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Madison Covered Call & Equity Strategy Fund
Form N-CSR
March 07, 2016

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21582

Madison Covered Call & Equity Strategy Fund
(Exact name of registrant as specified in charter)

550 Science Drive, Madison, WI 53711
(Address of principal executive offices)(Zip code)

Lisa R. Lange
Madison Legal and Compliance Department
550 Science Drive
Madison, WI 53711
(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2015

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

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

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



Annual Report
December 31, 2015

Annual Report December 31, 2015

MADISON COVERED CALL &
EQUITY STRATEGY FUND (MCN)

Active Equity Management combined with a Covered Call Option Strategy

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Management's Discussion of Fund Performance (unaudited)

Covered Call strategies, by their nature, are defensive. They are structured to knowingly sacrifice a portion of upside growth potential in order to provide additional downside protection. The Madison Covered Call & Equity Strategy Fund pursues these strategies by owning a very high-quality portfolio of individual equities and selling equity call options on the portfolio holdings. The Fund provides a total return platform which seeks capital appreciation and a high distribution rate which is primarily sourced from selling call options and realizing capital gains on the underlying portfolio. It is a relatively concentrated, actively managed portfolio providing a defensive way to participate in U.S. equity markets.

What happened in the market during 2015?

“When you come to a fork in the road, take it.”

Yogi Berra, whom we lost a few months ago at age 90, had an uncanny way of saying rather innocuous things that make perfect sense in many different parts of our lives, including our financial lives. In many respects, U.S. equities came to a fork in the road in 2015, but unlike Mr. Berra’s comment above, no path has yet to be taken. Well into its 7th year of a bull market, the S&P 500 wobbled in August and September in what many suspected was the actual end of the bull market, only to fully rebound into the year’s end. Despite weakened fundamentals, global economic stagnancy and a Federal Reserve (Fed) that raised the Fed Funds rate when most other central banks continue to pump liquidity, the S&P 500 closed the year within 3% of its all-time high. This brings to mind another “Yogi-ism”; “it’s never over till it’s over.” Our stance has been to be very defensive in positioning the Fund with the belief that there is greater risk that the bull market will end rather than continue. Seeing as we never really know it’s over until it really is over, we prefer to be positioned in front, rather than behind, a major market shift. In other words, we’ve taken the defensive fork in the road while the market has yet to decide.

The S&P 500® began the 4th quarter in full rebound mode, regaining by the end of October virtually all that the market had given up from mid-August through the end of September. The rally then stalled and the market became somewhat more volatile as the implications of a potential December rate hike were debated. Fundamentals continue to be quite weak for S&P 500 companies. S&P 500® earnings growth for the 4th quarter is estimated to be -4.9% and has trended lower for many months. If the quarter actually witnesses negative growth, it will mark the first time since 2009 that the S&P 500® has had 3 consecutive quarters of earnings declines. Sales growth also continues to be negative and we are on the verge of the 4th consecutive negative sales growth quarter. This hasn’t happened since 2008/09. The decline in commodity prices is certainly responsible for a portion of these trends as

the Energy and Materials sectors show the largest declines.

However, other sectors should benefit from lower input costs and retailers should gain from lower gas prices as consumers have more money to spend. Retail sales, though, have been underwhelming this year and only “OK” during the holiday shopping season. Corporate earnings have also continued to be elevated by companies buying back their own shares. In the 3rd quarter alone, companies repurchased over \$150 billion of their own stock. For the 7th consecutive quarter, over 20% of the S&P 500 companies reduced their year-over-year share count by at least 4% thereby boosting their earnings per share reports. While we appreciate companies that return money to shareholders, continued high share buybacks mask the underlying weakness in organic growth that many companies are struggling to achieve.

How did the Fund perform given the marketplace conditions during 2015?

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For the year ending December 31, 2015, on a Net Asset Value (NAV) basis, Madison Covered Call & Equity Strategy Fund ("MCN" or the "Fund") fell 0.91%, compared to the 1.4% return of the S&P 500® Index and the 5.2% return of the CBOE S&P BuyWrite Index (BXM). The BXM represents the passive version of a covered call equity strategy. On a share price basis, MCN declined 0.48%. The Fund's share price discount to the NAV averaged 12.1% during the year with a discount of 9.7% in March and a discount of 16.1% during the market correction in late August. MCN distributed \$0.72 per share for the full year, on par with the 2014 distribution level. Using year-end values, the Fund's yield was 8.5% on NAV or 9.8% on market price.

