

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

Form N-Q

March 28, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number **811-05497**

**Western Asset Municipal High Income Fund Inc.**

(Exact name of registrant as specified in charter)

**620 Eighth Avenue, 49<sup>th</sup> Floor, New York, NY 10018**

(Address of principal executive offices) (Zip code)

**Robert I. Frenkel, Esq.**

**Legg Mason & Co., LLC**

**100 First Stamford Place**

**Stamford, CT 06902**

(Name and address of agent for service)

Registrant's telephone number, including area code: (888)-777-0102

Date of fiscal year end: **October 31**

Date of reporting period: **January 31, 2018**

**ITEM 1. SCHEDULE OF INVESTMENTS.**

**WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.**

FORM N-Q

JANUARY 31, 2018

## WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

## Schedule of investments (unaudited)

January 31, 2018

| SECURITY  | RATE   | MATURITY DATE | FACE AMOUNT | VALUE                    |
|---|--------|---------------|-------------|--------------------------|
| <b>MUNICIPAL BONDS - 98.8%</b>  |        |               |             |                          |
| <b>Alabama - 5.7%</b>   |        |               |             |                          |
| Jefferson County, AL, Sewer Revenue:  |        |               |             |                          |
| AGM   | 5.500% | 10/1/53       | \$ 400,000  | \$ 449,316               |
| Convertible CAB, Subordinated Lien, (Step bond, 0.000% until 10/1/23; 7.900%)                                       | 0.000% | 10/1/50       | 3,020,000   | 2,515,599                |
| Subordinated Lien Warrants  | 6.000% | 10/1/42       | 1,120,000   | 1,301,037                |
| Subordinated Lien Warrants  | 6.500% | 10/1/53       | 3,000,000   | 3,561,120                |
| Lower Alabama Gas District, Gas Project Revenue   | 5.000% | 9/1/46        | 1,500,000   | 1,869,780                |
| <i>Total Alabama</i>  |        |               |             | <i>9,696,852</i>         |
| <b>Arizona - 3.5%</b>   |        |               |             |                          |
| La Paz County, AZ, IDA, Educational Facility Lease Revenue, Charter School Solutions, Harmony Public School Project | 5.000% | 2/15/36       | 1,000,000   | 1,054,770 <sup>(a)</sup> |
| Navajo Nation, AZ, Revenue  | 5.500% | 12/1/30       | 190,000     | 211,552 <sup>(a)</sup>   |
| Phoenix, AZ, IDA, Education Revenue:  |        |               |             |                          |
| Basis School Inc.   | 5.000% | 7/1/35        | 1,000,000   | 1,043,350 <sup>(a)</sup> |
| Great Hearts Academies  | 5.000% | 7/1/41        | 1,200,000   | 1,294,092                |
| Salt Verde, AZ, Financial Corp. Senior Gas Revenue  | 5.000% | 12/1/37       | 1,500,000   | 1,791,015                |
| University Medical Center Corp., AZ, Hospital Revenue   | 6.250% | 7/1/29        | 500,000     | 532,515 <sup>(b)</sup>   |
| <i>Total Arizona</i>  |        |               |             | <i>5,927,294</i>         |
| <b>California - 10.2%</b>   |        |               |             |                          |
| Alameda, CA, Corridor Transportation Authority Revenue, Second Subordinated Lien                                    | 5.000% | 10/1/34       | 500,000     | 570,045                  |
| Anaheim, CA, Public Financing Authority Lease Revenue   | 5.000% | 5/1/46        | 2,000,000   | 2,266,420                |
| California State PCFA, Water Furnishing Revenue   | 5.000% | 11/21/45      | 2,960,000   | 3,018,608 <sup>(a)</sup> |
| California State Public Works Board, Lease Revenue, Various Capital Project   | 5.125% | 10/1/31       | 1,500,000   | 1,657,485                |
| California Statewide CDA, Student Housing Revenue:  |        |               |             |                          |
| Provident Group-Pomona Properties LLC   | 5.600% | 1/15/36       | 500,000     | 537,470                  |
| Provident Group-Pomona Properties LLC   | 5.750% | 1/15/45       | 360,000     | 387,543                  |
| Inland Valley, CA, Development Agency, Successor Agency Tax Allocation Revenue                                      | 5.000% | 9/1/44        | 500,000     | 549,360                  |
| M-S-R Energy Authority, CA, Gas Revenue   | 7.000% | 11/1/34       | 2,000,000   | 2,821,360                |
| M-S-R Energy Authority, CA, Gas Revenue   | 6.500% | 11/1/39       | 3,000,000   | 4,191,270                |
| Redding, CA, RDA, Tax Allocation, Shastec Redevelopment Project   | 5.000% | 9/1/29        | 600,000     | 601,002                  |
| River Islands, CA, Public Financing Authority Special Tax, Community Facilities District No. 2003-1                 | 5.500% | 9/1/45        | 620,000     | 664,572                  |
| <i>Total California</i>   |        |               |             | <i>17,265,135</i>        |
| <b>Colorado - 4.0%</b>  |        |               |             |                          |
| Colorado High Performance Transportation Enterprise Revenue, C-470 Express Lanes                                    | 5.000% | 12/31/51      | 150,000     | 163,227                  |
| North Range, CO, Metropolitan District #2, GO   | 5.625% | 12/1/37       | 500,000     | 503,890                  |
| Public Authority for Colorado Energy, Natural Gas Purchase Revenue  | 6.125% | 11/15/23      | 4,000,000   | 4,781,200                |
| Reata South Metropolitan District, CO, GO   | 7.250% | 6/1/37        | 975,000     | 908,885                  |
| Solaris, CO, Metropolitan District #3, GO   | 7.000% | 12/15/46      | 500,000     | 494,445                  |

