

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-Q

February 23, 2016

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 **811-07920**

Western Asset High Income Opportunity Fund Inc.

(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th 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: **September 30**

Date of reporting period: **December 31, 2015**

ITEM 1. SCHEDULE OF INVESTMENTS.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FORM N-Q

DECEMBER 31, 2015

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited)

December 31, 2015

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|-------------|-----------------------------------|
| CORPORATE BONDS & NOTES - 84.0% | | | | |
| CONSUMER DISCRETIONARY - 14.4% | | | | |
| Diversified Consumer Services - 0.6% | | | | |
| Service Corp. International, Senior Notes | 7.500% | 4/1/27 | 1,280,000 | \$ 1,491,200 |
| StoneMor Partners LP/Cornerstone Family Services of WV, Senior Bonds | 7.875% | 6/1/21 | 920,000 | 952,200 |
| <i>Total Diversified Consumer Services</i> | | | | <i>2,443,400</i> |
| Hotels, Restaurants & Leisure - 3.0% | | | | |
| Bossier Casino Venture Holdco Inc., Senior Secured Bonds | 14.000% | 2/9/18 | 1,262,613 | 1,132,816 ^{(a)(b)(c)(d)} |
| Carrols Restaurant Group Inc., Secured Notes | 8.000% | 5/1/22 | 1,000,000 | 1,060,000 |
| CCM Merger Inc., Senior Notes | 9.125% | 5/1/19 | 1,710,000 | 1,793,363 ^(a) |
| CEC Entertainment Inc., Senior Notes | 8.000% | 2/15/22 | 2,090,000 | 1,985,500 |
| Downstream Development Authority of the Quapaw Tribe of Oklahoma, Senior Secured Notes | 10.500% | 7/1/19 | 1,320,000 | 1,359,600 ^(a) |
| Fontainebleau Las Vegas Holdings LLC, Senior Secured Notes | 10.250% | 6/15/15 | 445,000 | 879 ^{*(a)(e)} |
| Greektown Holdings LLC/Greektown Mothership Corp., Senior Secured Notes | 8.875% | 3/15/19 | 1,200,000 | 1,218,000 ^(a) |
| Landry s Holdings II Inc., Senior Notes | 10.250% | 1/1/18 | 750,000 | 750,000 ^(a) |
| Landry s Inc., Senior Notes | 9.375% | 5/1/20 | 3,598,000 | 3,804,885 ^(a) |
| <i>Total Hotels, Restaurants & Leisure</i> | | | | <i>13,105,043</i> |
| Household Durables - 1.7% | | | | |
| Century Intermediate Holding Co. 2, Senior Notes | 9.750% | 2/15/19 | 1,980,000 | 2,031,975 ^{(a)(b)} |
| Shea Homes LP/Shea Homes Funding Corp., Senior Notes | 6.125% | 4/1/25 | 1,650,000 | 1,703,625 ^(a) |
| William Lyon Homes Inc., Senior Notes | 8.500% | 11/15/20 | 1,520,000 | 1,615,000 |
| William Lyon Homes Inc., Senior Notes | 7.000% | 8/15/22 | 310,000 | 312,325 |
| Woodside Homes Co., LLC/Woodside Homes Finance Inc., Senior Notes | 6.750% | 12/15/21 | 2,020,000 | 1,747,300 ^(a) |
| <i>Total Household Durables</i> | | | | <i>7,410,225</i> |
| Media - 6.9% | | | | |
| AMC Entertainment Inc., Senior Subordinated Notes | 5.750% | 6/15/25 | 1,020,000 | 1,027,650 |
| CCO Safari II LLC, Senior Secured Notes | 4.908% | 7/23/25 | 1,940,000 | 1,941,042 ^(a) |
| CCO Safari II LLC, Senior Secured Notes | 6.484% | 10/23/45 | 790,000 | 793,365 ^(a) |
| DISH DBS Corp., Senior Notes | 7.875% | 9/1/19 | 1,085,000 | 1,182,650 |
| DISH DBS Corp., Senior Notes | 6.750% | 6/1/21 | 2,020,000 | 2,040,200 |
| DISH DBS Corp., Senior Notes | 5.875% | 7/15/22 | 2,610,000 | 2,440,350 |
| DISH DBS Corp., Senior Notes | 5.875% | 11/15/24 | 480,000 | 428,400 |
| Gibson Brands Inc., Senior Secured Notes | 8.875% | 8/1/18 | 1,380,000 | 807,300 ^(a) |
| iHeartCommunications Inc., Senior Notes | 14.000% | 2/1/21 | 1,860,000 | 516,150 ^(b) |
| New Cotai LLC/New Cotai Capital Corp., Senior Secured Notes | 10.625% | 5/1/19 | 1,794,072 | 1,350,039 ^{(a)(b)} |
| Numericable-SFR SAS, Senior Secured Bonds | 6.000% | 5/15/22 | 2,710,000 | 2,635,475 ^(a) |
| Numericable-SFR SAS, Senior Secured Bonds | 6.250% | 5/15/24 | 2,330,000 | 2,254,275 ^(a) |
| Time Warner Cable Inc., Senior Notes | 8.750% | 2/14/19 | 1,490,000 | 1,729,675 |
| Time Warner Cable Inc., Senior Notes | 8.250% | 4/1/19 | 678,000 | 779,110 |
| Tribune Media Co., Senior Notes | 5.875% | 7/15/22 | 760,000 | 761,900 ^(a) |

