution rate, the DRIP plan effectively provides an income averaging technique, which causes shareholders to accumulate a larger number of Fund shares when the market price is depressed than when the price is higher.

The Fund paid quarterly dividends of \$0.33 on February 29, 2008, and May 30, 2008. On August 1, 2008, subsequent to the six-month period covered by this semi-annual shareholder report, the Board of Trustees of the Fund declared a quarterly dividend of \$0.28 per share, reflecting a reduction of \$0.05 per share

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from the quarterly dividend paid by the Fund on May 30, 2008. This reduced dividend level represents an annualized distribution rate of 11.20%, based on the Fund's closing market price of \$10.00 on June 30, 2008. However, there is no guarantee that this level of income will be maintained.

To learn more about the Fund's performance and investment strategy, we encourage you to read the Questions & Answers section of the report, which begins on page 5. You will find information about Madison's investment philosophy and discipline, its views on the market environment and how it structured the Fund's portfolio based on its views.

We appreciate your investment and look forward to serving your investment needs in the future. For the most up-to-date information on your investment, please visit the Fund's website at [www.madisonclaymore.com](http://www.madisonclaymore.com).

Sincerely,

/s/ J. Thomas Futrell  
J. Thomas Futrell  
Chief Executive Officer  
Madison/Claymore Covered Call & Equity Strategy Fund

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund

QUESTIONS & ANSWERS |

We at Madison Asset Management LLC are pleased to address the progress of the Madison/Claymore Covered Call & Equity Strategy Fund (the "Fund") for the six-month period ended June 30, 2008. Introduced in July 2004, the Fund continues to pursue its investment objectives by investing in high-quality, large-capitalization common stocks that are, in our view, selling at reasonable prices with respect to their projected long-term earnings growth rates. Our option-writing strategy has provided a steady stream of option premiums, which helps the Fund achieve its primary objective to provide a high level of current income and current gains, with a secondary objective of long-term capital appreciation.

Madison Asset Management, LLC ("MAM"), a wholly owned subsidiary of Madison Investment Advisors, Inc., with its affiliates, manages more than \$8 billion in individual, corporate, pension, insurance, endowment, and mutual fund assets as of June 30, 2008.

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WHAT HAPPENED IN THE MARKET DURING THE FIRST HALF OF 2008?

The general trend for stocks during the first half of 2008 was illustrated by the fate of the widely watched Dow Jones Industrial Average. The index hit its high for this six-month period on the first day of trading in 2008, and its closing low for the first half of the year was on June 27. For many Americans this may have felt like a straight-line decline, since that's the path of consumer confidence, which sank steadily to hit a 15-year low by the end of the period. In actuality, the stock market had a major rally during the period, with the Standard & Poor's 500 Index (the "S&P 500"), which is generally regarded as a good indicator of the broad stock market, rising double-digits between March 10 and May 19, before dropping 10% to end the period.

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The source of this high volatility could be pinned to three key problem areas: high commodity prices, with gasoline leading the way; the continuing distress in the housing market; and the continuing impact of the already well-established credit crisis. The market dropped in early March as one of the nation's largest investment banks stumbled into what looked like dissolution, until the Federal Reserve and a leading financial institution worked out a rescue. This gave hope to many that the credit crisis might have bottomed, but the subsequent rally rolled over in June in the face of surging oil prices, concerns over inflation, and a recognition that credit problems would continue to emerge. Higher energy and ramping inflation at a time when the economy was slowing brought the term "stagflation" back into circulation. Stagflation is generally a poor environment for stock investors.

The stock decline was broad, hitting domestic stocks of all sizes and even extending to international markets, with the broad international indices also showing double-digit losses. Within the stocks of the S&P 500, only the energy sector showed significant upside for the period, as it rose 8.1% for the period. The materials sector was up fractionally, while every other sector was down, with the financial sector dropping -30.9% and the consumer discretionary sector down -13.9%.

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HOW DID THE FUND PERFORM GIVEN THE MARKET CONDITIONS DURING SIX MONTHS ENDED JUNE 30, 2008?

All Fund returns cited--whether based on net asset value ("NAV") or market price--assume the reinvestment of all distributions. For the six months ended June 30, 2008, the Fund provided a total return based on market price of -7.12% and a return of -9.61% based on NAV. As of June 30, 2008, the Fund's market price of \$10.00 represented a discount of 10.39% to NAV of \$11.16. Past performance is not a guarantee of future results. The Fund's NAV per share decreased \$1.86 in the first half of 2008 from \$13.02 as of December 31, 2007, to \$11.16 on June 30, 2008, as several of the Fund's stocks experienced a decline in value in the first half of 2008.

The Fund's return, although negative, was above the -11.91% return of the S&P 500 for the six months ended June 30, 2008. The Fund's benchmark, the CBOE S&P 500 BuyWrite Index (the "BXM"), posted a negative return of -5.89% over these six months. The main source for the performance gap between the Fund and the BXM can be attributed to the fortunes of the underlying stocks. The Fund tends to concentrate its holdings in the consumer discretionary, financial, technology and health care sectors, all of which were strongly negative for the period, while the S&P 500's

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QUESTIONS & ANSWERS continued

energy sector, where the Fund has historically been underweighted, was up 8.1%. Secondly, a bifurcated market has hurt results because the Fund's "winners" get called away without the Fund fully participating in their upside. Currently, we believe we have a portfolio of high-quality stocks trading at attractive prices on a number of valuation metrics.

The market value and NAV of the Fund's shares fluctuate from time to time, and the market value may be higher or lower than the Fund's NAV. The current

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discount to NAV may provide an opportunity for suitable investors to purchase shares of the Fund below the market value of the securities in the underlying portfolio. We believe that, over the long term, the progress of the NAV will be reflected in the market price return to shareholders.

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PLEASE DESCRIBE THE FUND'S PORTFOLIO EQUITY AND OPTION STRUCTURE.

As of June 30, 2008, the Fund held 49 common stocks. Covered call options were written against approximately 90% of the Fund's net assets as of June 30, 2008. During the first half of 2008, the Fund's managers wrote call options that generated premiums of \$25.9 million. It is the strategy of the Fund to write "out-of-the-money" call options, and at June 30 the majority of the Fund's call options (84 of 100 different options, or 84%) were still "out-of-the-money". ("Out-the-money" means the stock price is below the strike price at which the shares would be called away.) Since the Fund is mainly "out-of-the-money," the Fund is well positioned to participate in some of the upside should its stock holdings rally.

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WHICH SECTORS ARE PREVALENT IN THE FUND?

From a sector perspective, based on long-term investments the Fund's largest exposure was in the technology sector, followed by consumer discretionary, financials and health care sectors. The fund has no holdings in the materials or utilities sectors.

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WILL YOU DESCRIBE THE FUND'S DIVIDEND POLICY?

The Fund paid quarterly dividends of \$0.33 on February 29, 2008, and May 30, 2008. On August 1, 2008, subsequent to the six-month period covered by this semi-annual shareholder report, the Board of Trustees of the Fund declared a quarterly dividend of \$0.28 per share, reflecting a reduction of \$0.05 per share from the quarterly dividend paid by the Fund on May 30, 2008. This reduced dividend represents an annualized distribution rate of 11.20%, based on the Fund's closing market price of \$10.00 on June 30, 2008. However, there is no guarantee that this level of income will be maintained.

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WILL YOU PLEASE DISCUSS THE FUND'S SECURITY AND OPTION SELECTION PROCESS?

The Fund is managed by two teams of investment professionals. We like to think of these teams as a "right hand" and "left hand" meaning they work together to make common stock and option decisions. We use fundamental analysis to select solid companies with good growth prospects and attractive valuations. We then seek attractive call options to write against those stocks. It is our belief that this partnership of active management between the equity and option teams provides investors with an innovative, risk-moderated approach to equity investing.

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund |  
QUESTIONS & ANSWERS continued

MAM seeks to invest in a portfolio of common stocks that have favorable "PEG" ratios (Price-Earnings ratio to Growth rate) as well as financial strength and industry leadership. As bottom-up investors, we focus on the fundamental businesses of our companies. Our stock selection philosophy strays away from the "beat the street" objective, as we seek companies that have sustainable competitive advantages, predictable cash flows, solid balance sheets and high-quality management teams. By concentrating on long-term prospects and circumventing the "instant gratification" school of thought, we believe we bring elements of consistency, stability and predictability to our shareholders.

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

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WHAT IS MANAGEMENT'S OUTLOOK FOR THE MARKET AND FUND IN 2008?

As is usually the case in volatile markets, the market was rife with conflicting signals during the first half of 2008. On the negative side was a weak economy and increasing inflation. Corporate profits were under pressure, and the Federal Reserve was in the difficult position of facing a slowing economy, which would normally promote lower rates, and serious inflation, which is typically treated with the opposite. On the positive side, valuations of many high-quality companies reached levels we haven't seen for years and interest rates remained low. The slide in consumer confidence and cash flows out of stock funds were both potential contrary indicators, suggesting that the market might be oversold. By the end of the period, we were more positive about the prospects of our portfolio than we had been for a number of reports, with the recognition that the realization of these prospects may take time. On the option writing side, the VIX Index spiked upward at the end of 2007 from very low levels. (VIX is the ticker symbol for the Chicago Board Options Exchange Volatility Index, a popular measure of the implied volatility of options on the S&P 500 Index.) This higher level of volatility has caused option premiums to increase and we look for this positive trend to continue into the second half of 2008.