*Total Colorado*

6,851,647

**See Notes to Schedule of Investments.**

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## WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

## Schedule of investments (unaudited) (cont d)

January 31, 2018

| SECURITY   | RATE   | MATURITY DATE | FACE AMOUNT | VALUE                       |
|--|--------|---------------|-------------|-----------------------------|
| <b>Connecticut - 0.5%</b>  |        |               |             |                             |
| Connecticut State Special Tax Obligation Revenue, Transportation Infrastructure Purpose                      | 5.000% | 1/1/37        | \$ 500,000  | \$ 560,485 <sup>(c)</sup>   |
| Harbor Point, CT, Infrastructure Improvement District, Special Obligation Revenue, Harbor Point Project Ltd. | 5.000% | 4/1/30        | 200,000     | 224,838 <sup>(a)</sup>      |
| <i>Total Connecticut</i>   |        |               |             | 785,323                     |
| <b>Delaware - 1.2%</b>   |        |               |             |                             |
| Delaware State EDA Revenue, Indian River Power LLC   | 5.375% | 10/1/45       | 2,000,000   | 2,083,620                   |
| <b>District of Columbia - 1.6%</b>   |        |               |             |                             |
| District of Columbia Revenue:  |        |               |             |                             |
| Friendship Public Charter School Inc.  | 5.000% | 6/1/42        | 2,000,000   | 2,142,880                   |
| Ingleside Rock Creek Project   | 4.125% | 7/1/27        | 100,000     | 101,187                     |
| KIPP Charter School  | 6.000% | 7/1/33        | 200,000     | 241,422 <sup>(b)</sup>      |
| KIPP Charter School  | 6.000% | 7/1/43        | 250,000     | 301,777 <sup>(b)</sup>      |
| <i>Total District of Columbia</i>  |        |               |             | 2,787,266                   |
| <b>Florida - 2.3%</b>  |        |               |             |                             |
| Florida State Development Finance Corp., Educational Facilities Revenue:                                     |        |               |             |                             |
| Renaissance Charter School Inc. Project  | 6.000% | 6/15/35       | 250,000     | 264,613 <sup>(a)</sup>      |
| Renaissance Charter School Inc. Project  | 6.125% | 6/15/46       | 215,000     | 224,623 <sup>(a)</sup>      |
| Florida State Mid-Bay Bridge Authority Revenue   | 5.000% | 10/1/28       | 500,000     | 577,990                     |
| Martin County, FL, IDA Revenue, Indiantown Cogeneration LP Project   | 4.200% | 12/15/25      | 1,500,000   | 1,532,880 <sup>(a)(d)</sup> |
| Palm Beach County, FL, Health Facilities Authority Revenue, Sinai Residences Boca Raton Project              | 7.500% | 6/1/49        | 400,000     | 467,632                     |
| Reunion, FL, East Community Development District, Special Assessment   | 6.600% | 5/1/33        | 305,000     | 311,286                     |
| Reunion, FL, East Community Development District, Special Assessment   | 7.375% | 5/1/33        | 285,000     | 3 <sup>*(e)</sup>           |
| Santa Rosa, FL, Bay Bridge Authority Revenue   | 6.250% | 7/1/28        | 762,049     | 548,675 <sup>*(e)</sup>     |
| <i>Total Florida</i>   |        |               |             | 3,927,702                   |
| <b>Georgia - 2.2%</b>  |        |               |             |                             |
| Atlanta, GA, Water & Wastewater Revenue  | 6.250% | 11/1/39       | 2,000,000   | 2,164,260 <sup>(b)</sup>    |
| DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority Revenue, GGC Foundation LLC Project      | 6.125% | 7/1/40        | 1,000,000   | 1,064,740 <sup>(b)</sup>    |
| Franklin County, GA, Industrial Building Authority Revenue, Emmanuel College Inc.                            | 6.000% | 11/1/32       | 1,000,000   | 500,000 <sup>*(e)</sup>     |
| <i>Total Georgia</i>   |        |               |             | 3,729,000                   |
| <b>Hawaii - 1.2%</b>   |        |               |             |                             |
| Hawaii State Department of Budget & Finance Special Purpose Revenue, Hawaiian Electric Co.                   | 6.500% | 7/1/39        | 2,000,000   | 2,126,840                   |
| <b>Illinois - 7.6%</b>   |        |               |             |                             |
| Chicago, IL, GO  | 5.000% | 1/1/25        | 500,000     | 548,260                     |