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| | | | | |
|---|--------|----------|--------------------------|--------------------------|
| Univision Communications Inc., Senior Notes | 8.500% | 5/15/21 | 1,320,000 | 1,354,650 ^(a) |
| Univision Communications Inc., Senior Secured Notes | 6.750% | 9/15/22 | 217,000 | 225,680 ^(a) |
| UPC Holding BV, Junior Secured Subordinated Notes | 6.375% | 9/15/22 | 2,030,000 ^{EUR} | 2,351,153 ^(a) |
| Virgin Media Finance PLC, Senior Notes | 6.375% | 4/15/23 | 2,890,000 | 2,944,188 ^(a) |
| Virgin Media Finance PLC, Senior Notes | 6.000% | 10/15/24 | 2,000,000 | 2,002,500 ^(a) |
| Virgin Media Finance PLC, Senior Notes | 5.750% | 1/15/25 | 200,000 | 193,000 ^(a) |
| <i>Total Media</i> | | | | 29,758,752 |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2015

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|---------------|-------------|---------------------------|
| Multiline Retail - 0.3% | | | | |
| Neiman Marcus Group LLC, Senior Secured Notes | 7.125% | 6/1/28 | 330,000 | \$ 316,800 |
| Neiman Marcus Group Ltd. LLC, Senior Notes | 8.750% | 10/15/21 | 1,530,000 | 956,250 ^{(a)(b)} |
| <i>Total Multiline Retail</i> | | | | <i>1,273,050</i> |
| Specialty Retail - 1.8% | | | | |
| American Greetings Corp., Senior Notes | 7.375% | 12/1/21 | 1,220,000 | 1,279,475 |
| Guitar Center Inc., Senior Secured Bonds | 6.500% | 4/15/19 | 3,530,000 | 2,982,850 ^(a) |
| Hot Topic Inc., Senior Secured Notes | 9.250% | 6/15/21 | 730,000 | 649,700 ^(a) |
| L Brands Inc., Debentures | 6.950% | 3/1/33 | 470,000 | 470,000 |
| L Brands Inc., Senior Notes | 6.875% | 11/1/35 | 1,290,000 | 1,330,312 ^(a) |
| Sally Holdings LLC/Sally Capital Inc., Senior Notes | 5.625% | 12/1/25 | 1,180,000 | 1,197,700 |
| <i>Total Specialty Retail</i> | | | | <i>7,910,037</i> |
| Textiles, Apparel & Luxury Goods - 0.1% | | | | |
| Empire Today LLC/Empire Today Finance Corp., Senior Secured Notes | 11.375% | 2/1/17 | 370,000 | 353,350 ^(a) |
| TOTAL CONSUMER DISCRETIONARY | | | | 62,253,857 |
| CONSUMER STAPLES - 4.4% | | | | |
| Beverages - 0.9% | | | | |
| Carolina Beverage Group LLC/Carolina Beverage Group Finance Inc., Secured Notes | 10.625% | 8/1/18 | 1,370,000 | 1,373,425 ^(a) |
| Cott Beverages Inc., Senior Notes | 6.750% | 1/1/20 | 1,120,000 | 1,159,200 |
| DS Services of America Inc., Secured Notes | 10.000% | 9/1/21 | 1,230,000 | 1,402,200 ^(a) |
