

NUVEEN SENIOR INCOME FUND  
Form N-CSR  
October 08, 2014

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

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-09571

Nuveen Senior Income Fund  
(Exact name of registrant as specified in charter)

Nuveen Investments

333 West Wacker Drive

Chicago, IL 60606  
(Address of principal executive offices) (Zip code)

Kevin J. McCarthy

Nuveen Investments

333 West Wacker Drive

Chicago, IL 60606  
(Name and address of agent for service)

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

Date of fiscal year July 31  
end:

Date of reporting period: July 31, 2014

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.

## Edgar Filing: NUVEEN SENIOR INCOME FUND - Form N-CSR

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

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ITEM 1. REPORTS TO STOCKHOLDERS.

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Closed-End Funds

Nuveen Investments

**Closed-End Funds**

**Annual Report** July 31, 2014

**NSL**

Nuveen Senior Income Fund

**JFR**

Nuveen Floating Rate Income Fund

**JRO**

Nuveen Floating Rate Income Opportunity Fund

**JSD**

Nuveen Short Duration Credit Opportunities Fund

**JQC**

Nuveen Credit Strategies Income Fund

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**Nuveen Investments to be acquired by TIAA-CREF**

On April 14, 2014, TIAA-CREF announced that it had entered into an agreement to acquire Nuveen Investments, the parent company of your fund's investment adviser, Nuveen Fund Advisors, LLC ("NFAL") and the Nuveen affiliates that act as sub-advisers to the majority of the Nuveen Funds. TIAA-CREF is a national financial services organization with approximately \$569 billion in assets under management (as of March 31, 2014) and is a leading provider of retirement services in the academic, research, medical and cultural fields. Nuveen anticipates that it will operate as a separate subsidiary within TIAA-CREF's asset management business, and that its current leadership and key investment teams will stay in place.

Your fund investment will not change as a result of Nuveen's change of ownership. You will still own the same fund shares and the underlying value of those shares will not change as a result of the transaction. NFAL and your fund's sub-adviser(s) will continue to manage your fund according to the same objectives and policies as before, and we do not anticipate any significant changes to your fund's operations. Under the securities laws, the consummation of the transaction will result in the automatic termination of the investment management agreements between the funds and NFAL and the investment sub-advisory agreements between NFAL and each fund's sub-adviser(s). The new agreements have been approved by shareholders of your fund.

The transaction is currently expected to close early in the fourth quarter of 2014, but remains subject to customary closing conditions.

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## **Chairman's Letter**

### **to Shareholders**

#### **Dear Shareholders,**

After significant growth in 2013, domestic and international equity markets have been less compelling during the first part of 2014. Concerns about deflation, political uncertainty in many places and the potential for more fragile economies to impact other countries have produced uncertainty in the markets.

Europe is beginning to emerge slowly from the recession in mid-2013, with improved GDP and employment trends in some countries. However, Japan's deflationary headwinds have resurfaced; and China shows signs of slowing from credit distress combined with declines in manufacturing and exports. Most recently, tensions between Russia and Ukraine may continue to hold back stocks and support government bonds in the near term.

Despite these headwinds, there are some encouraging signs of forward momentum in the markets. In the U.S., the news is more positive with financial risks slowly receding, positive GDP trends, downward trending unemployment and stronger household finances and corporate spending.

It is in such changeable markets that professional investment management is most important. Investment teams who have experienced challenging markets in the past understand how their asset class can behave in rapidly changing times. Remaining committed to their investment disciplines during these times is a critical component to achieving long-term success. In fact, many strong investment track records are established during challenging periods because experienced investment teams understand that volatile markets place a premium on companies and investment ideas that can weather the short-term volatility. By maintaining appropriate time horizons, diversification and relying on practiced investment teams, we believe that investors can achieve their long-term investment objectives.

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

William J. Schneider  
Chairman of the Board  
September 22, 2014

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## Portfolio Managers'

### Comments

Nuveen Senior Income Fund (NSL)

Nuveen Floating Rate Income Fund (JFR)

Nuveen Floating Rate Income Opportunity Fund (JRO)

Nuveen Short Duration Credit Opportunities Fund (JSD)

Nuveen Credit Strategies Income Fund (JQC)

*The Funds' investment portfolios are managed by Symphony Asset Management, LLC (Symphony), an affiliate of Nuveen Investments, Inc. Gunther Stein, who serves as the firm's Chief Investment Officer, and Scott Caraher manage NSL, JFR and JRO. Gunther and Sutanto Widjaja manage JQC, while JSD is managed by Gunther, Scott and Jenny Rhee. Here they discuss the U.S. economy and equity markets, management strategies and the performance of the Funds during the twelve-month reporting period ended July 31, 2014.*