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|  |        |        |           |                          |
|--|--------|--------|-----------|--------------------------|
| Chicago, IL, GO  | 5.500% | 1/1/34 | 1,250,000 | 1,348,925                |
| Chicago, IL, GO  | 6.000% | 1/1/38 | 300,000   | 343,395                  |
| Chicago, IL, Motor Fuel Tax Revenue, AGM                       | 5.000% | 1/1/32 | 1,000,000 | 1,079,630                |
| Chicago, IL, O Hare International Airport Revenue              | 5.000% | 1/1/31 | 1,500,000 | 1,675,110 <sup>(d)</sup> |
| Chicago, IL, O Hare International Airport Revenue, Senior Lien | 5.000% | 1/1/42 | 500,000   | 559,835 <sup>(d)</sup>   |

**See Notes to Schedule of Investments.**

## WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

## Schedule of investments (unaudited) (cont d)

January 31, 2018

| SECURITY   | RATE   | MATURITY DATE | FACE AMOUNT  | VALUE                    |
|--|--------|---------------|--------------|--------------------------|
| <b>Illinois - (continued)</b>  |        |               |              |                          |
| Chicago, IL, Transit Authority, Sales Tax Receipts Revenue, Second Lien  | 5.000% | 12/1/51       | \$ 1,000,000 | \$ 1,072,190             |
| Chicago, IL, Wastewater Transmission Revenue, Second Lien  | 5.000% | 1/1/38        | 500,000      | 547,365                  |
| Chicago, IL, Waterworks Revenue:<br>Second Lien  | 5.000% | 11/1/29       | 500,000      | 573,475                  |
| Second Lien, AGM   | 5.000% | 11/1/32       | 1,260,000    | 1,445,157                |
| Illinois State Finance Authority Revenue, Franciscan Communities Inc.  | 5.250% | 5/15/47       | 1,000,000    | 1,057,500                |
| Illinois State Toll Highway Authority Revenue  | 5.000% | 1/1/42        | 500,000      | 570,905                  |
| Illinois State, GO   | 5.000% | 2/1/26        | 650,000      | 692,737                  |
| Illinois State, GO   | 5.000% | 2/1/27        | 250,000      | 266,788                  |
| Illinois State, GO   | 5.000% | 2/1/29        | 300,000      | 318,753                  |
| Metropolitan Pier & Exposition Authority, IL, Dedicated State Tax Revenue,<br>McCormick Project, State Appropriations        | 5.000% | 6/15/50       | 155,000      | 159,098                  |
| Metropolitan Pier & Exposition Authority, IL, Revenue:<br>CAB-McCormick Place Expansion Project                              | 0.000% | 12/15/52      | 700,000      | 126,805                  |
| McCormick Place Expansion Project  | 5.000% | 6/15/57       | 350,000      | 377,997                  |
| Sales Tax Securitization Corp., IL, Revenue  | 5.000% | 1/1/27        | 150,000      | 176,517                  |
| <i>Total Illinois</i>  |        |               |              | <i>12,940,442</i>        |
| <b>Indiana - 1.6%</b>  |        |               |              |                          |
| Indiana State Finance Authority Revenue, Private Activity Ohio River<br>Bridges East End Crossing Project                    | 5.000% | 7/1/48        | 2,000,000    | 2,142,660 <sup>(d)</sup> |
| Valparaiso, IN, Exempt Facilities Revenue, Pratt Paper LLC Project   | 7.000% | 1/1/44        | 500,000      | 593,910 <sup>(d)</sup>   |
| <i>Total Indiana</i>   |        |               |              | <i>2,736,570</i>         |
| <b>Kentucky - 1.2%</b>   |        |               |              |                          |
| Owen County, KY, Waterworks System Revenue, Kentucky American Water<br>Co. Project   | 6.250% | 6/1/39        | 2,000,000    | 2,118,060                |
| <b>Louisiana - 0.5%</b>  |        |               |              |                          |
| Epps, LA, COP  | 8.000% | 6/1/18        | 775,000      | 77,500 <sup>(e)</sup>    |
| Louisiana State PFA, Lease Revenue, Provident Group, Flagship Property,<br>Louisiana State University Greenhouse Development | 5.000% | 7/1/42        | 700,000      | 777,644                  |
| <i>Total Louisiana</i>   |        |               |              | <i>855,144</i>           |
| <b>Maryland - 2.0%</b>   |        |               |              |                          |
| Maryland State Health & Higher EFA Revenue, Mercy Medical Center   | 6.250% | 7/1/31        | 3,000,000    | 3,327,420                |
| <b>Massachusetts - 1.8%</b>  |        |               |              |                          |
| Massachusetts State DFA Revenue:<br>Newbridge Charles Inc.   | 5.000% | 10/1/47       | 250,000      | 271,115 <sup>(a)</sup>   |
| Partners Healthcare System   | 5.000% | 7/1/47        | 1,250,000    | 1,406,937                |
| Tufts Medical Center Inc.  | 6.875% | 1/1/41        | 600,000      | 685,686 <sup>(b)</sup>   |
| Tufts Medical Center Inc.  | 6.875% | 1/1/41        | 400,000      | 453,460                  |
| UMass Boston Student Housing Project   | 5.000% | 10/1/41       | 200,000      | 218,958                  |



