

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

Form N-Q

September 22, 2017

**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: **July 31, 2017**

**ITEM 1. SCHEDULE OF INVESTMENTS.**

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

FORM N-Q

JULY 31, 2017

## WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

## Schedule of investments (unaudited)

July 31, 2017

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
<b>MUNICIPAL BONDS - 98.0%</b>				
<b>Alabama - 5.7%</b>				
Jefferson County, AL, Sewer Revenue:				
AGM	5.500%	10/1/53	\$ 400,000	\$ 457,636
Convertible CAB, Subordinated Lien	0.000%	10/1/50	3,020,000	2,473,924 <sup>(a)</sup>
Subordinated Lien Warrants	6.000%	10/1/42	1,120,000	1,316,358
Subordinated Lien Warrants	6.500%	10/1/53	3,000,000	3,608,340
Lower Alabama Gas District, Gas Project Revenue	5.000%	9/1/46	1,500,000	1,886,025
<i>Total Alabama</i>				9,742,283
<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	1,069,440 <sup>(b)</sup>
Navajo Nation, AZ, Revenue				
	5.500%	12/1/30	190,000	209,581 <sup>(b)</sup>
Phoenix, AZ, IDA, Education Revenue:				
Basis School Inc.	5.000%	7/1/35	1,000,000	1,043,760 <sup>(b)</sup>
Great Hearts Academies	5.000%	7/1/41	1,200,000	1,282,332
Salt Verde, AZ, Financial Corp. Senior Gas Revenue	5.000%	12/1/37	1,500,000	1,800,825
University Medical Center Corp., AZ, Hospital Revenue	6.250%	7/1/29	500,000	548,160 <sup>(c)</sup>
<i>Total Arizona</i>				5,954,098
<b>California - 10.1%</b>				
Alameda, CA, Corridor Transportation Authority Revenue, Second Subordinated Lien				
	5.000%	10/1/34	500,000	572,235
Anaheim, CA, Public Financing Authority Lease Revenue				
	5.000%	5/1/46	2,000,000	2,264,680
California State PCFA, Water Furnishing Revenue				
	5.000%	11/21/45	3,000,000	3,003,360 <sup>(b)</sup>
California State Public Works Board, Lease Revenue, Various Capital Project				
	5.125%	10/1/31	1,500,000	1,699,695
California Statewide CDA, Student Housing Revenue:				
Provident Group-Pomona Properties LLC	5.600%	1/15/36	505,000	548,324
Provident Group-Pomona Properties LLC	5.750%	1/15/45	360,000	390,935
Inland Valley, CA, Development Agency, Successor Agency Tax Allocation Revenue				
	5.000%	9/1/44	500,000	557,700
M-S-R Energy Authority, CA, Gas Revenue				
	7.000%	11/1/34	2,000,000	2,887,300
M-S-R Energy Authority, CA, Gas Revenue				
	6.500%	11/1/39	3,000,000	4,306,170
Redding, CA, RDA, Tax Allocation, Shastec Redevelopment Project				
	5.000%	9/1/29	600,000	600,228
River Islands, CA, Public Financing Authority Special Tax, Community Facilities District No. 2003-1				
	5.500%	9/1/45	620,000	664,764
<i>Total California</i>				17,495,391
<b>Colorado - 4.0%</b>				
Colorado High Performance Transportation Enterprise Revenue, C-470 Express Lanes				
	5.000%	12/31/51	150,000	164,571
North Range, CO, Metropolitan District#2, GO				
	5.625%	12/1/37	500,000	505,085
Public Authority for Colorado Energy, Natural Gas Purchase Revenue				
	6.125%	11/15/23	4,000,000	4,892,800
Reata South Metropolitan District, CO, GO				
	7.250%	6/1/37	975,000	918,684
Solaris, CO, Metropolitan District #3, GO				
	7.000%	12/15/46	500,000	496,245