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund |  
QUESTIONS & ANSWERS continued

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MCN RISKS AND OTHER CONSIDERATIONS

The views expressed in this report reflect those of the portfolio manager only through the report period as stated on the cover. These views are subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any kind. The material may also include forward looking statements that involve risk and uncertainty, and there is no guarantee that any predictions will come to pass.

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There can be no assurance that the Fund will achieve its investment objectives. The value of the Fund will fluctuate with the value of the underlying securities. Historically, closed-end funds often trade at a discount to their net asset value.

**EQUITY RISK:** The value of the securities held by the Funds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Funds participate, or factors relating to specific companies in which the Funds invest.

**RISKS ASSOCIATED WITH OPTIONS ON SECURITIES:** There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. As the writer of a covered call option, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call but has retained the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. Please refer to the Fund's prospectus for a more thorough discussion of the risks associated with investments in options on equity securities.

**FOREIGN INVESTMENT RISK:** Investing in non-U.S. issuers may involve unique risks such as currency, political, and economic risk, as well as less market liquidity, generally greater market volatility and less complete financial information than for U.S. issuers.

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

**INDUSTRY CONCENTRATION RISK:** To the extent that the Fund makes substantial investments in a single industry, the Fund will be more susceptible to adverse economic or regulatory occurrences affecting those sectors.

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



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

An investment in the Fund includes, but is not limited to, risks and considerations such as: Investment Risk, Not a Complete Investment Program, Equity Risk, Risks Associated with Options on Securities, Limitation on Option Writing Risk, Risks of Mid-Cap Companies, Income Risk, Foreign Securities Risk, Industry Concentration Risk, Derivatives Risk, Illiquid Securities Risk, Fund Distribution Risk, Market Discount Risk, Other Investment Companies, Financial Leverage Risk, Management Risk, Risks Related to Preferred Securities, Interest Rate Risk, Inflation Risk, Current Developments Risk and Anti-Takeover Provisions. Please see [www.madisonclaymore.com](http://www.madisonclaymore.com) for a more detailed discussion about Fund risks and considerations.

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund

Fund SUMMARY | AS OF JUNE 30, 2008 (unaudited)

### FUND STATISTICS

Share Price	\$10.00
Common Share Net Asset Value	\$11.16
Premium/(Discount) to NAV	-10.39%
Net Assets (\$000)	\$214,955

### TOTAL RETURNS

(INCEPTION 7/28/04)	MARKET	NAV
Six Month	-7.12%	-9.61%
One Year	-24.20%	-16.53%
Three Year - average annual	-4.91%	-0.30%
Since Inception - average annual	-1.30%	2.43%

SECTOR BREAKDOWN	% OF LONG TERM INVESTMENTS
Consumer Discretionary	24.2%
Technology	23.3%
Health Care	18.4%

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Financials	18.2%
Consumer Services	7.3%
Software	2.9%
Computers	2.7%
Industrial	1.4%
Energy	1.3%
Insurance	0.3%

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TOP TEN HOLDINGS	% OF LONG-TERM INVESTMENTS
Cisco Systems, Inc.	3.7%
Bed Bath & Beyond, Inc.	3.5%
eBay, Inc.	3.3%
Kohl's Corp.	3.0%
Symantec Corp.	2.9%
Williams-Sonoma, Inc.	2.9%
Intuit, Inc.	2.8%
Capital One Financial Corp.	2.8%
Linear Technology Corp.	2.7%
Dell, Inc.	2.7%

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Sectors and holdings are subject to change daily. For more current information, please visit [www.claymore.com/mcn](http://www.claymore.com/mcn). The above summaries are provided for informational purposes only and should not be viewed as recommendations. Past performance does not guarantee future results.

### Line Chart:

#### SHARE PRICE & NAV PERFORMANCE

6/30/07	14.73	14.79
	14.84	14.84
	15.03	14.85
	15.1	14.87
	15	14.92
	14.95	14.9
	14.79	14.81
	14.93	14.85
	15.12	14.99
	14.96	14.97
	14.96	14.95
	14.92	14.94
	14.79	14.9
	14.92	14.92
	14.83	14.86
	14.82	14.84
	14.73	14.73
	14.5	14.74
	14.05	14.54
	14.05	14.4
	14.1	14.46
	14.33	14.25
	14.15	14.19
	14.14	14.25
	14.09	13.96
	14.08	14.08
	13.98	14.24
	14	14.44
	13.95	14.15
	13.89	14.1

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13.63	13.76
13.05	13.58
12.15	13.44
11.93	13.44
12.82	13.7
12.99	13.7
12.98	13.74
13.3	13.87
13.4	13.85
13.43	13.97
13.36	13.87
13.04	13.69
13.07	13.85
13.1	13.84
13.3	13.95
13.43	14.03
13.36	13.92
13.46	13.92
13.34	13.78
13.5	13.73
13.58	13.89
13.46	13.9
13.54	14.02
13.4	14.02
13.32	13.96
13.58	14.23
13.53	14.26
13.35	14.14
13.27	14.16
13.1	14.1
13.15	14.02
13.02	14.1
13.05	14.14
13.09	14.13
13.16	14.25
13.16	14.28
13.2	14.28
13.36	14.26
13.53	14.38
13.5	14.32
13.52	14.34
13.41	14.34
13.21	14.29
13.21	14.31
13.15	14.21
13.03	14.13
13.03	14.12
12.97	14.06
12.67	13.83
12.65	13.93
12.77	13.95
12.56	13.93
12.41	13.85
12.46	14
12.55	14.07
12.45	14.03
12.53	14.11
12.35	13.85
12.3	13.79
12.28	13.67
12.3	13.76
12	13.54

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11.77	13.54
11.71	13.45
11.72	13.48
11.65	13.4
11.75	13.32
11.5	13.21
11.5	13.22
11.26	13.02
11.19	13.01
11	12.89
11.13	13.06
11.03	12.81
11.05	12.98
11.36	13.28
11.35	13.29
11.49	13.36
11.63	13.29
11.63	13.23
11.74	13.32
11.78	13.47
11.8	13.45
11.89	13.56
11.66	13.25
11.56	13.23
11.46	13.13
11.19	13
11.1	12.93
11.1	12.99
11.12	12.96
11.02	13.02
11.19	13.14
11.53	13.2
11.46	13.17
11.25	13.03
11.25	13.02
11.41	13.02
11.48	12.86
11.63	12.76
11.29	12.48
11.17	12.5
11.1	12.27
11.09	12.39
11.15	12.56
11.12	12.4
11.18	12.54
11.05	12.27
11.04	12.33
10.86	12.09
10.64	12.12
10.68	12.25
11.05	12.6
11.23	12.68
11.18	12.5
11.39	12.71
11.53	12.78
11.82	12.75
12.03	12.92
12.32	13.13
12.11	12.98
11.92	12.68
11.8	12.59
11.75	12.69

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11.8	12.62
11.97	12.68
12.17	12.69
11.77	12.46
11.27	12.29
11.22	12.28
11.25	12.28
11.34	12.35
11.13	12.24
11.2	12.32
11.3	12.48
11.45	12.58
11.4	12.63
11.46	12.44
11.21	12.15
11.25	12.12
11.35	12.11
11.25	12.14
11	11.83
10.7	11.79
10.59	11.58
10.71	11.9
10.8	11.82
10.79	11.88
10.55	11.64
10.15	11.44
10.53	11.96
10.33	11.76
10.55	12.06
10.72	12.28
10.78	12.26
10.84	12.11
10.77	11.95
10.56	11.83
10.62	11.93
10.91	12.34
11.02	12.35
10.9	12.33
10.92	12.33
10.91	12.31
10.98	12.25
10.91	12.1
10.98	12.19
10.73	12
10.62	11.93
10.47	11.99
10.78	12.18
10.83	12.23
10.97	12.45
10.95	12.43
10.96	12.32
11	12.36
11.02	12.5
11.1	12.6
11.19	12.61
11.2	12.61
11.16	12.54
11.39	12.77
11.54	12.78
11.44	12.65
11.5	12.7
11.38	12.53

## Edgar Filing: Madison/Claymore Covered Call & Equity Strategy Fund - Form N-CSRS

	11.44	12.5
	11.39	12.45
	11.52	12.6
	11.19	12.24
	11.19	12.31
	11.18	12.43
	11.25	12.4
	11.16	12.37
	11.1	12.26
	10.93	12.1
	10.92	12.18
	10.91	12.06
	10.91	12.17
	11	12.21
	11.09	12.34
	11.17	12.35
	11.12	12.25
	11.09	12.26
	11.19	12.28
	11.32	12.38
	11.1	12.05
	11.02	11.97
	10.88	11.98
	10.69	11.72
	10.69	11.79
	10.85	11.99
	10.94	12.04
	10.8	11.92
	10.71	11.81
	10.76	11.88
	10.54	11.65
	10.49	11.5
	10.37	11.53
	10.41	11.64
	10.15	11.34
	10.1	11.26
6/30/08	10	11.16

### Bar Chart:

#### QUARTERLY DIVIDENDS PER SHARE

8/07	0.2344
11/08	0.2344
2/08	0.2344
5/08	0.2525

### Pie Chart:

#### PORTFOLIO COMPOSITION (% of Total Investments)

Long-Term Investments	96.7%
Short-Term Investments	3.9%

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund

Portfolio of INVESTMENTS | JUNE 30, 2008 (unaudited)