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*Total Massachusetts*

3,036,156

**Michigan - 2.9%**

Great Lakes, MI, Water Authority Water Supply System Revenue, Senior  
Lien

5.000%

7/1/35

200,000

226,050

**See Notes to Schedule of Investments.**

## WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

## Schedule of investments (unaudited) (cont d)

January 31, 2018

| SECURITY  | RATE   | MATURITY DATE | FACE AMOUNT | VALUE                     |
|---|--------|---------------|-------------|---------------------------|
| <b>Michigan - (continued)</b>   |        |               |             |                           |
| Michigan State Finance Authority Ltd. Obligation Revenue:   |        |               |             |                           |
| Higher Education, Thomas M Cooley Law School Project  | 6.000% | 7/1/24        | \$ 310,000  | \$ 327,320 <sup>(a)</sup> |
| Higher Education, Thomas M Cooley Law School Project  | 6.750% | 7/1/44        | 330,000     | 332,360 <sup>(a)</sup>    |
| Michigan State Finance Authority Revenue:   |        |               |             |                           |
| Senior Lien Detroit Water & Sewer   | 5.000% | 7/1/33        | 260,000     | 288,207                   |
| Senior Lien Detroit Water & Sewer   | 5.000% | 7/1/44        | 270,000     | 294,964                   |
| Michigan State Strategic Fund Ltd. Obligation Revenue:  |        |               |             |                           |
| Evangelical Homes of Michigan   | 5.250% | 6/1/32        | 500,000     | 521,770                   |
| Evangelical Homes of Michigan   | 5.500% | 6/1/47        | 750,000     | 781,560                   |
| Royal Oak, MI, Hospital Finance Authority Revenue, William Beaumont Hospital                              | 8.250% | 9/1/39        | 2,000,000   | 2,079,380 <sup>(b)</sup>  |
| <i>Total Michigan</i>   |        |               |             | <i>4,851,611</i>          |
| <b>Missouri - 2.3%</b>  |        |               |             |                           |
| Kansas City, MO, IDA, Senior Living Facilities Revenue, Kansas City United Methodist Retirement Home Inc. |        |               |             |                           |
| Missouri State HEFA Revenue:  | 6.000% | 11/15/51      | 200,000     | 199,404 <sup>(a)</sup>    |
| Lutheran Senior Services  | 6.000% | 2/1/41        | 500,000     | 541,645                   |
| Lutheran Senior Services  | 5.000% | 2/1/44        | 750,000     | 800,760                   |
| St. Louis County, MO, IDA, Senior Living Facilities Revenue, Friendship Village of Sunset Hills           | 5.875% | 9/1/43        | 2,000,000   | 2,285,660                 |
| <i>Total Missouri</i>   |        |               |             | <i>3,827,469</i>          |
| <b>Nebraska - 2.3%</b>  |        |               |             |                           |
| Central Plains Energy Project, NE, Gas Project Revenue, Project #3  | 5.000% | 9/1/42        | 3,540,000   | 3,966,788                 |
| <b>Nevada - 0.5%</b>  |        |               |             |                           |
| Director of the State of Nevada Department of Business & Industry Revenue:                                |        |               |             |                           |
| Somerset Academy of Las Vegas   | 5.000% | 12/15/35      | 300,000     | 308,031 <sup>(a)</sup>    |
| Somerset Academy of Las Vegas   | 5.125% | 12/15/45      | 500,000     | 507,245 <sup>(a)</sup>    |
| <i>Total Nevada</i>   |        |               |             | <i>815,276</i>            |
| <b>New Jersey - 6.1%</b>  |        |               |             |                           |
| Gloucester County, NJ, PCFA Revenue, Keystone Urban Renewal, Logan Generating                             |        |               |             |                           |
| New Jersey State EDA Revenue, Private Activity-The Goethals Bridge Replacement Project                    | 5.000% | 12/1/24       | 450,000     | 488,677 <sup>(d)</sup>    |
| New Jersey State EDA, Special Facility Revenue, Port Newark Container Terminal LLC Project                | 5.375% | 1/1/43        | 1,500,000   | 1,665,945 <sup>(d)</sup>  |
| New Jersey State Health Care Facilities Financing Authority Revenue, Hackensack Meridian Health           | 5.000% | 10/1/37       | 125,000     | 136,291 <sup>(d)</sup>    |
| New Jersey State Health Care Facilities Financing Authority Revenue, Hackensack Meridian Health           | 5.000% | 7/1/38        | 100,000     | 114,704                   |
| New Jersey State Higher Education Assistance Authority, Student Loan Revenue                              | 5.000% | 12/1/44       | 640,000     | 677,389 <sup>(d)</sup>    |
|   | 5.250% | 6/15/32       | 4,720,000   | 5,181,522                 |

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|  |        |          |           |                          |
|--|--------|----------|-----------|--------------------------|
| New Jersey State Transportation Trust Fund Authority Revenue,<br>Transportation Program        |        |          |           |                          |
| Salem County, NJ, PCFA Revenue, Chambers Project   | 5.000% | 12/1/23  | 2,000,000 | 2,166,760 <sup>(d)</sup> |
| <i>Total New Jersey</i>  |        |          |           | <i>10,431,288</i>        |
| <b>New York - 4.1%</b>   |        |          |           |                          |
| Brooklyn Arena, NY, Local Development Corp. Revenue, Barclays Center<br>Project                | 6.250% | 7/15/40  | 2,000,000 | 2,177,680 <sup>(b)</sup> |
| New York State Dormitory Authority, State Personal Income Tax Revenue                          | 5.000% | 2/15/37  | 1,000,000 | 1,162,090                |
| New York State Liberty Development Corp., Liberty Revenue, 3 World Trade<br>Center LLC Project | 5.000% | 11/15/44 | 1,205,000 | 1,296,688 <sup>(a)</sup> |