| <i>Total Beverages</i> | | | | <i>3,934,825</i> |
| Food & Staples Retailing - 0.7% | | | | |
| Beverages & More Inc., Senior Secured Notes | 10.000% | 11/15/18 | 1,900,000 | 1,774,125 ^(a) |
| Dollar Tree Inc., Senior Notes | 5.750% | 3/1/23 | 1,180,000 | 1,227,200 ^(a) |
| <i>Total Food & Staples Retailing</i> | | | | <i>3,001,325</i> |
| Food Products - 1.4% | | | | |
| Dole Food Co. Inc., Senior Secured Notes | 7.250% | 5/1/19 | 1,290,000 | 1,280,325 ^(a) |
| Hearthside Group Holdings LLC/Hearthside Finance Co., Senior Notes | 6.500% | 5/1/22 | 1,010,000 | 939,300 ^(a) |
| Pilgrim's Pride Corp., Senior Notes | 5.750% | 3/15/25 | 1,630,000 | 1,589,250 ^(a) |
| Simmons Foods Inc., Secured Notes | 7.875% | 10/1/21 | 2,630,000 | 2,386,725 ^(a) |
| <i>Total Food Products</i> | | | | <i>6,195,600</i> |
| Household Products - 1.0% | | | | |
| Central Garden & Pet Co., Senior Notes | 6.125% | 11/15/23 | 700,000 | 710,500 |

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| | | | | |
|--|---------|----------|-----------|--------------------------|
| Kronos Acquisition Holdings Inc., Senior Notes | 9.000% | 8/15/23 | 380,000 | 326,800 ^(a) |
| Spectrum Brands Inc., Senior Notes | 6.625% | 11/15/22 | 580,000 | 614,800 |
| Spectrum Brands Inc., Senior Notes | 6.125% | 12/15/24 | 440,000 | 459,800 ^(a) |
| Spectrum Brands Inc., Senior Notes | 5.750% | 7/15/25 | 1,530,000 | 1,575,900 ^(a) |
| Sun Products Corp., Senior Notes | 7.750% | 3/15/21 | 790,000 | 689,275 ^(a) |
| <i>Total Household Products</i> | | | | 4,377,075 |
| Tobacco - 0.4% | | | | |
| Alliance One International Inc., Secured Notes | 9.875% | 7/15/21 | 2,370,000 | 1,750,838 |
| TOTAL CONSUMER STAPLES | | | | 19,259,663 |
| ENERGY - 10.0% | | | | |
| Energy Equipment & Services - 1.1% | | | | |
| Atwood Oceanics Inc., Senior Notes | 6.500% | 2/1/20 | 1,020,000 | 550,800 |
| CGG, Senior Notes | 6.500% | 6/1/21 | 1,470,000 | 661,500 |
| CGG, Senior Notes | 6.875% | 1/15/22 | 200,000 | 83,000 |
| Gulfmark Offshore Inc., Senior Notes | 6.375% | 3/15/22 | 600,000 | 325,500 |
| Parker Drilling Co., Senior Notes | 7.500% | 8/1/20 | 1,680,000 | 1,285,200 |
| SESI LLC, Senior Notes | 7.125% | 12/15/21 | 1,320,000 | 1,178,100 |
| Sierra Hamilton LLC/Sierra Hamilton Finance Inc., Senior Secured Notes | 12.250% | 12/15/18 | 1,390,000 | 681,100 ^(a) |
| <i>Total Energy Equipment & Services</i> | | | | 4,765,200 |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2015