Typically, a covered call strategy will lag the overall market during periods of upward movement in stock prices as the sale of call options against stock positions limits full participation in favor of higher income potential and downside protection. This certainly impacted the Fund's ability to keep up with the S&P 500 returns particularly during the first seven months of the year as the market generally moved higher. Given the weakness in global economic and earnings fundamentals and the maturity of the bull market, the Fund was positioned very defensively during most of the year. As such, the Fund performed very well during periods of market uncertainty but lagged as the market quickly rebounded. This was particularly evident in late June/early July as the market fell on concerns of a Greek exit from the euro only to be reversed as a makeshift agreement was fashioned that pushed the problem down the road. Similarly, the Fund protected very well in the August/September market decline only to give back performance as the market rebounded fully by the end of October. Late in the year, the market was very volatile as the investors debated the timing and impact of a Fed Funds rate hike. The Fund's defensive position detracted from overall performance as each market decline was matched

MCN | Madison Covered Call & Equity Strategy Fund | Management's Discussion of Fund Performance (unaudited) - concluded | December 31, 2015

by a reversal. Market volatility increased following the August/September market decline and remained elevated into the year end. This had the effect of increasing the option premiums available to the Fund's call writing strategy. Sector performance for the market was uneven with five sectors in positive territory led by Consumer Discretionary and Health Care up 10.1% and 7.0%, respectively, and five sectors in negative territory led by Energy and Materials, down 21.1% and 8.4%, respectively. The overall effect on the Fund was only slightly negative. Fund performance was positively impacted by underweighted positioning in Materials and Utilities which underperformed the market but was offset by an underweighted position in Health Care and a small overweighted position in Energy. The Fund rarely invests in the Utilities area due to unattractive call option premium opportunities and the Fund's Health Care holdings have been pared back throughout the year as stocks performed strongly and profits were taken on a number of holdings, particularly in the biotechnology area. The Energy sector has been in focus given the very large decline in crude oil prices throughout the year. The Fund had been underweighted in this area early in the year and moved to a neutral position and then to a small overweight position as the year progressed and company valuations continued to slide. The higher volatility in the sector also made option writing much more attractive. The Fund's overall cash positioning during the year added to overall performance.

Stock selection was a positive contributor to relative performance. Despite the strong downtrend in the Energy sector, the Fund's Energy holdings held up very well relative to the rest of the sector. Cameron International in particular benefited from a merger announcement by Schlumberger and higher quality energy companies such as Occidental Petroleum did not suffer nearly as much as smaller, more indebted exploration companies. Performance of the Fund's Technology holdings was additive although dispersion was high. Holdings which performed very strongly such as Altera, Microsoft, Google and Nuance Communications were partially offset by weakness in Oracle, EMC and Qualcomm. The Fund's Consumer Discretionary holdings were weaker overall as media stocks such as CBS and Discovery Networks struggled for most of the year on weaker advertising concerns, while Nordstrom fell late in the year as the retail sales outlook deteriorated. Stronger results came from holdings such as Starbucks, Priceline and Amazon, all of which were sold during the year as valuations became elevated.

As noted earlier, we have been increasingly defensive as the year has progressed to the point of having a higher than normal proportion of the Fund's equity holdings covered with call options as well as additional downside insurance in the form of purchasing S&P 500® Index put options. This stance protected the Fund very well during the market declines but resulted in lagging performance as the market rebounded. Although underlying fundamentals remain tenuous, the S&P 500® closed out the year very close to its all-time highs. We believe that we are in store for increased volatility and an equity market that will struggle to maintain its lofty levels. We

continue to prefer a more defensive stance.

SHARE PRICE AND NAV PERFORMANCE FOR MADISON COVERED CALL & EQUITY STRATEGY FUND

Describe the Fund's portfolio equity and option structure.

As of December 31, 2015, the Fund held 44 equity securities and unexpired covered call options had been written against 88.2% of the Fund's stock holdings. It is the strategy of the fund to write "out-of-the-money" call options, and, as of December 31, 2015, 70% of the Fund's call options (50 of 71 different options) remained "out-of-the-money." (Out-of-the-money means the stock price is below the strike price at which the shares could be called away by the option holder.) As the overall market continued to grind higher through the year, concerns grew that company and economic fundamentals did not justify soaring stock prices. As such, the Fund's managers remained cautious by writing call options "closer-to-the-money" in order to capture higher premium income and provide the fund added protection from a reversal in the market's upward trend. With a very high percentage of the equity holdings covered by options written closer-to-the-money, the Fund took on a greater "hedged" posture for much of the year. Clearly, as the market continued to move higher, this was a drag on relative performance.

Which sectors are prevalent in the Fund?

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From a sector perspective, MCN's largest exposure as of December 31, 2015 was to the Information Technology (and technology related) sector, followed by Health Care, Industrials, Financials, Energy, Consumer Staples and Consumer Discretionary. The Fund had very small representation in the Telecommunications Services sector and no representation in the Utilities and Materials sectors as of year-end.