NUMBER OF SHARES	DESCRIPTION	VALUE
---------------------	-------------	-------

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-----		
	LONG-TERM INVESTMENTS 101.5%	
	COMMON STOCKS 101.5%	
	COMPUTERS 2.7%	
265,800	Dell, Inc. (a)	\$ 5,815,704
-----		
	CONSUMER DISCRETIONARY 24.5%	
400,000	American Eagle Outfitters, Inc.	5,452,000
270,000	Bed Bath & Beyond, Inc. (a)	7,587,000
110,000	Best Buy Co., Inc.	4,356,000
183,000	Coach, Inc. (a)	5,285,040
140,000	Home Depot, Inc.	3,278,800
165,000	Kohl's Corp. (a)	6,606,600
210,000	Lowe's Cos., Inc.	4,357,500
230,000	Starbucks Corp. (a)	3,620,200
125,000	Target Corp.	5,811,250
320,000	Williams-Sonoma, Inc.	6,348,800
-----		
		52,703,190
-----		
	CONSUMER SERVICES 7.4%	
263,400	eBay, Inc. (a)	7,198,722
60,000	Garmin, Ltd. (Cayman Islands)	2,570,400
225,000	Intuit, Inc. (a)	6,203,250
-----		
		15,972,372
-----		
	ENERGY 1.3%	
34,000	Unit Corp. (a)	2,820,980
-----		
	FINANCIALS 18.5%	
60,000	Affiliated Managers Group, Inc. (a)	5,403,600
160,000	Capital One Financial Corp.	6,081,600
220,000	Citigroup, Inc.	3,687,200
320,000	Countrywide Financial Corp.	1,360,000
211,000	Marshall & Ilsley Corp.	3,234,630
140,000	Merrill Lynch & Co., Inc.	4,439,400
150,000	Morgan Stanley	5,410,500
67,800	State Street Corp.	4,338,522
240,000	Wells Fargo & Co.	5,700,000
-----		
		39,655,452
-----		
	HEALTH CARE 18.6%	
120,000	Amgen, Inc. (a)	5,659,200
60,000	Biogen Idec, Inc. (a)	3,353,400
100,000	Community Health Systems, Inc. (a)	3,298,000
70,000	Genentech, Inc. (a)	5,313,000
310,000	Mylan, Inc.	3,741,700
270,000	Pfizer, Inc.	4,716,900
200,000	UnitedHealth Group, Inc.	5,250,000
40,900	Varian Medical System, Inc. (a)	2,120,665
41,300	Waters Corp. (a)	2,663,850
57,500	Zimmer Holdings, Inc. (a)	3,912,875
-----		
		40,029,590
-----		
NUMBER		
OF SHARES	DESCRIPTION	VALUE
-----		

## Edgar Filing: Madison/Claymore Covered Call & Equity Strategy Fund - Form N-CSRS

INDUSTRIAL 1.4%		
50,000	United Parcel Services Corp. - Class B	\$ 3,073,500
INSURANCE 0.4%		
123,800	MGIC Investment Corp.	756,418
SOFTWARE 3.0%		
330,000	Symantec Corp. (a)	6,385,500
TECHNOLOGY 23.7%		
65,000	Adobe Systems, Inc. (a)	2,560,350
100,000	Altera Corp.	2,070,000
160,000	Applied Materials, Inc.	3,054,400
160,000	Check Point Software Technologies (Israel) (a)	3,787,200
345,000	Cisco Systems, Inc. (a)	8,024,700
394,000	EMC Corp. (a)	5,787,860
600,000	Flextronics International Ltd. (Singapore) (a)	5,640,000
5,000	Google, Inc. - Class A (a)	2,632,100
180,000	Linear Technology Corp.	5,862,600
157,300	QLogic Corp. (a)	2,295,007
250,000	Yahoo!, Inc. (a)	5,165,000
122,000	Zebra Technologies Corp. - Class A (a)	3,982,080
		50,861,297
TOTAL LONG-TERM INVESTMENTS 101.5%		
	(Cost \$298,439,451)	218,074,003
SHORT-TERM INVESTMENTS 4.1%		
MONEY MARKET FUNDS 3.7%		
7,886,702	AIM Liquid Assets Money Market Fund (Cost \$7,886,702)	7,886,702
PRINCIPAL AMOUNT		VALUE
U.S. GOVERNMENT 0.4%		
\$1,000,000	U.S. Treasury Note (coupon 4.625%, maturity 9/30/08) (Cost \$1,006,768)	\$ 1,007,422
TOTAL SHORT-TERM INVESTMENTS 4.1%		
	(Cost \$8,893,470)	8,894,124
TOTAL INVESTMENTS 105.6%		
	(Cost \$307,332,921)	226,968,127
	Liabilities in excess of Other Assets - (0.1%)	(305,488)
	Total Value of Options Written - (5.5%)	(11,707,828)
NET ASSETS 100.0%		\$214,954,811

(a) Non-income producing security.

See notes to financial statements.

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund |



## Edgar Filing: Madison/Claymore Covered Call & Equity Strategy Fund - Form N-CSRS

PORTFOLIO OF INVESTMENTS (unaudited) continued

CONTRACTS (100 SHARES PER CONTRACT)	CALL OPTIONS WRITTEN(a)	EXPIRATION DATE	EXERCISE PRICE	VALUE
650	Adobe Systems, Inc.	January 2009	\$ 35.00	\$ 448,500
150	Affiliated Managers Group, Inc.	September 2008	105.00	45,000
200	Affiliated Managers Group, Inc.	January 2009	110.00	108,000
150	Affiliated Managers Group, Inc.	January 2009	120.00	48,000
100	Affiliated Managers Group, Inc.	September 2008	80.00	148,500
1,000	Altera Corp.	January 2009	20.00	287,500
500	American Eagle Outfitters, Inc.	November 2008	20.00	12,500
3,500	American Eagle Outfitters, Inc.	January 2009	25.00	35,000
300	Amgen, Inc.	July 2008	47.50	25,950
317	Amgen, Inc.	July 2008	50.00	5,865
350	Amgen, Inc.	January 2009	50.00	108,500
1,000	Applied Materials, Inc.	January 2009	17.50	305,000
600	Applied Materials, Inc.	January 2009	20.00	103,500
1,779	Bed Bath & Beyond, Inc.	January 2009	30.00	480,330
200	Bed Bath & Beyond, Inc.	August 2008	30.00	17,000
721	Bed Bath & Beyond, Inc.	August 2008	32.50	23,433
400	Best Buy Co., Inc.	January 2009	45.00	109,000
197	Best Buy Co., Inc.	September 2008	47.50	12,313
200	Best Buy Co., Inc.	September 2008	52.50	3,500
600	Biogen Idec, Inc.	January 2009	65.00	154,500
1,000	Capital One Financial Corp.	January 2009	45.00	435,000
1,600	Check Point Software Technologies (Israel)	January 2009	22.50	496,000
2,800	Cisco Systems, Inc.	January 2009	27.50	243,600
650	Cisco Systems, Inc.	January 2009	30.00	27,950
1,000	Citigroup, Inc.	September 2008	27.50	6,500
1,830	Coach, Inc.	August 2008	30.00	301,950
1,000	Community Health Systems, Inc.	January 2009	35.00	325,000
691	Countrywide Financial Corp.	January 2009	10.00	2,418
45	Countrywide Financial Corp.	July 2008	6.00	68
255	Countrywide Financial Corp.	October 2008	6.00	1,657
705	Countrywide Financial Corp.	July 2008	7.50	3,525
404	Countrywide Financial Corp.	July 2008	5.00	2,626
658	Dell, Inc.	November 2008	20.00	210,560
800	Dell, Inc.	November 2008	22.00	162,000
1,000	Dell, Inc.	January 2009	25.00	121,500
634	eBay, Inc.	October 2008	27.50	148,356
500	eBay, Inc.	October 2008	30.00	66,500
1,500	eBay, Inc.	January 2009	35.00	127,500
500	EMC Corp.	October 2008	16.00	39,000
800	EMC Corp.	October 2008	17.00	40,400
2,640	EMC Corp.	January 2009	17.50	224,400
500	Flextronics International Ltd. (Singapore)	January 2009	10.00	51,000
1,700	Flextronics International Ltd. (Singapore)	January 2009	12.50	64,600
300	Garmin, Ltd. (Cayman Islands)	January 2009	50.00	126,000
150	Garmin, Ltd. (Cayman Islands)	January 2009	60.00	32,250