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|-------------|------------------|
| Oil, Gas & Consumable Fuels - 8.9% | | | | |
| Approach Resources Inc., Senior Notes | 7.000% | 6/15/21 | 1,090,000 | \$ 392,400 |
| Arch Coal Inc., Senior Notes | 7.250% | 6/15/21 | 1,880,000 | 18,988*(g) |
| Berry Petroleum Co., Senior Notes | 6.750% | 11/1/20 | 800,000 | 206,000 |
| Berry Petroleum Co., Senior Notes | 6.375% | 9/15/22 | 1,740,000 | 430,650 |
| California Resources Corp., Senior Notes | 5.000% | 1/15/20 | 730,000 | 263,712 |
| California Resources Corp., Senior Notes | 5.500% | 9/15/21 | 4,270,000 | 1,366,400 |
| Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes | 6.500% | 4/15/21 | 2,310,000 | 2,021,250 |
| Carrizo Oil & Gas Inc., Senior Notes | 7.500% | 9/15/20 | 960,000 | 843,600 |
| Chesapeake Energy Corp., Senior Notes | 6.875% | 11/15/20 | 3,360,000 | 974,400 |
| Chesapeake Energy Corp., Senior Notes | 5.375% | 6/15/21 | 1,095,000 | 301,125 |
| Crestwood Midstream Partners LP/Crestwood Midstream Finance Corp., Senior Notes | 6.125% | 3/1/22 | 1,570,000 | 1,099,000 |
| Endeavor Energy Resources LP/EER Finance Inc., Senior Notes | 8.125% | 9/15/23 | 600,000 | 543,000(a) |
| Enterprise Products Operating LLC, Junior Subordinated Notes | 8.375% | 8/1/66 | 680,000 | 610,300(f) |
| EP Energy LLC/Everest Acquisition Finance Inc., Senior Notes | 9.375% | 5/1/20 | 1,450,000 | 931,625 |
| EV Energy Partners LP/EV Energy Finance Corp., Senior Notes | 8.000% | 4/15/19 | 360,000 | 181,800 |
| Freeport-McMoran Oil & Gas LLC/FCX Oil & Gas Inc., Senior Notes | 6.750% | 2/1/22 | 162,000 | 100,035 |
| Genesis Energy LP/Genesis Energy Finance Corp., Senior Notes | 6.750% | 8/1/22 | 850,000 | 726,750 |
| Globe Luxembourg SCA, Senior Secured Notes | 9.625% | 5/1/18 | 3,940,000 | 3,201,250(a) |
| Halcon Resources Corp., Secured Notes | 8.625% | 2/1/20 | 290,000 | 201,188(a) |
| Halcon Resources Corp., Senior Notes | 9.750% | 7/15/20 | 6,290,000 | 1,855,550 |
| Halcon Resources Corp., Senior Notes | 8.875% | 5/15/21 | 190,000 | 56,050 |
| Kinder Morgan Inc., Medium-Term Notes | 7.800% | 8/1/31 | 1,040,000 | 977,930 |
| Linn Energy LLC/Linn Energy Finance Corp., Senior Notes | 6.250% | 11/1/19 | 1,120,000 | 190,400 |
| Lonestar Resources America Inc., Senior Notes | 8.750% | 4/15/19 | 550,000 | 335,500(a) |
| Magnum Hunter Resources Corp., Senior Notes | 9.750% | 5/15/20 | 4,340,000 | 1,150,100*(d)(g) |
| MEG Energy Corp., Senior Notes | 6.375% | 1/30/23 | 330,000 | 227,700(a) |
| MEG Energy Corp., Senior Notes | 7.000% | 3/31/24 | 2,760,000 | 1,973,400(a) |
| Milagro Oil & Gas Inc., Secured Notes | 10.500% | 5/15/16 | 1,690,000 | 532,350*(d)(g) |
| Murray Energy Corp., Senior Secured Notes | 11.250% | 4/15/21 | 4,660,000 | 873,750(a) |
| Natural Resource Partners LP/Natural Resource Partners Finance Corp., Senior Notes | 9.125% | 10/1/18 | 1,570,000 | 1,028,350 |
| Oasis Petroleum Inc., Senior Notes | 6.500% | 11/1/21 | 2,660,000 | 1,775,550 |
| Oasis Petroleum Inc., Senior Notes | 6.875% | 1/15/23 | 330,000 | 206,250 |
| Petrobras Global Finance BV, Senior Notes | 6.750% | 1/27/41 | 1,850,000 | 1,193,250 |
| Quicksilver Resources Inc., Senior Notes | 11.000% | 7/1/21 | 930,000 | 30,225*(g) |
| Rice Energy Inc., Senior Notes | 7.250% | 5/1/23 | 1,460,000 | 1,073,100(a) |
| RSP Permian Inc., Senior Notes | 6.625% | 10/1/22 | 2,730,000 | 2,525,250 |
| Samson Investment Co., Senior Notes | 9.750% | 2/15/20 | 1,440,000 | 3,240*(g) |
| Sanchez Energy Corp., Senior Notes | 7.750% | 6/15/21 | 1,610,000 | 990,150 |
| Sanchez Energy Corp., Senior Notes | 6.125% | 1/15/23 | 3,570,000 | 1,945,650 |
| Shelf Drilling Holdings Ltd., Senior Secured Notes | 8.625% | 11/1/18 | 930,000 | 678,900(a) |
| Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Notes | 6.625% | 10/1/20 | 470,000 | 426,525(a) |
| Tennessee Gas Pipeline Co., LLC, Senior Notes | 8.375% | 6/15/32 | 3,270,000 | 3,181,952 |
| WPX Energy Inc., Senior Notes | 7.500% | 8/1/20 | 100,000 | 81,500 |