**See Notes to Schedule of Investments.**

## WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

## Schedule of investments (unaudited) (cont d)

January 31, 2018

| SECURITY   | RATE   | MATURITY DATE | FACE AMOUNT  | VALUE                       |
|--|--------|---------------|--------------|-----------------------------|
| <b>New York - (continued)</b>  |        |               |              |                             |
| New York State Transportation Development Corp.,<br>Special Facilities Revenue:                      |        |               |              |                             |
| LaGuardia Airport Terminal B Redevelopment Project   | 4.000% | 7/1/31        | \$ 2,000,000 | \$ 2,087,340 <sup>(d)</sup> |
| LaGuardia Airport Terminal B Redevelopment Project   | 5.000% | 7/1/46        | 300,000      | 327,264 <sup>(d)</sup>      |
| <i>Total New York</i>  |        |               |              | <i>7,051,062</i>            |
| <b>North Carolina - 0.3%</b>   |        |               |              |                             |
| North Carolina State Turnpike Authority Monroe Expressway Toll Revenue                               | 5.000% | 7/1/47        | 500,000      | 548,130                     |
| <b>Ohio - 0.5%</b>   |        |               |              |                             |
| Ohio State Private Activity Revenue, Portsmouth Bypass Project                                       | 5.000% | 6/30/53       | 700,000      | 769,440 <sup>(d)</sup>      |
| <b>Oklahoma - 1.1%</b>   |        |               |              |                             |
| Payne County, OK, EDA Revenue, Epworth Living at The Ranch   | 6.250% | 11/1/31       | 215,000      | 159,575                     |
| Tulsa County, OK, Industrial Authority, Senior<br>Living Community Revenue:                          |        |               |              |                             |
| Montereau Inc. Project   | 7.125% | 11/1/30       | 1,000,000    | 1,117,660 <sup>(b)</sup>    |
| Montereau Inc. Project   | 5.250% | 11/15/37      | 500,000      | 570,105                     |
| <i>Total Oklahoma</i>  |        |               |              | <i>1,847,340</i>            |
| <b>Oregon - 0.8%</b>   |        |               |              |                             |
| Clackamas County, OR, Hospital Facility Authority Revenue, Senior<br>Living, Willamette View Project | 5.000% | 11/15/37      | 500,000      | 539,710                     |
| Yamhill County, OR, Hospital Authority Revenue, Friendsview Retirement<br>Community                  | 5.000% | 11/15/51      | 725,000      | 773,242                     |
| <i>Total Oregon</i>  |        |               |              | <i>1,312,952</i>            |
| <b>Pennsylvania - 5.1%</b>   |        |               |              |                             |
| Cumberland County, PA, Municipal Authority Revenue, Diakon Lutheran<br>Social Ministries Project     | 5.000% | 1/1/28        | 350,000      | 391,090                     |
| Erie County, PA, Convention Center Authority Gtd. Hotel Revenue, County<br>GTD                       | 5.000% | 1/15/36       | 750,000      | 847,005                     |
| Montgomery County, PA, IDA Revenue:  |        |               |              |                             |
| Acts Retirement-Life Communities   | 5.000% | 11/15/28      | 1,400,000    | 1,525,300                   |
| Acts Retirement-Life Communities   | 5.000% | 11/15/29      | 1,350,000    | 1,466,276                   |
| Pennsylvania State Turnpike Commission Revenue, Turnpike Subordinate<br>Revenue Refunding Bonds      | 5.000% | 6/1/39        | 3,170,000    | 3,510,870                   |
| Philadelphia, PA, Authority for IDR:   |        |               |              |                             |
| Discovery Charter School Inc. Project  | 6.250% | 4/1/37        | 500,000      | 520,595                     |
| Performing Arts Charter School Project   | 6.000% | 6/15/23       | 425,000      | 449,633 <sup>(a)</sup>      |
| <i>Total Pennsylvania</i>  |        |               |              | <i>8,710,769</i>            |
| <b>Texas - 21.5%</b>   |        |               |              |                             |
|  | 5.000% | 12/1/46       | 200,000      | 214,592                     |

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Arlington, TX, Higher Education Finance Corp., Education Revenue, Uplift  
Education

Brazos River, TX, Harbor Industrial Development Corp., Environmental  
Facilities Revenue, Dow Chemical Co.