### **What factors affected the U.S. economy and equity markets during the twelve-month reporting period ended July 31, 2014?**

During this reporting period, the U.S. economy continued its advance toward recovery from recession. The Federal Reserve (Fed) maintained efforts to bolster growth and promote progress toward its mandates of maximum employment and price stability by holding the benchmark fed funds rate at the record low level of zero to 0.25% that it established in December 2008. Based on its view that the underlying strength in the broader economy was enough to support ongoing improvement in the labor market, the Fed began to reduce or taper its monthly asset purchases in \$10 billion increments over the course of five consecutive meetings (December 2013 through June 2014). As of July 2014, the Fed's monthly purchases comprise \$15 billion in mortgage backed securities (versus the original \$40 billion per month) and \$20 billion in longer-term Treasury securities (versus \$45 billion). Following its June 2014 meeting the Fed reiterated that it would continue to look at a wide range of factors, including labor market conditions, indicators of inflationary pressures and readings on financial developments, in determining future actions, saying that it would likely maintain the current target range for the fed funds rate for a considerable time after the asset purchase program ends, especially if projected inflation continues to run below the Fed's 2% longer-run goal.

In the second quarter of 2014, the U.S. economy, as measured by the U.S. gross domestic product (GDP), grew 4.2%. In the previous quarter, GDP contracted at an annualized rate of 2.1%, the economy's weakest quarter since the recession officially ended in June 2009. The decline during this period was attributed in part to the severe weather of the past winter, which deterred consumer spending and disrupted construction, production and shipping. The Consumer Price Index (CPI) rose 2.4% year-over-year as of July 2014, while the core CPI (which excludes food and energy) increased 1.9% during the same period, in line with the Fed's unofficial longer term objective of 2.0% for this inflation measure. As of July 2014, the national unemployment rate remained at 6.2%, down from the 7.3% reported in July 2013, but still higher

**Certain statements in this report are forward-looking statements. Discussions of specific investments are for illustration only and are not intended as recommendations of individual**

**investments. The forward-looking statements and other views expressed herein are those of the portfolio managers as of the date of this report. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements and the views expressed herein are subject to change at any time, due to numerous market and other factors. The Funds disclaim any obligation to update publicly or revise any forward-looking statements or views expressed herein.**

**Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's (S&P), Moody's Investors Service, Inc. (Moody's) or Fitch, Inc. (Fitch). Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.**

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**Portfolio Managers' Comments** (continued)

than levels that would provide consistent support for optimal GDP growth. During the last twelve months, the unemployment rate and the number of unemployed persons have declined by 1.1% and 1.7 million, respectively. The housing market continued to post gains as the average home price in the S&P/Case-Shiller Index of 20 major metropolitan areas rose 8.1% for the twelve months ended July 2014.

Several events touched off increased volatility in the financial markets. First, in May 2013, then-Fed Chairman Ben Bernanke's remarks about tapering the Fed's asset purchase program triggered widespread uncertainty about the next step for the Fed's quantitative easing program and its impact on the markets as well as the overall economy. Meanwhile, political debate over federal spending continued, as Congress failed to reach an agreement on the federal budget for Fiscal 2014. On October 1, 2013, the start date for Fiscal 2014, the federal government shut down for 16 days until an interim appropriations bill was signed into law. (Consensus on a \$1.1 trillion federal spending bill was ultimately reached in January 2014, and in February 2014, members of Congress agreed to suspend the \$16.7 trillion debt ceiling until March 2015.)

Assets across the risk spectrum had a strong performance during the reporting period as nearly all major equity and credit markets posted positive returns. Lingering concerns surrounding harsh domestic weather, emerging market volatility and geopolitical tension between Russia and the West subsided as indexes repeatedly set all-time highs. The loan market moved cautiously higher in April before rallying more significantly in May and June as investors wrote off the drop in first quarter GDP as a temporary contraction; focusing instead on encouraging employment data, home sales figures and accommodative Fed policy statements.