CONTRACTS (100 SHARES PER CONTRACT)	CALL OPTIONS WRITTEN(a)	EXPIRATION DATE	EXERCISE PRICE	VALUE
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300	Genentech, Inc.	September 2008	\$ 70.00	\$ 235,500
400	Genentech, Inc.	January 2009	70.00	418,000
50	Google, Inc. - Class A	September 2008	580.00	89,250
1,072	Home Depot, Inc.	January 2009	30.00	70,216
328	Home Depot, Inc.	August 2008	30.00	2,624
293	Intuit, Inc.	January 2009	30.00	55,670
1,957	Intuit, Inc.	January 2009	35.00	107,635
750	Kohl's Corp.	July 2008	45.00	22,500
900	Kohl's Corp.	January 2009	50.00	189,000
1,100	Linear Technology Corp.	August 2008	30.00	352,000
200	Linear Technology Corp.	August 2008	32.50	32,000
500	Linear Technology Corp.	November 2008	37.50	47,500
400	Lowe's Cos., Inc.	January 2009	25.00	41,000
1,600	Lowe's Cos., Inc.	July 2008	27.50	8,000
288	Marshall & Ilsley Corp.	September 2008	25.00	1,440
1,422	Marshall & Ilsley Corp.	January 2009	30.00	17,775
500	Merrill Lynch & Co., Inc.	July 2008	55.00	2,500
500	Merrill Lynch & Co., Inc.	January 2009	60.00	5,500
400	Merrill Lynch & Co., Inc.	January 2009	65.00	4,000
300	MGIC Investment Corp.	December 2008	15.00	6,750
200	MGIC Investment Corp.	January 2009	15.00	5,500
479	MGIC Investment Corp.	September 2008	20.00	2,395
800	Morgan Stanley	January 2009	55.00	36,000
158	Mylan, Inc.	October 2008	12.50	15,010
2,942	Mylan, Inc.	January 2009	15.00	161,810
1,573	QLogic Corp.	January 2009	15.00	235,950
680	Starbucks Corp.	October 2008	16.00	95,880
220	Starbucks Corp.	January 2009	20.00	14,190
1,400	Starbucks Corp.	January 2009	22.50	40,600
317	State Street Corp.	November 2008	75.00	87,175
361	State Street Corp.	November 2008	80.00	56,857
301	Symantec Corp.	January 2009	15.00	152,005
2,199	Symantec Corp.	January 2009	17.50	703,680
800	Symantec Corp.	July 2008	17.50	158,000
250	Target Corp.	July 2008	55.00	1,375
1,000	Target Corp.	January 2009	60.00	215,000
340	Unit Corp.	September 2008	50.00	1,133,900
500	United Parcel Services Corp. - Class B	July 2008	70.00	3,750
700	UnitedHealth Group, Inc.	January 2009	55.00	3,500
209	Varian Medical System, Inc.	November 2008	50.00	118,085
200	Varian Medical System, Inc.	November 2008	55.00	62,000
413	Waters Corp.	November 2008	65.00	204,435
2,400	Wells Fargo & Co.	July 2008	27.50	48,000
2,450	Williams-Sonoma, Inc.	August 2008	27.50	12,250
750	Williams-Sonoma, Inc.	August 2008	25.00	11,250

See notes to financial statements.

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund |  
PORTFOLIO OF INVESTMENTS (unaudited) continued

CONTRACTS  
(100 SHARES)

EXPIRATION

EXERCISE

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PER CONTRACT)	CALL OPTIONS WRITTEN(a)	DATE	PRICE	VALUE
700	Yahoo!, Inc.	January 2009	\$ 25.00	\$ 101,150
900	Yahoo!, Inc.	July 2008	25.00	14,850
900	Yahoo!, Inc.	January 2009	27.50	77,850
819	Zebra Technologies Corp. - Class A	August 2008	35.00	73,710
200	Zebra Technologies Corp. - Class A	November 2008	35.00	39,500
201	Zebra Technologies Corp. - Class A	November 2008	40.00	12,060
400	Zimmer Holdings, Inc.	January 2009	70.00	206,000
175	Zimmer Holdings, Inc.	January 2009	75.00	56,000
TOTAL VALUE OF CALL OPTIONS WRITTEN (Premiums received \$22,733,881)				11,610,828
-----				
PUT OPTIONS WRITTEN				
200	Cisco Systems, Inc.	January 2009	22.50	35,500
200	Cisco Systems, Inc.	January 2009	25.00	61,500
TOTAL VALUE OF PUT OPTIONS WRITTEN (Premiums received \$97,807)				97,000
-----				
TOTAL OPTIONS WRITTEN (Premiums received \$22,831,688)				\$11,707,828
=====				

(a) Non-income producing security.

See notes to financial statements.

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund

Statement of ASSETS AND LIABILITIES | JUNE 30, 2008 (UNAUDITED)

### ASSETS

Investments at value (cost \$307,332,921)  
Dividends and interest receivable  
Other assets

-----  
Total assets

### LIABILITIES

Options written, at value (premiums received of \$22,831,688)  
Payables:  
Investment advisory fee  
Investment management fee  
Other affiliates  
Accrued expenses and other liabilities

-----  
Total liabilities

## Edgar Filing: Madison/Claymore Covered Call & Equity Strategy Fund - Form N-CSRS

NET ASSETS

=====

COMPOSITION OF NET ASSETS

Common stock, \$.01 par value per share; unlimited number of shares authorized,  
 19,268,423 shares issued and outstanding  
 Additional paid-in capital  
 Accumulated net realized gain on investments and options transactions  
 Net unrealized depreciation on investments and options transactions  
 Distributions in excess of net investment income

-----

NET ASSETS

=====

NET ASSET VALUE (based on 19,268,423 common shares outstanding)

=====

See notes to financial statements.

SemiAnnual Report | June 30, 2008 | 13

MCN | Madison/Claymore Covered Call & Equity Strategy Fund

Statement of OPERATIONS | FOR THE SIX MONTHS ENDED JUNE 30, 2008 (UNAUDITED)

INVESTMENT INCOME

Dividends	\$ 1,451,754
Interest	180,996

-----

Total income

-----

EXPENSES

Investment advisory fee	587,516
Investment management fee	587,516
Professional fees	75,918
Trustees' fees and expenses	67,804
Printing expenses	42,984
Fund accounting	30,960
Administrative fee	30,508
Custodian fee	28,058
NYSE listing fee	12,108
Transfer agent fee	9,232
Insurance	8,216
Interest expense and fees	7,778
Other	5,520

-----

Total expenses

-----

Net investment income

-----

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS Net realized gain (loss) on:

Investments  
 Options  
 Net change in unrealized appreciation (depreciation) on:  
 Investments  
 Options

-----

Net realized and unrealized loss on investments and options transactions

-----

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NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS

See notes to financial statements.

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund

Statement of CHANGES IN NET ASSETS |

		FOR THE SIX MONTHS ENDED JUNE 30, 2008 (UNAUDITED)	DEC
-----			
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS			
Net investment income	\$	138,632	
Net realized gain on investments and options		18,356,253	
Net unrealized depreciation on investments and options		(41,603,714)	
-----			
Net decrease in net assets resulting from operations		(23,108,829)	
-----			
DISTRIBUTIONS TO SHAREHOLDERS			
From and in excess of net investment income		(12,717,159)	
-----			
CAPITAL SHARE TRANSACTIONS			
Reinvestment of dividends		-	
-----			
Total decrease in net assets		(35,825,988)	
-----			
NET ASSETS:			
Beginning of period		250,780,799	
-----			
End of period (including distributions in excess of net investment income of (\$12,578,527) and \$0, respectively.)		\$214,954,811	
=====			

See notes to financial statements.

SemiAnnual Report | June 30, 2008 | 15

MCN | Madison/Claymore Covered Call & Equity Strategy Fund

	FOR THE SIX MONTHS ENDED JUNE 30, 2008 (UNAUDITED)	FOR THE YEAR ENDED DECEMBER 31, 2007	FOR THE YEAR ENDED DECEMBER 31, 2006
-----			
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 13.02	\$ 14.84	\$ 14.74

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INVESTMENT OPERATIONS			
Net investment income (loss) (b)	0.01	0.17	0.01
Net realized and unrealized gain on investments and options	(1.21)	(0.67)	1.41
Total from investment operations	(1.20)	(0.50)	1.42
DISTRIBUTIONS FROM AND IN EXCESS OF NET INVESTMENT INCOME			
	(0.66)	(1.32)	(1.32)
OFFERING EXPENSES CHARGED TO PAID-IN-CAPITAL			
	-	-	-
NET ASSET VALUE, END OF PERIOD	\$ 11.16	\$ 13.02	\$ 14.84
MARKET VALUE, END OF PERIOD	\$ 10.00	\$ 11.41	\$ 15.11
TOTAL INVESTMENT RETURN (C)			
Net asset value	-9.61%	-3.81%	10.22%
Market value	-7.12%	-16.85%	11.86%
RATIOS AND SUPPLEMENTAL DATA			
Net assets end of period (thousands)	\$214,955	\$250,781	\$283,851
Ratio of expenses to average net assets	1.27% (d)	1.25%	1.28%
Ratio of net investment income (loss) to average net assets	0.12% (d)	1.20%	0.04%
Portfolio turnover	15%	103%	59%

\* Commencement of investment operations.

(a) Before deduction of offering expenses charged to capital.

(b) Based on average shares outstanding.

(c) Total investment return is calculated assuming a purchase of a common share at the beginning of the period and a sale on the last day of the period reported either at net asset value (NAV) or market price per share. Dividends and distributions are assumed to be reinvested at NAV for returns at NAV or in accordance with the Fund's dividend reinvestment plan for returns at market value. Total investment return does not reflect brokerage commissions. A return calculated for a period of less than one year is not annualized.

(d) Annualized.

See notes to financial statements.

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund

Notes to FINANCIAL STATEMENTS | JUNE 30, 2008 (unaudited)

### Note 1 - ORGANIZATION:

Madison/Claymore Covered Call & Equity Strategy Fund (formerly the Madison/Claymore Covered Call Fund) (the "Fund") was organized as a Delaware

## Edgar Filing: Madison/Claymore Covered Call & Equity Strategy Fund - Form N-CSRS

statutory trust on May 6, 2004. The Fund is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940.

The Fund's primary investment objective is to provide a high level of current income and current gains, with a secondary objective of long-term capital appreciation. The Fund will, under normal market conditions, pursue its primary investment objective by allocating at least 80% of total assets to an integrated investment strategy pursuant to which the Fund invests in a portfolio of equity securities consisting primarily of high quality, large capitalization common stocks that are, in the view of the Fund's investment manager, selling at a reasonable price in relation to their long-term earnings growth rates and writes (sells) covered call options against a portion of the equity securities held; pending investment in equity securities or covered call options, assets of the Fund allocated to its integrated investment strategy will be held in cash or cash equivalents. The Fund seeks to produce a high level of current income and gains through premiums received from writing options and, to a lesser extent, from dividends. There can be no assurance that the Fund will achieve its investment objectives. The Fund's investment objectives are considered fundamental and may not be changed without shareholder approval.