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ALLOCATION AS A PERCENTAGE OF TOTAL INVESTMENTS AS OF 12/31/15

Alternative Funds	3.6%
Consumer Discretionary	8.5%
Consumer Staples	8.7%
Energy	9.2%
Financials	9.7%
Health Care	13.9%
Industrials	12.2%
Information Technology	14.5%
Telecommunication Services	2.7%
Exchange Traded Funds	1.6%
U.S. Government and Agency Obligations	9.1%
Short-Term Investments†	6.3%

†Short-Term Investments includes Put Options Purchased.

Discuss the Fund's security and option selection process.

The Fund is managed by primarily focusing on active stock selection before adding the call option overlay utilizing individual equity call options rather than index options. We use fundamental analysis to select solid companies that we believe have good growth prospects and attractive valuations. We then seek attractive call options to write on those stocks. It is our belief that this partnership of active management of the equity and option strategies provides investors with an innovative, risk-moderated approach to equity investing. The Fund's portfolio managers seek to invest in a portfolio of common stocks that they believe have favorable "PEG" ratios (Price-Earnings ratio to Growth rate) as well as financial strength and industry leadership. As bottom-up investors, we focus on the fundamental businesses of our companies. Our stock selection philosophy strays away from the "beat the street" mentality, as we seek companies that we believe have sustainable competitive advantages, predictable cash flows, solid balance sheets and high-quality management teams. By concentrating on long-term prospects and circumventing the "instant gratification" school of thought, we believe we bring elements of consistency, stability and predictability to our shareholders.

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

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

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

1. Focus on the underlying security. The manager's bottom-up stock selection process is geared toward investing in companies with very strong fundamentals, including market leadership, balance sheet strength, attractive growth prospects, sustainable competitive advantages, predictable cash flows, and high-quality management teams. Purchasing such companies at attractive valuations is vital to providing an added margin of safety and the manager's "growth-at-a-reasonable-price" (GARP) philosophy is specifically tuned to such valuation discipline.

2. Active covered call writing. The manager actively sells (writes) individual equity call options on equities that are owned by the Fund. The specific characteristics of the call options (strike price, expiration, degree of coverage) are dependent on the manager's outlook on the underlying equity and/or general market conditions. If equity prices appear

over-valued due to individual company strength or surging markets, the manager may choose to become more defensive with the Fund's option strategy by selling call options that are closer to the current equity market price, generating larger option premiums which would help defend against a market reversal. The manager may also sell call options on a greater percentage of the portfolio in an effort to provide for more downside protection. Following a market downturn, the manager may sell options further out of the money in order to allow the Fund to benefit from a market recovery. In such an environment, the manager may also determine that a lesser percentage of the portfolio be covered by call options in order to more fully participate in market upside.

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

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What is management's outlook for the market and Fund in 2016?

Despite numerous headwinds, U.S. equity markets proved to be fairly resilient in 2015, posting a modest gain. As we enter the New Year, the path ahead remains somewhat clouded. Although the Fed has made their initial attempt to normalize monetary policy by raising rates for the first time in 9 years, we must now endure the uncertain trajectory of what normal policy will look like and if the economy is strong enough to accept it. That will make future Fed meetings a source of market wariness. Crude oil prices are less likely to drop 30% as they did in 2015 but they are likely to be volatile as supply/demand dynamics shift and geo-political forces such as the recent Saudi/ Iran tensions create added uncertainty. Global economic fundamentals remain weak although the U.S. is healthier on a relative basis. Sustained economic growth is critical to reversing the negative revenue growth trends that have plagued many companies in recent quarters. On this front, we see a challenging environment in Europe, Japan and China. U.S. corporate profit margins have stubbornly remained near all-time highs but are now facing rising labor costs for the first time in many years, suggesting that surging profitability is not in the cards. Additionally, market valuation, while not excessive, is certainly not cheap. The forward 12 month price/earnings ratio for the S&P 500® is near 10 year highs despite the growth challenges that have been noted above.

There are clearly positives out there as well. As mentioned, the U.S. economic growth path, while uncertain, is healthier than many other parts of the world. Employment has improved while wages are only just beginning to trend higher. In addition, 2016 is an election year which historically has been good for stocks although this time around the non-traditional candidates may add to the general market volatility. Green shoots in our economy are definitely visible but their sustainability is unclear. The overriding question is: how will the Fed maneuver itself out of an unprecedented period of monetary stimulus without causing turbulence in the economy and markets? Stay tuned for that answer to that one folks. We are not convinced that this particular ride will be a smooth one. 2016 may, in fact, result in low equity returns similar to 2015. In other words, déjà vu all over again. As noted in this letter's preamble, the strategy of covered call writing is defensive by its nature. Given the risk concerns noted above, this strategy appears to be very timely for investors. As we enter the New Year, the Fund will remain in a very conservative and defensive posture while maintaining flexibility to adjust as the market forces change. Higher market volatility will enhance our ability to maintain our high income distribution focus. Regarding the underlying assets of the Fund, we remain diligent and committed to investing in high quality growth companies that can deliver consistent results in a variety of economic environments and also offer a margin of safety

from a valuation perspective.