After a streak of nine consecutive quarters of positive inflows, \$5.8 billion left retail leveraged loan (loan) mutual funds during the second quarter of 2014 as concerns over rising interest rates abated. The impact of this quarter's outflows were offset by a record \$39.3 billion of new collateralized loan obligation (CLO) issuance, which are often lower-rated corporate loans. This helped generate positive loan price appreciation. Loans continue to see demand from institutional and retail investors as well as CLOs. Year to date visible inflows from CLO issuance and retail loan funds total \$63.2 billion and \$1.8 billion, respectively. From a supply standpoint, second quarter gross loan new issuance slowed to \$127.5 billion, with 77.6% of the proceeds used for acquisition and refinancing related activity as repricings notably fell from the prior period. Merger and acquisition activity has increased in the market, with acquisition related issuance totaling \$48.7 billion during the quarter, the highest dollar amount since 2007. Three companies defaulted during the quarter, impacting \$20.3 billion in loans. Of this, \$20.0 billion belonged to the long-anticipated Chapter 11 filing of Energy Futures Holdings (also known as TXU). The portfolios did not own any of the issues that defaulted during the quarter. Excluding the TXU bankruptcy, the trailing twelve month par-weighted default rate is 1.4% which remains well below the 3.4% long-term historical average default rate.

**What strategies were used to manage the Funds during the twelve-month reporting period ended July 31, 2014 and how did these strategies influence performance?**

NSL, JFR and JRO have similar investment objectives and strategies. Each Fund is designed to seek a high level of current income by primarily investing in a portfolio of adjustable rate, senior secured corporate loans. The Funds also may invest in unsecured senior loans, other debt securities, equity securities and warrants acquired in connection with an investment in senior loans. A significant portion of each Fund's assets may be invested in instruments that, at the time of investment, are rated below investment grade or are unrated but judged by Symphony to be of comparable quality.

JSD seeks to provide current income and the potential for capital appreciation. The Fund invests primarily in a blended portfolio of below investment grade adjustable rate corporate debt instruments, including senior secured loans, second lien loans and other adjustable rate corporate debt instruments. The Fund may also make limited tactical investments in other types of debt instruments and may enter into tactical short positions consisting of primarily high yield debt. Under normal market conditions the Fund maintains a portfolio with an average duration that does not exceed two years.

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JQC invests at least 70% of its assets in senior secured and second lien loans and up to 30% of its assets opportunistically over the credit cycle in other types of securities across a company's capital structures. These other securities primarily include income-oriented securities such as high yield corporate and convertible bonds as well as common stocks. The Fund maintained exposure to senior loans during the reporting period, while tactically allocating between high yield corporate bonds, equity securities and convertible bonds. Exposure consisted of mainly U.S. issuers and was focused on companies that had high levels of tangible assets, predictable revenue streams, significant market share within their respective industries and positive free cash flow.

### **How did the Funds perform during this twelve-month reporting period ended July 31, 2014?**

The tables in the Performance Overview and Holding Summaries section of this report provide total return performance for each Fund for the one-year, five-year, ten-year and/or since inception periods ended July 31, 2014. For the twelve-month reporting period ended July 31, 2014, NSL, JFR, JRO and JSD's total return on common share net asset value (NAV) outperformed the Barclays U.S. Aggregate Bond Index, while all the Funds outperformed the CSFB Leveraged Loan Index.

Loans in general performed well and exhibited relative stability during the reporting period, as the asset class was supported by continued demand for floating rate products from institutional investors and CLO new issuance.

The Funds' maintained exposure primarily to senior loans during the reporting period, which benefited performance. Exposure consisted of mainly U.S. issuers and was focused on companies that had high levels of tangible assets, predictable revenue streams, significant market share within their respective industries and positive free cash flow. The term loans and high yield bonds of Clear Channel Communications, Inc. (Clear Channel), a diversified media and entertainment company, continued to be strong performers for the Funds. Investors have rewarded these loans over the last two years as the company refinanced its shorter dated maturities and have reported improving earnings trends. Also contributing to the portfolios' performance were the loans of Golden Living, a health care company. During the reporting period, the lenders negotiated more favorable terms through an amendment of the credit agreement, securing a higher coupon on the loan in exchange for looser covenants. As a result, the loans rallied.

Although the Funds' portfolios have not owned the position since September 2013, the loans of J.C. Penney Company, a large retailer, detracted from performance due to headline risk from a prominent activist investor, disappointing sales figures and uncertainty over the search for a new CEO. The Funds were also negatively affected by positions in the loans of Sun Products Corporation, a cleaning products company that reported disappointing earnings results during November 2013. The exposure was pared down in late 2013 and completely removed from the portfolios in early 2014.