### Note 2 - SIGNIFICANT ACCOUNTING POLICIES:

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

The following is a summary of significant accounting policies consistently followed by the Fund.

#### (a) VALUATION OF INVESTMENTS

Readily marketable portfolio securities listed on an exchange or traded in the over-the-counter market are generally valued at their last reported sale price. If no sales are reported, the securities are valued at the mean of the closing bid and asked prices on such day. If no bid or asked prices are quoted on such day, then the security is valued by such method as the Fund's Board of Trustees shall determine in good faith to reflect its fair value. Securities traded on NASDAQ are valued at the NASDAQ official closing price. Portfolio securities traded on more than one securities exchange are valued at the last sale price at the close of the exchange representing the principal market for such securities. Debt securities are valued at the last available bid price for such securities or, if such prices are not available, at the mean between the last bid and asked price. Exchange-traded options are valued at the mean of the best bid and best asked prices across all option exchanges. Short-term debt securities having a remaining maturity of sixty days or less are valued at amortized cost, which approximates market value.

In September, 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, "Fair Valuation Measurements" ("FAS 157"). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. FAS 157 establishes three different categories for valuations. Level 1 valuations are those based upon quoted prices in active markets. Level 2 valuations are those based upon quoted prices in inactive markets or based upon significant observable inputs (i.e. yield curves; benchmark interest rates; indices). Level 3 valuations are those based upon unobservable inputs (i.e. discounted cash flow analysis; non-market based methods used to determine fair valuation). Details of the valuations as of June 30, 2008 were as follows:

## Edgar Filing: Madison/Claymore Covered Call & Equity Strategy Fund - Form N-CSRS

VALUATIONS AT JUNE 30, 2008

DESCRIPTION (VALUE IN \$000S)	SECURITIES	DERIVATIVES	TOTAL
<b>Assets:</b>			
Level 1	\$225,961	\$ -	\$ 225,961
Level 2	1,007	-	1,007
Level 3	-	-	-
<b>Total</b>	<b>\$226,968</b>	<b>\$ -</b>	<b>\$ 226,968</b>
<b>Liabilities:</b>			
Level 1	\$ -	\$ 11,708	\$ 11,708
Level 2	-	-	-
Level 3	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 11,708</b>	<b>\$ 11,708</b>

### (b) INVESTMENT TRANSACTIONS AND INVESTMENT INCOME

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on the identified cost basis. Dividend income is recorded net of applicable withholding taxes on the ex-dividend date and interest income is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized to interest income over the lives of the respective securities using the effective interest method.

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund |  
NOTES TO FINANCIAL STATEMENTS (unaudited) continued

To earn greater income on otherwise uninvested cash temporarily held by the Fund, such as income earned from stock sold or called away, stock dividends and covered call writing premiums, the Fund may invest such cash in repurchase agreements. Repurchase agreements are short-term investments in which the Fund acquires ownership of a debt security and the seller agrees to repurchase the security at a future time and specified price. Repurchase agreements are fully collateralized by the underlying debt security. The Fund will make payment for such securities only upon physical delivery or evidence of book entry transfer to the account of the custodian bank. The seller is required to maintain the value of the underlying security at not less than the repurchase proceeds due the Fund.

### (c) OPTIONS

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

There are several risks associated with transactions in options on securities. As the writer of a covered call option, the Fund forgoes, during the option's



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

### (d) DISTRIBUTIONS TO SHAREHOLDERS

The Fund declares and pays quarterly dividends to common shareholders. Distributions to shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. These dividends consist of investment company taxable income, which generally includes qualified dividend income, ordinary income and short-term capital gains, including premiums received on written options. Realized short-term capital gains are considered ordinary income for tax purposes and will be reclassified at the Fund's fiscal year end on the Fund's Statement of Assets and Liabilities from accumulated net realized gains to distributions in excess of net investment income. Any net realized long-term capital gains are distributed annually to common shareholders.

### Note 3 - INVESTMENT ADVISORY AGREEMENT, INVESTMENT MANAGEMENT AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES:

Pursuant to an Investment Advisory Agreement (the "Agreement") between the Fund and Claymore Advisors, LLC (the "Adviser"), the Adviser will furnish offices, necessary facilities and equipment, provide certain administrative services, oversee the activities of Madison Asset Management LLC (the "Investment Manager"), provide personnel, including certain officers required for the Fund's administrative management and compensate all officers and trustees of the Fund who are its affiliates. As compensation for these services, the Fund will pay the Investment Adviser a fee, payable monthly, in an amount equal to 0.50% of the Fund's average daily managed assets. Managed assets equal the net assets of the Fund plus any assets attributable to financial leverage.

Pursuant to an Investment Management Agreement between the Fund and the Investment Manager, the Investment Manager, under the supervision of the Fund's Board of Trustees and the Adviser, will provide a continuous investment program for the Fund's portfolio; provide investment research and make and execute recommendations for the purchase and sale of securities; and provide certain facilities and personnel, including officers required for the Fund's administrative management and compensation of all officers and trustees of the Fund who are its affiliates. As compensation for these services, the Fund will pay the Investment Manager a fee, payable monthly, in an amount equal to 0.50% of the Fund's average daily managed assets.

Under separate Fund Administration and Fund Accounting agreements, the Adviser provides fund administration services and the Investment Manager provides fund accounting services to the Fund. The Adviser receives a fund administration fee payable monthly at the annual rate set forth below as a percentage of the average daily managed assets of the Fund:

MANAGED ASSETS	RATE
First \$200,000,000	0.0275%
Next \$300,000,000	0.0175%
Next \$500,000,000	0.0125%
Over \$1,000,000,000	0.0100%

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 NOTES TO FINANCIAL STATEMENTS (unaudited) continued

The Investment Manager receives a fund accounting fee based on the combined managed assets of the Fund and the Madison Strategic Sector Premium Fund, a closed-end investment company sponsored by the Investment Manager. The fund accounting fee is allocated on a prorated basis of the managed assets of each fund. This fee is payable monthly at the annual rate set forth below as a percentage of the average daily managed assets of the two funds:

MANAGED ASSETS	RATE
-----	-----
First \$200,000,000	0.0275%
Next \$300,000,000	0.0200%
Next \$500,000,000	0.0150%
Over \$1,000,000,000	0.0100%

Certain officers and trustees of the Fund are also officers and directors of Claymore Advisors, LLC or Madison Asset Management LLC. The Fund does not compensate its officers or trustees who are officers or interested persons of the two aforementioned firms.

**Note 4 - FEDERAL INCOME TAXES:**

The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required. In addition, by distributing substantially all of its ordinary income and long-term capital gains, if any, during each calendar year, the Fund intends not to be subject to U.S. federal excise tax.

Information on the components of investments, excluding written options, and net assets as of June 30, 2008 is as follows:

COST OF INVESTMENTS FOR TAX PURPOSES	GROSS TAX UNREALIZED APPRECIATION	GROSS TAX UNREALIZED DEPRECIATION	NET TAX UNREALIZED DEPRECIATION ON INVESTMENTS
-----	-----	-----	-----
\$307,930,902	\$3,978,068	(84,940,843)	\$(80,962,775)

For the year ended December 31, 2007, the tax character of distributions paid to common shareholders as reflected in the statement of changes in net assets was as follows:

DISTRIBUTIONS PAID FROM:	2007
-----	-----
Ordinary income	\$25,023,276
Long-term capital gain	341,248
-----	-----
	\$25,364,524
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On July 13, 2006, the Financial Accounting Standards Board ("FASB") released FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely than-not threshold would be recorded as a tax benefit or expense in the current year. Management has evaluated the implications of FIN 48 and has determined it does not have any impact on the Fund's financial statements as of June 30, 2008.

FIN 48 requires the Fund to analyze all open tax years. Open tax years are those years that are open for examination by the relevant income taxing authority. Tax years ended 2004, 2005, 2006 and 2007 remain subject to examination by major jurisdictions.

### Note 5 - INVESTMENT TRANSACTIONS AND OPTIONS WRITTEN:

During the six months ended June 30, 2008, the cost of purchases and proceeds from sales of investments, excluding written options and short-term investments were \$71,222,182 and \$36,963,359, respectively.

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NOTES TO FINANCIAL STATEMENTS (unaudited) continued

Transactions in option contracts during the six months ended June 30, 2008 were as follows:

	NUMBER OF CONTRACTS	PREMIUMS RECEIVED
Options outstanding, beginning of year	58,498	\$16,774,714
Options written during the year	85,664	25,879,387
Options expired during the year	(37,155)	(9,755,013)
Options closed during the year	(23,606)	(6,891,728)
Options assigned during the year	(7,228)	(3,175,672)
Options outstanding, end of year	76,173	\$22,831,688

### Note 6 - CAPITAL:

#### COMMON SHARES

The Fund has an unlimited amount of common shares, \$0.01 par value authorized and 19,268,423 issued and outstanding.