*Total Colorado*

6,977,385

**See Notes to Schedule of Investments.**

## WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

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

July 31, 2017

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
<b>Delaware - 1.2%</b>				
Delaware State EDA Revenue, Indian River Power LLC	5.375%	10/1/45	\$ 2,000,000	\$ 2,079,580
<b>District of Columbia - 1.6%</b>				
District of Columbia Revenue:				
Friendship Public Charter School Inc.	5.000%	6/1/42	2,000,000	2,143,480
Ingleside Rock Creek Project	4.125%	7/1/27	100,000	99,635 <sup>(d)</sup>
KIPP Charter School	6.000%	7/1/33	200,000	231,686
KIPP Charter School	6.000%	7/1/43	250,000	285,685
<i>Total District of Columbia</i>				2,760,486
<b>Florida - 2.4%</b>				
Florida State Development Finance Corp., Educational Facilities Revenue:				
Renaissance Charter School Inc. Project	6.000%	6/15/35	250,000	259,297 <sup>(b)</sup>
Renaissance Charter School Inc. Project	6.125%	6/15/46	215,000	222,777 <sup>(b)</sup>
Florida State Development Finance Corp., Senior Living Revenue, Tuscan				
Isle Champions Gate Project	6.375%	6/1/46	250,000	236,017 <sup>(b)</sup>
Florida State Mid-Bay Bridge Authority Revenue	5.000%	10/1/28	500,000	579,345
Martin County, FL, IDA Revenue, Indiantown Cogeneration LP Project	4.200%	12/15/25	1,500,000	1,540,320 <sup>(b)(e)</sup>
Palm Beach County, FL, Health Facilities Authority Revenue, Sinai				
Residences Boca Raton Project	7.500%	6/1/49	400,000	476,452
Reunion, FL, East Community Development District, Special Assessment	6.600%	5/1/33	305,000	313,644
Reunion, FL, East Community Development District, Special Assessment	7.375%	5/1/33	285,000	3* <sup>(f)</sup>
Santa Rosa, FL, Bay Bridge Authority Revenue	6.250%	7/1/28	782,321	555,448* <sup>(f)</sup>
<i>Total Florida</i>				4,183,303
<b>Georgia - 2.3%</b>				
Atlanta, GA, Water & Wastewater Revenue	6.250%	11/1/39	2,000,000	2,231,960 <sup>(c)</sup>
DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority				
Revenue, GGC Foundation LLC Project	6.125%	7/1/40	1,000,000	1,096,960 <sup>(c)</sup>
Franklin County, GA, Industrial Building Authority Revenue, Emmanuel				
College Inc.	6.000%	11/1/32	1,000,000	600,000* <sup>(f)</sup>
<i>Total Georgia</i>				3,928,920
<b>Hawaii - 1.3%</b>				
Hawaii State Department of Budget & Finance Special Purpose Revenue,				
Hawaiian Electric Co.	6.500%	7/1/39	2,000,000	2,155,940
<b>Illinois - 5.3%</b>				
Chicago, IL, GO	5.000%	1/1/25	500,000	525,555
Chicago, IL, GO	5.500%	1/1/34	1,250,000	1,281,250
Chicago, IL, GO	6.000%	1/1/38	300,000	322,521
Chicago, IL, Motor Fuel Tax Revenue, AGM	5.000%	1/1/32	1,000,000	1,075,330
Chicago, IL, O Hare International Airport Revenue	5.000%	1/1/31	1,500,000	1,714,050 <sup>(e)</sup>
Chicago, IL, O Hare International Airport Revenue, Senior Lien	5.000%	1/1/42	500,000	563,100 <sup>(e)</sup>
Chicago, IL, Wastewater Transmission Revenue, Second Lien	5.000%	1/1/38	500,000	552,080

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Chicago, IL, Waterworks Revenue, Second Lien	5.000%	11/1/29	500,000	575,230
Illinois State Finance Authority Revenue, Franciscan Communities Inc.	5.250%	5/15/47	1,000,000	1,051,260
Illinois State, GO	5.000%	2/1/26	650,000	717,093