5.900%

5/1/28

1,500,000

1,514,805<sup>(d)(f)(g)</sup>

**See Notes to Schedule of Investments.**

## WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

## Schedule of investments (unaudited) (cont d)

January 31, 2018

| SECURITY   | RATE   | MATURITY DATE | FACE AMOUNT  | VALUE                    |
|--|--------|---------------|--------------|--------------------------|
| <b>Texas - (continued)</b>   |        |               |              |                          |
| Central Texas Regional Mobility Authority Revenue  | 5.000% | 1/1/42        | \$ 2,000,000 | \$ 2,159,600             |
| Dallas-Fort Worth, TX, International Airport Revenue, Joint Improvement  | 5.000% | 11/1/42       | 4,000,000    | 4,346,480 <sup>(d)</sup> |
| Grand Parkway Transportation Corp., TX, System Toll Revenue, Convertible CAB, (Step bond, 0.000% until 10/1/23; 5.500%)                                      | 0.000% | 10/1/35       | 1,500,000    | 1,406,235                |
| Gulf Coast, TX, IDA Revenue, Citgo Petroleum Corp. Project   | 4.875% | 5/1/25        | 1,000,000    | 1,040,730 <sup>(d)</sup> |
| Harris County, TX, Cultural Education Facilities Finance Corp., Medical Facilities Revenue, Baylor College of Medicine                                       | 5.625% | 11/15/32      | 2,000,000    | 2,064,500 <sup>(b)</sup> |
| Love Field, TX, Airport Modernization Corp., General Airport Revenue   | 5.000% | 11/1/33       | 20,000       | 22,710 <sup>(d)</sup>    |
| Love Field, TX, Airport Modernization Corp., General Airport Revenue   | 5.000% | 11/1/35       | 30,000       | 33,919 <sup>(d)</sup>    |
| Love Field, TX, Airport Modernization Corp., General Airport Revenue   | 5.000% | 11/1/36       | 20,000       | 22,564 <sup>(d)</sup>    |
| Love Field, TX, Airport Modernization Corp., Special Facilities Revenue, Southwest Airlines Co. Project  | 5.250% | 11/1/40       | 5,000,000    | 5,376,500                |
| New Hope Cultural Education Facilities Finance Corp., TX, Retirement Facility Revenue:   |        |               |              |                          |
| MRC Crestview  | 5.000% | 11/15/36      | 550,000      | 575,020                  |
| MRC Senior Living-Langford Project   | 5.375% | 11/15/36      | 475,000      | 479,095                  |
| Westminster Manor Project  | 5.000% | 11/1/40       | 1,000,000    | 1,077,580                |
| New Hope Cultural Education Facilities Finance Corp., TX, Senior Living Revenue:   |        |               |              |                          |
| Cardinal Bay Inc., Village on the Park Carriage Inn Project  | 5.000% | 7/1/46        | 250,000      | 267,207                  |
| Cardinal Bay Inc., Village on the Park Carriage Inn Project  | 5.000% | 7/1/51        | 150,000      | 162,180                  |
| New Hope Cultural Education Facilities Finance Corp., TX, Student Housing Revenue, Collegiate Housing Stephenville II LLC, Tarleton State University Project | 5.000% | 4/1/39        | 1,165,000    | 1,249,066                |
| Tarrant County, TX, Cultural Education Facilities Finance Corp., Retirement Facility Revenue, Buckner Retirement Services Inc. Project                       | 5.000% | 11/15/37      | 700,000      | 786,954                  |
| Texas Midwest Public Facility Corp. Revenue, Secure Treatment Facility Project   | 9.000% | 10/1/30       | 2,000,000    | 480,000 <sup>*(e)</sup>  |
| Texas State Municipal Gas Acquisition & Supply Corp. I, Gas Supply Revenue   | 6.250% | 12/15/26      | 1,000,000    | 1,188,370                |
| Texas State Municipal Gas Acquisition & Supply Corp. III, Gas Supply Revenue   | 5.000% | 12/15/28      | 1,500,000    | 1,654,230                |
| Texas State Private Activity Bond Surface Transportation Corp. Revenue:  |        |               |              |                          |
| LBJ Infrastructure Group LLC   | 7.000% | 6/30/40       | 4,000,000    | 4,444,360                |
| Senior Lien, Blueridge Transportation Group LLC  | 5.000% | 12/31/40      | 1,000,000    | 1,105,060 <sup>(d)</sup> |
| Senior Lien, NTE Mobility Partners LLC   | 6.875% | 12/31/39      | 2,000,000    | 2,176,600                |
| Texas State Public Finance Authority, Charter School Finance Corp. Revenue, Cosmos Foundation Inc.   | 6.200% | 2/15/40       | 1,000,000    | 1,087,570 <sup>(b)</sup> |
| Texas State Water Development Board Revenue  | 5.000% | 10/15/42      | 1,000,000    | 1,162,670                |
| Willacy County, TX, PFC Project Revenue, County Jail   | 7.500% | 11/1/25       | 395,000      | 356,069                  |
| <i>Total Texas</i>   |        |               |              | <i>36,454,666</i>        |
| <b>U.S. Virgin Islands - 0.8%</b>  |        |               |              |                          |
| Virgin Islands Public Finance Authority Revenue, Matching Fund Loan  | 6.750% | 10/1/37       | 2,500,000    | 1,443,750                |
| <b>Utah - 0.2%</b>   |        |               |              |                          |
|  | 5.000% | 4/15/42       | 250,000      | 277,468                  |

Utah State Charter School Finance Authority, Charter School Revenue,  
Syracuse Arts Academy Project, UT CSCE