Transactions in common shares were as follows:

	SIX MONTHS ENDED JUNE 30, 2008	YEAR ENDED DECEMBER 31, 2007
Beginning Shares	19,268,423	19,124,936
Shares issued through dividend reinvestment	0	143,487

## Edgar Filing: Madison/Claymore Covered Call & Equity Strategy Fund - Form N-CSRS

Ending Shares	19,268,423	19,268,423
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### Note 7 - SHORT-TERM BORROWINGS:

On April 30, 2008, the Fund entered into a Revolving Credit Agreement with M&I Marshall & Ilsley Bank, which provides for a revolving credit facility to be used as leverage for the Fund. The credit facility provides for a secured line of credit for the Fund, where Fund assets are pledged against advances made to the Fund. The Fund may borrow an amount up to 20% of the Fund's total assets (including the proceeds of such financial leverage). In addition, the Fund has agreed to pay facility commitment fees on the unused line of credit, which are included in "Interest expense and fees" on the Statement of Operations. The total commitment under the Revolving Credit Agreement is \$50,000,000. For the period ended June 30, 2008, the Fund had not utilized any portion of the line of credit. The maturity date for the Revolving Credit Agreement is February 28, 2009.

### Note 8 - INDEMNIFICATIONS:

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

### Note 9 - RECENT ACCOUNTING PRONOUNCEMENTS:

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 ("SFAS No. 161"), "Disclosures about Derivative Instruments and Hedging Activities." This standard is intended to enhance financial statement disclosures for derivative instruments and hedging activities and enable investors to understand: a) how and why a fund uses derivative instruments, b) how derivative instruments and related hedge fund items are accounted for, and c) how derivative instruments and related hedge items affect a fund's financial position, results of operations and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. As of June 30, 2008, management does not believe the adoption of SFAS No. 161 will impact the financial statement amounts; however, additional footnote disclosures may be required about the use of derivative instruments and hedging items.

### Note 10 - SUBSEQUENT EVENT:

On August 1, 2008, the Board of Trustees declared a quarterly dividend of \$0.28 per common share. The dividend is payable August 29, 2008 to shareholders of record on August 15, 2008.

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Supplemental INFORMATION | (unaudited)

### FEDERAL INCOME TAX INFORMATION

In January 2009, you will be advised on IRS Form 1099 DIV or substitute 1099 DIV

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as to the federal tax status of the distributions received by you in the calendar year 2008.

### TRUSTEES

The Trustees of the Madison/Claymore Covered Call & Equity Strategy Fund and their principal occupations during the past five years:

NAME, ADDRESS*, YEAR OF BIRTH AND POSITION(S) HELD WITH REGISTRANT	TERM OF OFFICE** AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS AND OTHER AFFILIATIONS	NUMBER OF PORTFOLIO SHARES OF THE FUND HELD AS OF THE END OF THE TRUSTEES
<hr/>			
INDEPENDENT TRUSTEES:			
<hr/>			
Randall C. Barnes Year of birth: 1951 Trustee	Since 2004	Investor (2001-present). Previously, Senior Vice President & Treasurer, PepsiCo., Inc. (1993-1997), President, Pizza Hut International (1991-1993) and Senior Vice President, Strategic Planning and New Business Development (1987-1990) of PepsiCo, Inc. (1987-1997).	
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Philip E. Blake Year of birth: 1944 1 South Pinckney Street Suite 501 Madison, WI 53703 Trustee	Since 2004	Private investor; Managing Partner of Forecastle Inc. (2000-present).	
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James R. Imhoff, Jr. Year of birth: 1944 5250 East Terrace Drive Sector Premium Fund. Madison, WI 53718 Trustee	Since 2004	Chairman and CEO of First Weber Group.	
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Ronald A. Nyberg Year of birth: 1953 Trustee	Since 2004	Partner of Nyberg & Cassioppi, LLC, a law firm specializing in corporate law, estate planning and business transactions from 2000-present. Formerly, Executive Vice President, General Counsel and Corporate Secretary of Van Kampen Investments (1982-1999).	
<hr/>			
Ronald E. Toupin, Jr. Year of birth: 1958 Trustee	Since 2004	Retired. Formerly, Vice President, Manager and Portfolio Manager of Nuveen Asset Management (1998-1999), Vice President of Nuveen Investment Advisory Corp. (1992-1999), Vice President and Manager of Nuveen Unit Investment Trusts (1991-1999), and Assistant Vice President and Portfolio Manager of Nuveen Unit Investment	

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Trusts (1988-1999), each of John Nuveen & Company, Inc. (1982-1999).

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Lorence Wheeler Year of birth: 1938 135 Sunset Blvd. Tabernash, CO 80478 Trustee	Since 2004	Formerly, President of Credit Union Benefits Services, Inc. and Pension Specialist for CUNA Mutual Group.
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### INTERESTED TRUSTEES:

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Frank E. Burgess+ Year of birth: 1942 550 Science Drive Madison, WI 53711 Trustee and Senior Vice President	Since 2004	Founder, President and CEO of Madison Investment Advisors, Inc. (1974-present) and Madison Asset Management, LLC.
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Nicholas Dalmaso++ Year of birth: 1965 Trustee Associate General	Since 2004	Attorney. Formerly, Senior Managing Director and Chief Administrative Officer (2007-2008) and General Counsel (2001-2007) of Claymore Advisors, LLC and Claymore Securities, Inc. Formerly, Assistant General Counsel, John Nuveen and Company (1999-2001). Formerly Vice President and Counsel of Van Kampen Investments (1992-1999).
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\* Address for all Trustees, unless otherwise noted: 2455 Corporate West Drive, Lisle, IL 60532

\*\* After a Trustee's initial term, each Trustee is expected to serve a three-year term concurrent with the class of Trustees for which he serves:

-Messrs. Barnes and Burgess, as Class I Trustees, are expected to stand for re-election at the Fund's 2008 annual meeting of shareholders.

-Messrs. Blake, Dalmaso and Imhoff, as Class II Trustees, are expected to stand for re-election at the Fund's 2009 annual meeting of shareholders.

-Messrs. Nyberg, Toupin and Wheeler, as Class III Trustees, are expected to stand for re-election at the Fund's 2010 annual meeting of shareholders.

\*\*\* The Claymore Fund Complex consists of U.S. registered investment companies advised or serviced by Claymore Advisors, LLC or Claymore Securities, Inc. The Claymore Fund Complex is overseen by multiple Boards of Trustees.

+ Mr. Burgess is an "interested person" (as defined in section 2(a) (19)) of the Fund because of his position as an officer of Madison Asset Management,

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LLC, the Fund's Investment Manager.

++ Mr. Dalmaso is an "interested person" (as defined in Section 2(a)(19) of the 1940 Act) of the Fund as a result of his former position as an officer of, and his equity ownership in the Fund's Adviser and certain of its affiliates.

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SUPPLEMENTAL INFORMATION (unaudited) continued

## OFFICERS

The Officers of the Madison/Claymore Covered Call & Equity Strategy Fund and their principal occupations during the past five years:

NAME, ADDRESS*, YEAR OF BIRTH AND POSITION(S) HELD WITH REGISTRANT	TERM OF OFFICE** AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS AND OTHER AFFILIATIONS
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### OFFICERS:

J. Thomas Futrell Year of birth: 1955 Chief Executive Officer	Effective May 29, 2008	Senior Managing Director and Chief Financial Officer, LLC and Claymore Securities, Inc.; Executive Officer of certain funds; Managing Director of Research, Nuveen
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Kevin M. Robinson Year of birth: 1959 Chief Legal Officer	Effective May 29, 2008	Senior Managing Director, General Counsel (2007-present) of Claymore Advisors, Inc.; Chief Legal Officer of certain funds; Formerly, Associate General Counsel, Nuveen; Formerly, Archipelago Holdings, Inc. Associate General Counsel (1997-2006); Senior Counsel in the Enforcement Division, Securities and Exchange Commission.
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Steven M. Hill Year of birth: 1964 Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2004	Senior Managing Director of Claymore Securities, Inc. (2005-present). Formerly, Chief Financial Officer (2005-2006) Claymore Group Inc. Managing Director, LLC and Claymore Securities, Inc.; Treasurer of Henderson Global Funds; Henderson Global Investors (North America); Director, FrontPoint Partners LLC (2005-present).
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Matthew J. Patterson Year of birth: 1971 Secretary	Since 2006	Vice President, Assistant General Counsel (2006-present). Chief Compliance Officer, Claymore Group of Mutual Funds (2005-2006); Secretary, Caterpillar Investment Management; Securities Counsel, Caterpillar, Inc.; Formerly, Arps, Slate, Meagher & Flom LLP (2003-2005).
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Jay Sekelsky 550 Science Drive Madison, WI 53711 Year of birth: 1959 Vice President	Since 2004	Managing Director of Madison Investment Management, LLC; Vice President of Madison Asset Management, LLC; Vice President, Mosaic family of funds and Madison
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Kay Frank 550 Science Drive Madison, WI 53711 Year of birth: 1960 Vice President	Since 2004	Managing Director of Madison Invest of Madison Asset Management, LLC; P family of funds and President of Ma Fund.
Stephen Share 550 Science Drive Madison, WI 53711 Year of birth: 1967 Vice President	Since 2006	Vice President, Madison Asset Manag Investment Analyst, University of W (2003-2004); Research Analyst, Ark
Greg Hoppe Year of birth: 1969	Since 2008	Vice President of Madison Mosaic, L Management LLC
Bruce Saxon Year of birth: 1957 Chief Compliance Officer	Since 2006	Vice President-Fund Compliance Offi (Feb 2006-present). Previously, Chi Officer/Assistant Secretary of Harr (2003-2006). Director-Compliance of

\* Address for all Officers, unless otherwise noted: 2455 Corporate West Drive, Lisle, IL 60532

\*\* Officers serve at the pleasure of the Board of Trustees and until his or her successor is appointed and qualified or until his or her earlier resignation or removal.