**See Notes to Schedule of Investments.**

## WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

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

July 31, 2017

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
<b>Illinois - (continued)</b>				
Illinois State, GO	5.000%	2/1/27	\$ 250,000	\$ 276,030
Illinois State, GO	5.000%	2/1/29	300,000	325,728
Metropolitan Pier & Exposition Authority, IL, Revenue, CAB-McCormick Place Expansion Project	0.000%	12/15/52	700,000	93,947
<i>Total Illinois</i>				<i>9,073,174</i>
<b>Indiana - 1.6%</b>				
Indiana State Finance Authority Revenue, Private Activity Ohio River Bridges East End Crossing Project	5.000%	7/1/48	2,000,000	2,152,240 <sup>(e)</sup>
Valparaiso, IN, Exempt Facilities Revenue, Pratt Paper LLC Project	7.000%	1/1/44	500,000	593,385 <sup>(e)</sup>
<i>Total Indiana</i>				<i>2,745,625</i>
<b>Kentucky - 1.3%</b>				
Owen County, KY, Waterworks System Revenue, Kentucky American Water Co. Project	6.250%	6/1/39	2,000,000	2,155,120
<b>Louisiana - 0.0%</b>				
Epps, LA, COP	8.000%	6/1/18	775,000	77,500 <sup>*(f)</sup>
<b>Maryland - 2.0%</b>				
Maryland State Health & Higher EFA Revenue, Mercy Medical Center	6.250%	7/1/31	3,000,000	3,393,900
<b>Massachusetts - 1.6%</b>				
Massachusetts State DFA Revenue:				
Partners Healthcare System	5.000%	7/1/47	1,250,000	1,408,750
Tufts Medical Center Inc.	6.875%	1/1/41	1,000,000	1,144,990
Umass Boston Student Housing Project	5.000%	10/1/41	200,000	219,222
<i>Total Massachusetts</i>				<i>2,772,962</i>
<b>Michigan - 2.8%</b>				
Great Lakes, MI, Water Authority Water Supply System Revenue, Senior Lien	5.000%	7/1/35	200,000	227,382
Michigan State Finance Authority Ltd. Obligation Revenue:				
Higher Education, Thomas M Cooley Law School Project	6.000%	7/1/24	310,000	329,298 <sup>(b)</sup>
Higher Education, Thomas M Cooley Law School Project	6.750%	7/1/44	330,000	333,614 <sup>(b)</sup>
Michigan State Finance Authority Revenue:				
Senior Lien Detroit Water & Sewer	5.000%	7/1/33	260,000	290,170
Senior Lien Detroit Water & Sewer	5.000%	7/1/44	270,000	289,632
Michigan State Strategic Fund Ltd. Obligation Revenue:				
Evangelical Homes of Michigan	5.250%	6/1/32	500,000	516,295
Evangelical Homes of Michigan	5.500%	6/1/47	750,000	768,112
Royal Oak, MI, Hospital Finance Authority Revenue, William Beaumont Hospital	8.250%	9/1/39	2,000,000	2,155,700 <sup>(c)</sup>
<i>Total Michigan</i>				<i>4,910,203</i>



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**Missouri - 2.2%**

Kansas City, MO, IDA, Senior Living Facilities Revenue, Kansas City United Methodist Retirement Home Inc.	6.000%	11/15/51	200,000	195,154 <sup>(b)</sup>
Missouri State HEFA Revenue:				
Lutheran Senior Services	6.000%	2/1/41	500,000	547,325
Lutheran Senior Services	5.000%	2/1/44	750,000	803,145

**See Notes to Schedule of Investments.**

## WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

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

July 31, 2017

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
<b>Missouri - (continued)</b>				
St. Louis County, MO, IDA, Senior Living Facilities Revenue, Friendship Village of Sunset Hills	5.875%	9/1/43	\$ 2,000,000	\$ 2,294,500
<i>Total Missouri</i>				<i>3,840,124</i>
<b>Nebraska - 2.1%</b>				
Central Plains Energy Project, NE, Gas Project Revenue, Project #3	5.000%	9/1/42	3,340,000	3,616,352
<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	310,134 <sup>(b)</sup>
Somerset Academy of Las Vegas	5.125%	12/15/45	500,000	510,370 <sup>(b)</sup>
<i>Total Nevada</i>				<i>820,504</i>
<b>New Jersey - 6.5%</b>				
Gloucester County, NJ, PCFA Revenue, Keystone Urban Renewal, Logan Generating	5.000%	12/1/24	450,000	490,239 <sup>(e)</sup>
New Jersey State EDA Revenue, Private Activity-The Goethals Bridge Replacement Project	5.375%	1/1/43	1,500,000	1,675,725 <sup>(e)</sup>
New Jersey State Health Care Facilities Financing Authority Revenue, Hackensack Meridian Health	5.000%	7/1/38	100,000	114,999
New Jersey State Higher Education Assistance Authority, Student Loan Revenue	5.000%	12/1/44	640,000	676,166 <sup>(e)</sup>
New Jersey State Transportation Trust Fund Authority Revenue, Transportation Program	5.250%	6/15/32	4,720,000	4,968,036
Salem County, NJ, PCFA Revenue, Chambers Project	5.000%	12/1/23	3,000,000	3,262,170 <sup>(e)</sup>
<i>Total New Jersey</i>				<i>11,187,335</i>
<b>New York - 3.5%</b>				
Brooklyn Arena, NY, Local Development Corp. Revenue, Barclays Center Project	6.250%	7/15/40	2,000,000	2,256,080 <sup>(c)</sup>
New York State Liberty Development Corp., Liberty Revenue, 3 World Trade Center LLC Project	5.000%	11/15/44	1,205,000	1,308,955 <sup>(b)</sup>
New York State Transportation Development Corp., Special Facilities Revenue:				
LaGuardia Airport Terminal B Redevelopment Project	4.000%	7/1/31	2,000,000	2,076,440 <sup>(e)</sup>
LaGuardia Airport Terminal B Redevelopment Project	5.000%	7/1/46	300,000	325,296 <sup>(e)</sup>
<i>Total New York</i>				<i>5,966,771</i>
<b>North Carolina - 0.3%</b>				
North Carolina State Turnpike Authority Monroe Expressway Toll Revenue	5.000%	7/1/47	500,000	543,010
<b>Ohio - 0.4%</b>				
Ohio State Private Activity Revenue, Portsmouth Bypass Project	5.000%	6/30/53	700,000	760,375 <sup>(e)</sup>
<b>Oklahoma - 1.1%</b>				
Payne County, OK, EDA Revenue, Epworth Living at The Ranch	6.250%	11/1/31	250,000	243,992