**See Notes to Schedule of Investments.**

**WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.****Schedule of investments (unaudited) (cont d)****January 31, 2018**

| SECURITY  | RATE   | MATURITY DATE | FACE AMOUNT | VALUE                     |
|---|--------|---------------|-------------|---------------------------|
| <b>Virginia - 2.5%</b>  |        |               |             |                           |
| Virginia State Port Authority Port Facility Revenue   | 5.000% | 7/1/41        | \$ 250,000  | \$ 281,190 <sup>(d)</sup> |
| Virginia State Port Authority Port Facility Revenue   | 5.000% | 7/1/45        | 300,000     | 335,091 <sup>(d)</sup>    |
| Virginia State Small Business Financing Authority Revenue:  |        |               |             |                           |
| Elizabeth River Crossings OpCo LLC Project  | 5.250% | 1/1/32        | 1,000,000   | 1,104,100 <sup>(d)</sup>  |
| Elizabeth River Crossings OpCo LLC Project  | 5.500% | 1/1/42        | 2,000,000   | 2,213,940 <sup>(d)</sup>  |
| Senior Lien, 95 Express Lanes LLC   | 5.000% | 1/1/40        | 300,000     | 320,964 <sup>(d)</sup>    |
| <i>Total Virginia</i>   |        |               |             | 4,255,285                 |
| <b>Wisconsin - 0.7%</b>   |        |               |             |                           |
| Public Finance Authority, WI, Exemption Facilities Revenue, Celanese Project  | 5.000% | 12/1/25       | 550,000     | 622,138 <sup>(a)(d)</sup> |
| Public Finance Authority, WI, Ltd. Obligation Pilot Revenue, American Dream @ Meadowlands Project                     | 7.000% | 12/1/50       | 250,000     | 293,538 <sup>(a)</sup>    |
| Public Finance Authority, WI, Revenue, Church Home of Hartford Inc.   | 5.000% | 9/1/38        | 250,000     | 257,905 <sup>(a)</sup>    |
| <i>Total Wisconsin</i>  |        |               |             | 1,173,581                 |
| <b>TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS</b><br>(Cost - \$159,134,303)                                      |        |               |             | 167,931,346               |
| <b>SHORT-TERM INVESTMENTS - 0.9%</b>  |        |               |             |                           |
| <b>MUNICIPAL BONDS - 0.8%</b>   |        |               |             |                           |
| <b>New York - 0.2%</b>  |        |               |             |                           |
| New York State Housing Finance Agency Revenue, 42nd & 10th Housing, LIQ-FHLMC, LOC-FHLMC                              | 1.100% | 11/1/41       | 300,000     | 300,000 <sup>(h)(i)</sup> |
| <b>North Carolina - 0.4%</b>  |        |               |             |                           |
| Charlotte, NC, Water & Sewer System Revenue, SPA-Wells Fargo Bank N.A.  | 1.110% | 7/1/36        | 300,000     | 300,000 <sup>(h)(i)</sup> |
| North Carolina State Medical Care Commission, Health Care Facilities Revenue, Novant Health Group, SPA-JPMorgan Chase | 1.120% | 11/1/34       | 400,000     | 400,000 <sup>(h)(i)</sup> |
| <i>Total North Carolina</i>   |        |               |             | 700,000                   |
| <b>Texas - 0.1%</b>   |        |               |             |                           |
| Harris County, TX, Health Facilities Development Corp. Revenue, Methodist Hospital System                             | 1.000% | 12/1/41       | 100,000     | 100,000 <sup>(h)(i)</sup> |
| <b>Utah - 0.1%</b>  |        |               |             |                           |
| Emery County, UT, PCR, Pacificorp, LOC-Canadian Imperial Bank   | 1.120% | 11/1/24       | 200,000     | 200,000 <sup>(h)(i)</sup> |
| <b>TOTAL MUNICIPAL BONDS</b><br>(Cost - \$1,300,000)  |        |               |             | 1,300,000                 |

**SHARES****Money Market Funds - 0.1%**



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State Street Institutional U.S. Government Money Market Fund, Premier

|                    |        |         |         |
|--------------------|--------|---------|---------|
| Class              |        |         |         |
| (Cost - \$131,131) | 1.285% | 131,131 | 131,131 |

**TOTAL SHORT-TERM INVESTMENTS**

|                      |  |  |           |
|----------------------|--|--|-----------|
| (Cost - \$1,431,131) |  |  | 1,431,131 |
|----------------------|--|--|-----------|

**TOTAL INVESTMENTS - 99.7%**

|                        |  |  |             |
|------------------------|--|--|-------------|
| (Cost - \$160,565,434) |  |  | 169,362,477 |
|------------------------|--|--|-------------|

|  |  |  |         |
|--|--|--|---------|
| Other Assets in Excess of Liabilities - 0.3% |  |  | 545,654 |
|--|--|--|---------|

|                                  |  |  |                       |
|----------------------------------|--|--|-----------------------|
| <b>TOTAL NET ASSETS - 100.0%</b> |  |  | <b>\$ 169,908,131</b> |
|----------------------------------|--|--|-----------------------|

**See Notes to Schedule of Investments.**

**WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.**

Schedule of investments (unaudited) (cont d)