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund

Dividend Reinvestment PLAN | (unaudited)

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

The Plan Administrator will open an account for each common shareholder under the Plan in the same name in which such common shareholder's common shares are registered. Whenever the Fund declares a dividend or other distribution (together, a "Dividend") payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in common shares. The common shares will be acquired by the Plan Administrator for the participants' accounts, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the



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Fund ("Newly Issued Common Shares") or (ii) by purchase of outstanding common shares on the open market ("Open-Market Purchases") on the New York Stock Exchange or elsewhere. If, on the payment date for any Dividend, the closing market price plus estimated brokerage commission per common share is equal to or greater than the net asset value per common share, the Plan Administrator will invest the Dividend amount in Newly Issued Common Shares on behalf of the participants. The number of Newly Issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the Dividend by the net asset value per common share on the payment date; provided that, if the net asset value is less than or equal to 95% of the closing market value on the payment date, the dollar amount of the Dividend will be divided by 95% of the closing market price per common share on the payment date. If, on the payment date for any Dividend, the net asset value per common share is greater than the closing market value plus estimated brokerage commission, the Plan Administrator will invest the Dividend amount in common shares acquired on behalf of the participants in Open-Market Purchases. If, before the Plan Administrator has completed its Open-Market Purchases, the market price per common share exceeds the net asset value per common share, the average per common share purchase price paid by the Plan Administrator may exceed the net asset value of the common shares, resulting in the acquisition of fewer common shares than if the Dividend had been paid in Newly Issued Common Shares on the Dividend payment date. Because of the foregoing difficulty with respect to Open-Market Purchases, the Plan provides that if the Plan Administrator is unable to invest the full Dividend amount in Open-Market Purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Administrator may cease making Open-Market Purchases and may invest the uninvested portion of the Dividend amount in Newly Issued Common Shares at net asset value per common share at the close of business on the Last Purchase Date provided that, if the net asset value is less than or equal to 95% of the then current market price per common share; the dollar amount of the Dividend will be divided by 95% of the market price on the payment date.

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

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

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

All correspondence or questions concerning the Plan should be directed to the Plan Administrator, The Bank of New York Mellon, Attention: Stock Transfer Department, 101 Barclay 11W, New York, New York 10286, Phone Number: (866) 488-3559.

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund

Investment Advisory Agreement and Investment Management Agreement APPROVALS | (unaudited)

On April 10 and 22, 2008, the Board of Trustees, including those trustees who are not interested persons as defined by the Investment Company Act of 1940 (the "Independent Trustees") of Madison/Claymore Covered Call & Equity Strategy Fund (the "Fund") met to consider the renewal of: (1) the investment advisory agreement ("Investment Advisory Agreement") between the Fund and Claymore Advisors, LLC ("Adviser") and (2) the investment management agreement ("Investment Management Agreement") among the Adviser, the Fund and Madison Asset Management, LLC ("Manager"). (The Investment Advisory Agreement and the Investment Management Agreement are together referred to as the "Advisory Agreements.") As part of its review process, the Nominating and Governance Committee of the Board (referred to as the "Committee" and consisting solely of the Independent Trustees) was represented by independent legal counsel. The Board reviewed materials received from the Adviser, the Manager and independent legal counsel. The Board also had previously received, throughout the year, Board meeting information regarding performance and operating results of the Fund.

In preparation for its review, the Committee communicated with independent legal counsel regarding the nature of information to be provided, and independent legal counsel, on behalf of the Committee, sent a formal request for information to the Adviser and Manager. The Adviser and the Manager provided extensive information in response to the request. Among other information, the Adviser and Manager provided general information to assist the Committee in assessing the nature and quality of services provided by the Adviser and Manager, information comparing the investment performance, advisory fees and total expenses of the Fund to other funds, information about the profitability from the Advisory Agreements to each of the Adviser and the Manager and the compliance policies and procedures adopted by each of the Adviser and the Manager.

Based upon their review, the Committee and the Board concluded that it was in the best interests of the Fund to renew each of the Advisory Agreements. In reaching this conclusion for the Fund, no single factor was determinative in the Board's analysis, but rather the Board considered a variety of factors.

### INVESTMENT ADVISORY AGREEMENT

With respect to the nature, extent and quality of services provided by the Adviser, the Board noted that the Manager was responsible for the investment and reinvestment of the Fund's assets. The Board considered the Adviser's responsibility to oversee the Manager and that the Adviser has similar oversight responsibilities for other registered funds for which it serves as investment adviser. The Board also considered the secondary market support provided by the Adviser to the Fund, including the Adviser's efforts to educate investment professionals about the Fund and other funds sponsored by the Adviser. The Board reviewed financial information regarding the Adviser and its parent company and considered the parent company's guaranty of the Adviser's obligations under the Investment Advisory Agreement. The Board considered the experience and qualifications of the Adviser's personnel, including those personnel providing compliance oversight and oversight of the Manager's portfolio management activities. Specifically, the Board noted the ongoing oversight activities performed by the Adviser, including on-site compliance reviews and monitoring of compliance with policies and procedures and with the Fund's investment policies. After considering these factors, the Board concluded that the Adviser and its personnel were qualified to serve the Fund in an oversight capacity.

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The Board considered the Fund's investment performance by reviewing the Fund's total return on a net asset value and market price basis for the three month, six month, one year and since inception periods ended March 31, 2008. The Board compared the Fund's performance to the performance of a peer group of closed-end funds ("peer group of funds") provided by the Adviser for the same time periods. The peer group of funds included other domestic equity closed-end funds that write individual call options on a majority of the fund's assets. The Board noted that the Fund's investment results were consistent with that aspect of the Fund's investment strategy to write covered call options on common stocks to generate income. The Board also considered that the Adviser does not directly control investment performance but such duties were the Manager's responsibility. The Board concluded that the Adviser had reviewed and monitored the Manager's investment performance.

The Board compared the Fund's advisory and sub-advisory fees and expense ratio to the peer group of funds and to the advisory fee that the Adviser charged to other closed-end funds for which it serves as adviser. The Board also reviewed the mean and median advisory fees and expense ratios of the peer group of funds. The Board noted that the Fund's expense ratio was within the range of the expense ratios of the peer group of funds and in line with the estimated expense ratio disclosed in the Fund's initial offering prospectus. The Board also considered that the combined advisory and sub-advisory fees were at the median of the peer group of funds and concluded that the Fund's advisory fee was reasonable.

With respect to the costs of services to be provided and profits realized by the Adviser from its relationship to the Fund, the Board reviewed information regarding the revenues the Adviser received under the Investment Advisory Agreement as well as the estimated allocated direct and indirect costs the Adviser incurred in providing the services to the Fund and concluded that the Adviser's profitability was not unreasonable.

The Board considered the extent to which economies of scale could be realized with respect to the management of the Fund as the Fund grows and whether fee levels reflected a reasonable sharing of such economies of scale for the benefit of Fund investors. The Board considered the Adviser's statement that, by design, closed-end funds' assets remain relatively fixed and therefore economies of scale in such funds are not typically obtained through growth in assets, although it has increased assets under management as a result of new product offerings and has experienced related economies in its servicing, information technology and operations functions, it has also increased staff and upgraded systems and the Adviser anticipates neither economies of scale nor increased costs of services to the Fund. Accordingly, the Board concluded that fee levels were appropriate.

The Board considered other benefits available to the Adviser because of its relationship with the Fund and noted that the administrative services fees received by the Adviser from serving as administrator provides it with additional revenue but concluded that the advisory fee was reasonable taking into account any benefits from such administration agreement.

### INVESTMENT MANAGEMENT AGREEMENT

With respect to the nature, extent and quality of services provided by the Manager, the Board considered the qualifications, experience and skills of the Manager's portfolio management and other key personnel. The Board also considered the Manager's implementation of the strategy to write covered call options on a portion of the Fund's equity securities. The Board considered the Manager's experience in achieving the Fund's investment objective of providing a high level of current income (through the Fund's quarterly payment of distributions of \$0.33 per share for thirteen quarters) and current gains with a

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secondary objective of long-term capital appreciation. The Board concluded that the Manager was qualified to provide the services under the Investment Management Agreement.

In considering investment performance, the Board reviewed the performance of the Fund and the peer group of funds for various periods of time. The Board noted that the Fund's returns on a net asset value basis were lower than the Standard & Poor's 500 Index and the CBOE BuyWrite ("BXM") Index (the "Relevant Indices") returns for the year ended December 31, 2007 and since inception due to underperformance in the last half of 2007. The Board considered that the Fund's investments in the financial and consumer discretionary sectors

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MCN | Madison/Claymore Covered Call & Equity Strategy Fund | INVESTMENT ADVISORY AGREEMENT AND INVESTMENT MANAGEMENT AGREEMENT APPROVALS (unaudited) continued

hurt the Fund's performance during the last year, with the crisis in U.S. credit markets having a particularly negative impact on these sectors. The Board noted, however, the difficult markets and the Fund's better performance relative to the Standard & Poor's 500 Index for the three and six month periods ended March 31, 2008 and considered the Adviser's statement that the Manager's options writing has positioned the Fund to benefit from a recovering stock market.

The Board reviewed the management fee paid by the Fund to the Manager and compared it to the fees charged by the Manager to other investment company clients for which the Manager serves as adviser that have a covered call strategy. The Board considered that the Fund's management fee was lower than the Manager's two investment company clients' advisory fees and that the Manager did not serve as sub-adviser for other funds. The Board concluded that the management fee was reasonable.

With respect to the costs of services to be provided and profits realized by the Manager from its relationship to the Fund, the Board reviewed information regarding the revenues the Manager received under the Investment Management Agreement and estimated allocated expenses of the Manager in providing services under the Investment Management Agreement for the year ended December 31, 2007 and concluded that the Manager's profitability was not unreasonable.