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Tulsa County, OK, Industrial Authority, Senior Living Community Revenue:				
Montereau Inc. Project	7.125%	11/1/30	1,000,000	1,158,870 <sup>(c)</sup>
Montereau Inc. Project	5.250%	11/15/37	500,000	554,620
<i>Total Oklahoma</i>				<i>1,957,482</i>

**See Notes to Schedule of Investments.**

## WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

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

July 31, 2017

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
<b>Oregon - 0.4%</b>				
Yamhill County, OR, Hospital Authority Revenue, Friendsview Retirement Community	5.000%	11/15/51	\$ 725,000	\$ 756,690
<b>Pennsylvania - 5.1%</b>				
Cumberland County, PA, Municipal Authority Revenue, Diakon Lutheran Social Ministries Project	5.000%	1/1/28	350,000	395,948
Erie County, PA, Convention Center Authority Gtd. Hotel Revenue, County GTD	5.000%	1/15/36	750,000	845,198
Montgomery County, PA, IDA Revenue:				
Acts Retirement-Life Communities	5.000%	11/15/28	1,400,000	1,542,870
Acts Retirement-Life Communities	5.000%	11/15/29	1,350,000	1,481,409
Pennsylvania State Turnpike Commission Revenue, Turnpike Subordinate Revenue Refunding Bonds	5.000%	6/1/39	3,170,000	3,541,048
Philadelphia, PA, Authority for IDR:				
Discovery Charter School Inc. Project	6.250%	4/1/37	500,000	524,470
Performing Arts Charter School Project	6.000%	6/15/23	425,000	455,158 <sup>(b)</sup>
<i>Total Pennsylvania</i>				8,786,101
<b>Texas - 24.2%</b>				
Arlington, TX, Higher Education Finance Corp., Education Revenue, Uplift Education	5.000%	12/1/46	200,000	216,728
Brazos River, TX, Harbor Industrial Development Corp., Environmental Facilities Revenue, Dow Chemical Co.	5.900%	5/1/28	1,500,000	1,541,595 <sup>(a)(e)(g)</sup>
Central Texas Regional Mobility Authority Revenue	5.000%	1/1/42	2,000,000	2,208,880
Dallas-Fort Worth, TX, International Airport Revenue, Joint Improvement Grand Parkway Transportation Corp., TX, System Toll Revenue, Convertible CAB	5.000%	11/1/42	4,000,000	4,451,360 <sup>(e)</sup>
Gulf Coast, TX, IDA Revenue, Citgo Petroleum Corp. Project	0.000%	10/1/35	1,500,000	1,375,110 <sup>(a)</sup>
Harris County, TX, Cultural Education Facilities Finance Corp., Medical Facilities Revenue, Baylor College of Medicine	4.875%	5/1/25	1,000,000	1,046,560 <sup>(e)</sup>
Love Field Airport Modernization Corp., TX, Special Facilities Revenue, Southwest Airlines Co. Project	5.625%	11/15/32	2,000,000	2,119,480 <sup>(e)</sup>
Love Field, TX, Airport Modernization Corp., General Airport Revenue	5.250%	11/1/40	6,000,000	6,631,380
Love Field, TX, Airport Modernization Corp., General Airport Revenue	5.000%	11/1/33	20,000	23,138 <sup>(e)</sup>
Love Field, TX, Airport Modernization Corp., General Airport Revenue	5.000%	11/1/35	30,000	34,524 <sup>(e)</sup>
Love Field, TX, Airport Modernization Corp., General Airport Revenue	5.000%	11/1/36	20,000	22,964 <sup>(e)</sup>
New Hope Cultural Education Facilities Finance Corp., TX, Retirement Facility Revenue:				
MRC Crestview	5.000%	11/15/36	550,000	572,341
MRC Senior Living-Langford Project	5.375%	11/15/36	475,000	454,893
Westminster Manor Project	5.000%	11/1/40	1,000,000	1,088,540
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	271,986
Cardinal Bay Inc., Village on the Park Carriage Inn Project	5.000%	7/1/51	150,000	165,402
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	1,220,198
NCCD-College Station Properties LLC	5.000%	7/1/47	500,000	533,255