TOP TEN EQUITY HOLDINGS AS OF 12/31/15

% of Total Investments

SPDR Gold Shares	3.6%
United Technologies Corp.	3.2%
Apple Inc.	2.9%
Verizon Communications Inc.....	2.7%
Biogen Inc.	2.6%
Tyson Foods Inc., Class A.....	2.6%
T. Rowe Price Group Inc.	2.5%
Cameron International Corp.....	2.5%
PNC Financial Services Group Inc./The.....	2.4%
Jacobs Engineering Group Inc.....	2.3%

INDEX DEFINITIONS

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

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

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

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

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Portfolio of Investments

	Shares	Value (Note 2)
COMMON STOCKS - 79.8%		
Consumer Discretionary - 8.5%		
CarMax Inc.* (A)	59,200	\$ 3,195,024
CBS Corp., Class B (A)	70,900	3,341,517
Discovery Communications Inc., Class C*	64,500	1,626,690
Johnson Controls Inc. (A)	83,200	3,285,568
Nordstrom Inc. (A)	49,600	2,470,576
		13,919,375
Consumer Staples - 8.8%		
Costco Wholesale Corp. (A)	16,000	2,584,000
Diageo PLC, ADR (A)	22,700	2,475,889
General Mills Inc. (A)	40,500	2,335,230
JM Smucker Co./The (A)	22,000	2,713,480
Tyson Foods Inc., Class A (A)	79,000	4,213,070
		14,321,669
Energy - 9.2%		
Apache Corp. (A)	38,100	1,694,307
Baker Hughes Inc. (A)	69,500	3,207,425
Cameron International Corp.* (A)	65,200	4,120,640
EOG Resources Inc. (A)	32,000	2,265,280
Occidental Petroleum Corp. (A)	55,500	3,752,355
		15,040,007
Financials - 9.8%		
American Tower Corp. (A)	17,800	1,725,710
PNC Financial Services Group Inc./The (A)	40,600	3,869,586
Progressive Corp./The (A)	98,400	3,129,120
State Street Corp. (A)	47,000	3,118,920
T. Rowe Price Group Inc. (A)	58,060	4,150,709
		15,994,045
Health Care - 14.0%		
Agilent Technologies Inc. (A)	49,300	2,061,233
Biogen Inc.* (A)	13,800	4,227,630
Cerner Corp.* (A)	55,100	3,315,367
Express Scripts Holding Co.* (A)	38,900	3,400,249
Gilead Sciences Inc. (A)	19,000	1,922,610
HCA Holdings Inc.* (A)	34,400	2,326,472
McKesson Corp. (A)	11,600	2,287,868
Varian Medical Systems Inc.* (A)	41,500	3,353,200
		22,894,629

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	Shares	Value (Note 2)
Industrials - 12.3%		
Danaher Corp. (A)	36,300	\$ 3,371,544
Jacobs Engineering Group Inc.* (A)	89,600	3,758,720
PACCAR Inc. (A)	41,500	1,967,100
United Parcel Service Inc., Class B (A)	35,500	3,416,165
United Technologies Corp. (A)	54,200	5,206,994
W.W. Grainger Inc. (A)	11,600	2,350,044
		20,070,567
Information Technology - 14.5%		
Apple Inc. (A)	46,000	4,841,960
EMC Corp. (A)	130,300	3,346,104
Linear Technology Corp. (A)	83,700	3,554,739
Microsoft Corp. (A)	61,900	3,434,212
Nuance Communications Inc.* (A)	119,100	2,368,899
Oracle Corp. (A)	88,100	3,218,293
QUALCOMM Inc. (A)	59,300	2,964,110
		23,728,317
Telecommunication Service - 2.7%		
Verizon Communications Inc. (A)	95,300	4,404,766
Total Common Stocks (Cost \$146,007,392)		130,373,375
INVESTMENT COMPANIES - 5.2%		
iShares MSCI USA Minimum Volatility ETF	60,400	2,525,928
SPDR Gold Shares*	58,300	5,915,118
Total Investment Companies (Cost \$9,532,027)		8,441,046
SHORT-TERM INVESTMENTS - 6.3%		
State Street Institutional U.S. Government Money Market Fund, 0.16%, Premier Class	10,310,817	10,310,817
Total Short-Term Investments (Cost \$10,310,817)		10,310,817
	Contracts	
PUT OPTION PURCHASED - 0.1%		