January 31, 2018

- \* Non-income producing security.
- (a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors.
- (b) Pre-Refunded bonds are escrowed with U.S. government obligations and/or U.S. government agency securities and are considered by the manager to be triple- A rated even if issuer has not applied for new ratings.
- (c) Securities traded on a when-issued or delayed delivery basis.
- (d) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax ( AMT ).
- (e) The coupon payment on these securities is currently in default as of January 31, 2018.
- (f) Variable rate security. Interest rate disclosed is as of the most recent information available. Certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent and are based on current market conditions. These securities do not indicate a reference rate and spread in their description above.
- (g) Maturity date shown represents the mandatory tender date.
- (h) Variable rate demand obligations ( VRDOs ) have a demand feature under which the Fund can tender them back to the issuer or liquidity provider on no more than 7 days notice. The interest rate generally resets on a daily or weekly basis and is determined on the specific interest rate reset date by the Remarketing Agent, pursuant to a formula specified in official documents for the VRDO, or set at the highest rate allowable as specified in official documents for the VRDO. VRDOs are benchmarked to the Securities Industry and Financial Markets Association ( SIFMA ) Municipal Swap Index. The SIFMA Municipal Swap Index is compiled from weekly interest rate resets of tax-exempt VRDOs reported to the Municipal Securities Rulemaking Board 's Short-term Obligation Rate Transparency System.
- (i) Maturity date shown is the final maturity date. The security may be sold back to the issuer before final maturity.

Abbreviations used in this schedule:

|      |  |
|------|--|
| AGM  | Assured Guaranty Municipal Corporation - Insured Bonds |
| CAB  | Capital Appreciation Bonds                             |
| CDA  | Communities Development Authority                      |
| COP  | Certificates of Participation                          |
| CSCE | Charter School Credit Enhancement                      |
| DFA  | Development Finance Agency                             |

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|       |   |
|-------|---|
| EDA   | Economic Development Authority                  |
| EFA   | Educational Facilities Authority                |
| FHLMC | Federal Home Loan Mortgage Corporation          |
| GO    | General Obligation                              |
| GTD   | Guaranteed                                      |
| HEFA  | Health & Educational Facilities Authority       |
| IDA   | Industrial Development Authority                |
| IDR   | Industrial Development Revenue                  |
| LIQ   | Liquidity Facility                              |
| LOC   | Letter of Credit                                |
| PCFA  | Pollution Control Financing Authority           |
| PCR   | Pollution Control Revenue                       |
| PFA   | Public Facilities Authority                     |
| PFC   | Public Facilities Corporation                   |
| RDA   | Redevelopment Agency                            |
| SPA   | Standby Bond Purchase Agreement - Insured Bonds |

This Schedule of Investments is unaudited and is intended to provide information about the Fund's investments as of the date of the schedule. Other information regarding the Fund is available in the Fund's most recent annual or semi-annual shareholder report.

**See Notes to Schedule of Investments.**

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**Notes to Schedule of Investments (unaudited)**

**1. Organization and significant accounting policies**

Western Asset Municipal High Income Fund Inc. (the Fund) was incorporated in Maryland and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund seeks high current income exempt from federal income taxes. The Fund invests primarily in intermediate- and long-term municipal debt securities issued by state and local governments. However, the Fund may invest in municipal obligations of any maturity.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

**(a) Investment valuation.** The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Prior to December 1, 2017, short-term fixed income securities that would mature in 60 days or less were valued at amortized cost, unless it was determined that using this method would not reflect an investment's fair value. Investments in open-end funds are valued at the closing net asset value per share of each fund on the day of valuation. If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund's Board of Directors.

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

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

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

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

**Notes to Schedule of investments (unaudited) (continued)**

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

Level 1 quoted prices in active markets for identical investments

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

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

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

| DESCRIPTION                  | ASSETS                     |   |  | TOTAL          |
|------------------------------|----------------------------|---|--|----------------|
|                              | QUOTED PRICES<br>(LEVEL 1) | OTHER SIGNIFICANT<br>OBSERVABLE INPUTS<br>(LEVEL 2) | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS<br>(LEVEL 3) |                |
| Municipal Bonds              |                            | \$ 167,931,346                                      |  | \$ 167,931,346 |
| Short-Term Investments :     |                            |   |  |                |
| Municipal Bonds              |                            | 1,300,000   |  | 1,300,000      |
| Money Market Funds           | \$ 131,131                 |   |  | 131,131        |
| Total Short-Term Investments | 131,131                    | 1,300,000   |  | 1,431,131      |
| Total Investments            | \$ 131,131                 | \$ 169,231,346                                      |  | \$ 169,362,477 |

See Schedule of Investments for additional detailed categorizations.

**ITEM 2. CONTROLS AND PROCEDURES.**

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.
  
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

**ITEM 3. EXHIBITS.**

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached hereto.

**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.

Western Asset Municipal High Income Fund Inc.

By                    /s/ JANE TRUST  
                         **Jane Trust**  
                         **Chief Executive Officer**

Date: March 26, 2018

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

By                    /s/ JANE TRUST  
                         **Jane Trust**  
                         **Chief Executive Officer**

Date: March 26, 2018

By                    /s/ RICHARD F. SENNETT  
                         **Richard F. Sennett**  
                         **Principal Financial Officer**

Date: March 26, 2018