**See Notes to Schedule of Investments.**

## WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

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

July 31, 2017

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
<b>Texas - (continued)</b>				
North Texas Tollway Authority Revenue:				
System-First Tier	5.750%	1/1/40	\$ 2,190,000	\$ 2,233,559 <sup>(c)</sup>
System-First Tier	5.750%	1/1/40	310,000	315,775
Texas Midwest Public Facility Corp. Revenue, Secure Treatment Facility Project	9.000%	10/1/30	2,000,000	1,400,000 <sup>(f)</sup>
Texas State Municipal Gas Acquisition & Supply Corp. I, Gas Supply Revenue	6.250%	12/15/26	1,000,000	1,213,500
Texas State Municipal Gas Acquisition & Supply Corp. III, Gas Supply Revenue	5.000%	12/15/28	1,500,000	1,672,830
Texas State Private Activity Bond Surface Transportation Corp. Revenue:				
LBJ Infrastructure Group LLC	7.000%	6/30/40	4,000,000	4,548,840
Senior Lien, Blueridge Transportation Group LLC	5.000%	12/31/40	1,000,000	1,101,550 <sup>(e)</sup>
Senior Lien, NTE Mobility Partners LLC	6.875%	12/31/39	2,000,000	2,237,380
Texas State Public Finance Authority, Charter School Finance Corp. Revenue:				
Cosmos Foundation Inc.	6.200%	2/15/40	1,000,000	1,120,650 <sup>(c)</sup>
Uplift Education	5.750%	12/1/27	1,500,000	1,523,730 <sup>(c)</sup>
Willacy County, TX, PFC Project Revenue, County Jail	7.500%	11/1/25	425,000	381,531
<i>Total Texas</i>				<i>41,727,679</i>
<b>U.S. Virgin Islands - 1.1%</b>				
Virgin Islands Public Finance Authority Revenue, Matching Fund Loan	6.750%	10/1/37	2,500,000	1,975,000
<b>Utah - 0.2%</b>				
Utah State Charter School Finance Authority, Charter School Revenue, Syracuse Arts Academy Project, UT CSCE	5.000%	4/15/42	250,000	277,905
<b>Virginia - 2.5%</b>				
Virginia State Port Authority Port Facility Revenue	5.000%	7/1/41	250,000	285,060 <sup>(e)</sup>
Virginia State Port Authority Port Facility Revenue	5.000%	7/1/45	300,000	340,575 <sup>(e)</sup>
Virginia State Small Business Financing Authority Revenue:				
Elizabeth River Crossings OpCo LLC Project	5.250%	1/1/32	1,000,000	1,106,050 <sup>(e)</sup>
Elizabeth River Crossings OpCo LLC Project	5.500%	1/1/42	2,000,000	2,231,980 <sup>(e)</sup>
Senior Lien, 95 Express Lanes LLC	5.000%	1/1/40	300,000	323,709 <sup>(e)</sup>
<i>Total Virginia</i>				<i>4,287,374</i>
<b>Wisconsin - 1.2%</b>				
Public Finance Authority, WI, Education Revenue, North Carolina Charter Educational Foundation Project	5.000%	6/15/36	1,000,000	962,120 <sup>(b)</sup>
Public Finance Authority, WI, Exemption Facilities Revenue, Celanese Project	5.000%	12/1/25	550,000	624,860 <sup>(e)</sup>
Public Finance Authority, WI, Ltd. Obligation Pilot Revenue, American Dream @ Meadowlands Project	7.000%	12/1/50	250,000	274,465 <sup>(b)</sup>
Public Finance Authority, WI, Revenue, Church Home of Hartford Inc.	5.000%	9/1/38	250,000	254,613 <sup>(b)</sup>
<i>Total Wisconsin</i>				<i>2,116,058</i>

**TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS**  
(Cost - \$157,077,793)

169,024,630

**See Notes to Schedule of Investments.**

**WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.****Schedule of investments (unaudited) (cont d)****July 31, 2017**

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
<b>SHORT-TERM INVESTMENTS - 1.5%</b>				
<b>MUNICIPAL BONDS - 1.5%</b>				
<b>California - 0.1%</b>				
California State, GO, Kindergarten, LOC-Citibank N.A.	0.720%	5/1/34	\$ 200,000	\$ 200,000 <sup>(h)(i)</sup>
<b>New York - 1.3%</b>				
New York State Housing Finance Agency Revenue: 42nd & 10th Housing, LIQ-FHLMC, LOC-FHLMC	0.840%	11/1/41	800,000	800,000 <sup>(e)(h)(i)</sup>
505 West 37th Street, LOC-Landesbank Hessen-Thuringen	0.800%	5/1/42	1,300,000	1,300,000 <sup>(e)(h)(i)</sup>
Onondaga County, NY, Trust Cultural Resource Revenue, Syracuse University Project, LOC-Wells Fargo Bank N.A.	0.810%	12/1/29	100,000	100,000 <sup>(h)(i)</sup>
<i>Total New York</i>				2,200,000
<b>Texas - 0.1%</b>				
Rockwall, TX, ISD, GO, School Building, PSF-GTD, SPA-Wells Fargo Bank N.A.	0.820%	8/1/37	200,000	200,000 <sup>(h)(i)</sup>
<b>TOTAL MUNICIPAL BONDS</b> (Cost - \$2,600,000)				2,600,000
<b>SHARES</b>				
<b>MONEY MARKET FUNDS - 0.0%</b>				
State Street Institutional U.S. Government Money Market Fund, Premier Class (Cost - \$23,451)	0.938%		23,451	23,451
<b>TOTAL SHORT-TERM INVESTMENTS</b> (Cost - \$2,623,451)				2,623,451
<b>TOTAL INVESTMENTS - 99.5%</b> (Cost - \$159,701,244#)				171,648,081
Other Assets in Excess of Liabilities - 0.5%				859,690
<b>TOTAL NET ASSETS - 100.0%</b>				\$ 172,507,771

\* Non-income producing security.

(a) Variable rate security. Interest rate disclosed is as of the most recent information available.

(b) 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, unless otherwise noted.



- (c) 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.
  - (d) Security is purchased on a when-issued basis.
  - (e) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax ( AMT ).
  - (f) The coupon payment on these securities is currently in default as of July 31, 2017.
  - (g) Maturity date shown represents the mandatory tender date.
  - (h) Variable rate demand obligations 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.
  - (i) Maturity date shown is the final maturity date. The security may be sold back to the issuer before final maturity.
- # Aggregate cost for federal income tax purposes is substantially the same.

**See Notes to Schedule of Investments.**

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

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

**July 31, 2017**

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
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
ISD	Independent School District
LIQ	Liquidity Facility
LOC	Letter of Credit
PCFA	Pollution Control Financing Authority
PFC	Public Facilities Corporation
PSF	Permanent School Fund
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. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment's fair value. Investments in open-end funds are valued at the closing net asset value per share of each fund on the day of valuation. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. 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.

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 (LEVEL 1)	OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	
Municipal Bonds		\$ 169,024,630		\$ 169,024,630
Short-Term Investments :				
Municipal Bonds		2,600,000		2,600,000
Money Market Funds	\$ 23,451			23,451
Total Short-Term Investments	23,451	2,600,000		2,623,451
Total Investments	\$ 23,451	\$ 171,624,630		\$ 171,648,081

See Schedule of Investments for additional detailed categorizations.

## 2. Investments

At July 31, 2017, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$ 15,063,373
Gross unrealized depreciation	(3,116,536)
Net unrealized appreciation	\$ 11,946,837

**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: September 22, 2017

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: September 22, 2017

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

Date: September 22, 2017