The Board reviewed the extent to which economies of scale with respect to the sub-advisory services provided to the Fund would be realized as the Fund grew and whether fee levels reflect a reasonable sharing of such economies of scale for the benefit of Fund investors. The Board considered the Manager's statement that the asset level of the closed-end Fund was relatively stable, that its expenses relating to providing the Fund services were expected to remain the same and that the Manager thus did not anticipate any economies of scale with respect to the Fund. Given these factors, the Board concluded that the Fund was unlikely to realize any significant economies of scale with respect to the management services to justify a breakpoint at the time that the Investment Management Agreement was being reviewed.

The Independent Trustees considered other benefits available to the Manager because of its relationship to the Fund and noted that the accounting services fees received by the Manager from serving as accounting services provider to the Fund provided it with additional revenue, but concluded that the management fee was reasonable considering any benefits from such accounting services agreement. The Board also considered the Manager's use of soft dollars. The Board noted the Manager's statement that it receives indirect benefits in the form of soft

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dollar arrangements, which may or may not be used for the benefit of the Fund and may be used for the benefit of other clients of the Manager. The Board concluded that the sub-advisory fees were reasonable, taking into account these benefits.

### OVERALL CONCLUSIONS

Based upon all of the information considered and the conclusions reached, the Board determined that the terms of each Advisory Agreement continue to be fair and reasonable and that the continuation of each Advisory Agreement is in the best interests of the Fund.

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### Fund INFORMATION |

BOARD OF TRUSTEES  
Randall C. Barnes

Philip E. Blake

Frank Burgess\*

Nicholas Dalmaso\*\*

James Imhoff, Jr.

Ronald A. Nyberg

Ronald E. Toupin, Jr.

Lorence Wheeler

\* Trustee is an "interested person" of the Fund as defined in the Investment Company Act of 1940, as amended.

\*\* Trustee is an "interested person" of the Trust as defined in the Investment Company Act of 1940, as amended, as a result of his former position as an officer of, and his equity ownership in, the Adviser and certain of its affiliates.

### OFFICERS

J. Thomas Futrell  
Chief Executive Officer

Kevin M. Robinson  
Chief Legal Officer

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Steven M. Hill  
Chief Financial Officer, Chief  
Accounting Officer and Treasurer

Frank Burgess  
Senior Vice President

Matthew Patterson  
Secretary

Jay Sekelsky  
Vice President

Kay Frank  
Vice President

Stephen Share  
Vice President

Greg Hoppe  
Vice President

Bruce Saxon  
Chief Compliance Officer

INVESTMENT MANAGER  
Madison Asset Management, LLC  
550 Science Drive  
Madison, WI 53711

INVESTMENT ADVISER  
Claymore Advisors, LLC.  
2455 Corporate West Drive  
Lisle, IL 60532

ADMINISTRATOR  
Claymore Advisors, LLC.  
2455 Corporate West Drive  
Lisle, IL 60532

CUSTODIAN AND TRANSFER AGENT  
The Bank of New York Mellon  
New York, New York

LEGAL COUNSEL  
Vedder Price P.C.  
Chicago, Illinois

INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM  
Ernst & Young LLP  
Chicago, Illinois

PRIVACY PRINCIPLES OF MADISON/CLAYMORE COVERED CALL & EQUITY STRATEGY FUND  
FOR SHAREHOLDERS

The Fund is committed to maintaining the privacy of shareholders and to safeguarding its non-public information. The following information is provided to help you understand what personal information the Fund collects, how we protect that information and why, in certain cases, we may share information with select other parties.

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Generally, the Fund does not receive any non-public personal information relating to its shareholders, although certain non-public personal information of its shareholders may become available to the Fund. The Fund does not disclose any non-public personal information about its shareholders or former shareholders to anyone, except as permitted by law or as is necessary in order to service shareholder accounts (for example, to a transfer agent or third party administrator).

The Fund restricts access to non-public personal information about the shareholders to Claymore Advisors, LLC employees with a legitimate business need for the information. The Fund maintains physical, electronic and procedural safeguards designed to protect the non-public personal information of its shareholders.

### QUESTIONS CONCERNING YOUR SHARES OF MADISON/CLAYMORE COVERED CALL & EQUITY STRATEGY FUND?

- o If your shares are held in a Brokerage Account, contact your Broker.
- o If you have physical possession of your shares in certificate form, contact the Fund's Custodian and Transfer Agent:

The Bank of New York Mellon, 101 Barclay 11W, New York, New York 10286  
(866) 488-3559

This report is sent to shareholders of Madison/Claymore Covered Call & Equity Strategy Fund for their information. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

A description of the Fund's proxy voting policies and procedures related to portfolio securities is available without charge, upon request, by calling the Fund at (800) 851-0264.

Information regarding how the Fund voted proxies for portfolio securities, if applicable, during the most recent 12-month period ended June 30, is also available, without charge and upon request by calling the Fund at (800) 851-0264 or by accessing the Fund's Form N-PX on the SEC's website at [www.sec.gov](http://www.sec.gov) or [www.claymore.com](http://www.claymore.com).

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available on the SEC website at [www.sec.gov](http://www.sec.gov) or [www.claymore.com](http://www.claymore.com). The Fund's Form N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC; information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330 or at [www.sec.gov](http://www.sec.gov).

In September 2007, the Fund submitted a CEO annual certification to the NYSE in which the Fund's principal executive officer certified that he was not aware, as of the date of the certification, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principal executive and principal financial officers have made quarterly certifications, including in filings with the SEC on forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures and internal control over financial reporting.

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About the FUND MANAGER |

### MADISON ASSET MANAGEMENT, LLC

Madison Asset Management, LLC, (MAM) a wholly-owned subsidiary of Madison Investment Advisors, Inc., with its affiliates, manages more than \$8 billion in individual, corporate, pension, insurance, endowment and mutual fund assets.

### INVESTMENT PHILOSOPHY

MAM believes in investing in high-quality growth companies, which deliver potentially consistent and sustainable earnings growth, yet sell at attractive valuations. Historically, shareholders of these types of companies have been rewarded over the long term with above-average returns, and favorable risk characteristics. Constructing portfolios with positive risk/reward profiles has historically allowed clients to participate during strong market environments, while mitigating potential declines.

### INVESTMENT PROCESS

The managers employ a fundamental, bottom-up strategy in constructing equity portfolios. The managers look for companies that they believe are consistently growing at an above-average pace, yet sell at below-average multiple.

The managers follow a rigorous three-step process when evaluating companies and then employ an actively-managed option strategy to help enhance income and mitigate downside risk.

1. **BUSINESS MODEL.** The managers look for a sustainable competitive advantage, cash flow that is both predictable and growing, as well as a rock-solid balance sheet.
2. **MANAGEMENT.** When assessing management, the managers look to see how the company has allocated capital in the past, their track record for enhancing shareholder value and the nature of their accounting practices.
3. **PROPER VALUATION.** The final step in the process is assessing the proper valuation for the company. The managers strive to purchase securities trading at a discount to their intrinsic value as determined by discounted cash flows. They corroborate this valuation work with additional valuation methodologies.

The covered call investment strategy focuses on stocks in which the managers have high confidence in their continuing earnings growth rates, but sell at reasonable Price-Earnings Ratios. By writing the majority of the Fund's calls out-of-the-money, meaning the strike price is higher than the stock price, the Fund can participate in some stock appreciation while still receiving income in the form of option premiums. The covered call strategy also tends to reduce the risk compared to just owning the stock.

CLAYMORE SECURITIES, INC.  
2455 Corporate West Drive  
Lisle, IL 60532  
Member FINRA/SIPC



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NOT FDIC-INSURED | NOT BANK-GUARANTEED | MAY LOSE VALUE

MCN  
LISTED  
NYSE

MCN-SAR-0608

## ITEM 2. CODE OF ETHICS.

Not applicable for a semi-annual reporting period.

## ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable for a semi-annual reporting period.

## ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable for a semi-annual reporting period.

## ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable for a semi-annual reporting period.

## ITEM 6. SCHEDULE OF INVESTMENTS.

The Schedule of Investments is included as part of Item 1.

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

Not applicable for a semi-annual reporting period.

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

(a) Not applicable for a semi-annual reporting period.

(b) There has been no change, as of the date of this filing, in the Portfolio Manager identified in response to paragraph (a) (1) of this item in the registrant's most recent annual report on Form N-CSR.

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

None.

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

The registrant has not made any material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Trustees.

## ITEM 11. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) within 90 days of this filing and have concluded based on such evaluation,

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that the registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

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

ITEM 12. EXHIBITS.

(a) (1) Not applicable.

(a) (2) Certifications of principal executive officer and principal financial officer pursuant to Rule 30a-2(a) under the Investment Company Act of 1940.

(a) (3) Not Applicable.

(b) Certifications of principal executive officer and principal financial officer pursuant to Rule 30a-2(b) under the Investment Company Act of 1940.

SIGNATURES

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

(Registrant) Madison / Claymore Covered Call & Equity Strategy Fund

By: /s/ J. Thomas Futrell

Name: J. Thomas Futrell

Title: Chief Executive Officer

Date: September 5, 2008

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

By: /s/ J. Thomas Futrell

Name: J. Thomas Futrell

Title: Chief Executive Officer

Date: September 5, 2008

By: /s/ Steven M. Hill

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Name: Steven M. Hill

Title: Chief Accounting Officer, Chief Financial Officer and Treasurer

Date: September 5, 2008