JSD was also hurt from small short exposures to Kohl's Corporation and The Kroger Company as both companies steadily improved throughout the reporting period. JSD continued to invest in credit default swaps, which were used to provide a benefit if particular bonds' credit quality worsened. The Fund does not hold other securities issued by the issuers referenced under these credit default swap contracts. These contracts had a negligible effect on performance.

Lastly JQC continued to benefit from the strong performance of risk assets during the reporting period. From an asset class standpoint, senior loans, high yield bonds and equity all contributed to portfolio returns. Within the asset classes, the Fund continues to favor sectors that generate recurring revenues and strong cash flows such as health care, media and telecommunications. The Fund also benefited from its

allocation to high yield corporate bonds and equity securities.

There has been an increased focus on the structure of many senior loans in the market, including LIBOR floors. These are fairly recent developments and worthy of discussion. All of these Funds have owned, or currently own, loans with the LIBOR floor feature. The coupon on most senior loans consists of both LIBOR (usually 90-day U.S. LIBOR) plus a spread. For example, a senior loan might have a coupon structure of "LIBOR plus 400 basis points (bp)" in which the coupon consists of 90-day LIBOR, plus 400bp. Given today's relatively low LIBOR rate, however, many issuers have put in place

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**Portfolio Managers' Comments** (continued)

LIBOR floors to enhance the yield (and satisfy demand from investors) for newly issued loans. LIBOR floors, as the name suggests, put a "floor" on the reference LIBOR rate. LIBOR floors typically range from 150bp to 50bp. A loan with a LIBOR floor might have a structure of "LIBOR + 400bp with a 100bp LIBOR floor." In this example, the effective coupon is 5% (100bp + 400bp). As a result, as LIBOR rises from current levels, the yield on a senior loan with a LIBOR floor will not rise in lockstep until after the reference LIBOR rate exceeds the LIBOR floor. Although many loans have LIBOR floors, the asset class is one of the few that will float when interest rates begin to rise, we believe the senior loan asset class provides fixed income oriented investors with a potential safeguard from a secular rise in interest rates.

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**Fund****Leverage****IMPACT OF THE FUNDS' LEVERAGE STRATEGY ON PERFORMANCE**

One important factor impacting the returns of the Funds relative to their benchmarks was the Funds' use of leverage through the use of bank borrowings for NSL, JFR and JRO Variable Rate Term Preferred Shares. The Funds use leverage because our research has shown that, over time, leveraging provides opportunities for additional income and total return for common shareholders. However, use of leverage also can expose common shareholders to additional volatility. For example, as the prices of securities held by a Fund decline, the negative impact of these valuation changes on common share NAV and common shareholder total return is magnified by the use of leverage. Conversely, leverage may enhance common share returns during periods when the prices of securities held by a Fund generally are rising. The Funds' use of leverage had a positive impact on performance during this reporting period.

The Funds also continued to use swap contracts to partially fix the interest cost of leverage, which as mentioned previously, the Funds use through bank borrowings. NSL's and JSD's swap contracts detracted modestly from overall Fund performance during this reporting period. JFR's, JRO's and JQC's swap contracts had an overall negligible impact on the Funds' performance during this reporting period.

As of July 31, 2014, the Funds' percentages of leverage are shown in the accompanying table.

	<b>NSL</b>	<b>JFR</b>	<b>JRO</b>	<b>JSD</b>	<b>JQC</b>
Effective Leverage*	36.95%	37.00%	36.96%	30.18%	30.27%
Regulatory Leverage*	36.95%	37.00%	36.96%	30.18%	30.27%

\* Effective leverage is a Fund's effective economic leverage, and includes both regulatory leverage and the leverage effects of certain derivative and other investments in a Fund's portfolio that increase the Fund's investment exposure. Regulatory leverage consists of preferred shares issued or borrowings of a Fund. Both of these are part of a Fund's capital structure. Regulatory leverage is subject to asset coverage limits set forth in the Investment Company Act of 1940.

**THE FUNDS' REGULATORY LEVERAGE***Bank Borrowings*

The Funds employ regulatory leverage through the use of bank borrowings. As of July 31, 2014, the Funds have outstanding bank borrowings as shown in the accompanying table.

	<b>NSL</b>	<b>JFR</b>	<b>JRO</b>	<b>JSD</b>	<b>JQC</b>
Bank Borrowings	\$112,000,000	\$269,000,000	\$188,000,000	\$85,000,000	\$606,000,000

Refer to Notes to Financial Statements, Note 9 Borrowing Arrangements for further details.

*Variable Rate Term Preferred Shares*

During the current reporting period, NSL, JFR and JRO each refinanced a portion of their bank borrowings with the issuance of Variable Rate Term Preferred (VRTP) Shares. Each Fund's VRTP Shares were issued via private placement and are not publicly available. VRTP Shares feature a fixed short-term (three years)



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with floating rate dividends set monthly at a specified short-term index rate, plus a fixed spread. As of July 31, 2014, the Funds' outstanding VRTP Shares are as shown in the accompanying table.

	<b>NSL</b>	<b>JFR</b>	<b>JRO</b>
VRTP Shares, at liquidation value	\$58,000,000	\$139,000,000	\$98,000,000

Refer to Notes to Financial Statements, Note 1 General Information and Significant Accounting Policies for further details on VRTP Shares.

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**Common Share****Information****DISTRIBUTION INFORMATION**

The following information regarding the Funds' distributions is current as of July 31, 2014. Each Fund's distribution levels may vary over time based on each Fund's investment activities and portfolio investment value changes.

During the current reporting period, each Fund's distributions to common shareholders were as shown in the accompanying table.

**Per Common Share Amounts**

<b>Ex-Dividend Date</b>	<b>NSL</b>	<b>JFR</b>	<b>JRO</b>	<b>JSD</b>	<b>JQC</b>
August 2013	\$0.0410	\$0.0700	\$0.0730	\$0.1260	\$0.0620
September	0.0390	0.0670	0.0690	0.1220	0.0580
October	0.0390	0.0670	0.0690	0.1220	0.0580
November	0.0390	0.0670	0.0690	0.1220	0.0580
December	0.0360	0.0615	0.0645	0.1140	0.0545
January	0.0360	0.0615	0.0645	0.1140	0.0545
February	0.0360	0.0615	0.0645	0.1140	0.0545
March	0.0360	0.0615	0.0645	0.1140	0.0525
April	0.0360	0.0615	0.0645	0.1140	0.0525
May	0.0360	0.0615	0.0645	0.1140	0.0525
June	0.0350	0.0600	0.0630	0.0970	0.0435
July 2014	0.0350	0.0600	0.0630	0.0970	0.0435
Short-Term Capital Gain*				\$0.0729	
Long-Term Capital Gain*				\$0.2540	
Current Distribution Rate**	6.02%	6.14%	6.10%	6.40%	5.77%

\* Distribution paid in December 2013.

\*\* Current distribution rate is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the fiscal year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a return of capital for tax purposes.

Each Fund in this report seeks to pay regular monthly dividends out of its net investment income at a rate that reflects its past and projected net income performance. To permit each Fund to maintain a more stable monthly dividend, the Fund may pay dividends at a rate that may be more or less than the amount of net income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it will hold the excess in reserve as undistributed net investment income (UNII) as part of the Fund's net asset value. Conversely, if a Fund has cumulatively paid in dividends more than it has earned, the excess will constitute a negative UNII that will likewise be reflected in the Fund's net asset

value. Each Fund will, over time, pay all its net investment income as dividends to shareholders.

As of July 31, 2014, JSD and JQC had zero UNII balances while the remaining three Funds had positive UNII balances for tax purposes. All of the Funds in this report had negative UNII balances for financial reporting purposes.

All monthly dividends paid by the Funds during the fiscal year ended July 31, 2014 were paid from net investment income, except for JQC. In certain future instances, a portion of each Fund's monthly distributions may be paid from sources or comprised of elements other than net investment income, including capital gains and/or a return of capital,

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and in such a case the shareholders will receive a notice to that effect. For fiscal year ended July 31, 2014, the annual distributions for JQC were sourced partly from realized gains. Annual distributions of \$.6440 per share included \$.0330 per share of capital gains or 5.1% of the total distributions. The composition and per share amounts of each Fund's monthly dividends for the fiscal year are presented in the Statement of Changes in Net Assets and Financial Highlights, respectively (for reporting purposes) and in Note 6 Income Tax Information within the accompany Notes to Financial Statements (for income tax purposes), later in this report.

### COMMON SHARE REPURCHASES

As of July 31, 2014, and since the inception of the Funds' repurchase programs, the Funds have cumulatively repurchased and retired their common shares as shown in the accompanying table.

	NSL	JFR	JRO	JSD	JQC
Common Shares Cumulatively Repurchased and Retired		147,593	19,400		4,356,192
Common Shares Authorized for Repurchase	3,865,000	5,515,000	3,850,000		