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| | | | | |
|--|--------|--------|---------|------------|
| WPX Energy Inc., Senior Notes | 8.250% | 8/1/23 | 770,000 | 617,925 |
| <i>Total Oil, Gas & Consumable Fuels</i> | | | | 38,344,020 |
| TOTAL ENERGY | | | | 43,109,220 |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2015

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|--------------------------|--------------------------------|
| FINANCIALS - 13.1% | | | | |
| Banks - 5.8% | | | | |
| Bank of America Corp., Junior Subordinated Notes | 6.500% | 10/23/24 | 810,000 | \$ 854,550 ^{(f)(h)} |
| Barclays Bank PLC, Subordinated Notes | 10.179% | 6/12/21 | 1,930,000 | 2,504,457 ^(a) |
| Barclays Bank PLC, Subordinated Notes | 7.625% | 11/21/22 | 2,000,000 | 2,281,250 |
| Barclays PLC, Junior Subordinated Bonds | 8.250% | 12/15/18 | 420,000 | 448,600 ^{(f)(h)} |
| BNP Paribas SA, Junior Subordinated Notes | 7.375% | 8/19/25 | 2,700,000 | 2,774,250 ^{(a)(f)(h)} |
| Citigroup Inc., Junior Subordinated Bonds | 6.300% | 5/15/24 | 650,000 | 634,563 ^{(f)(h)} |
| Citigroup Inc., Junior Subordinated Bonds | 5.950% | 5/15/25 | 640,000 | 616,800 ^{(f)(h)} |
| Credit Agricole SA, Junior Subordinated Notes | 8.375% | 10/13/19 | 1,660,000 | 1,867,500 ^{(a)(f)(h)} |
| Credit Agricole SA, Junior Subordinated Notes | 7.875% | 1/23/24 | 700,000 | 717,998 ^{(a)(f)(h)} |
| HSBC Holdings PLC, Junior Subordinated Bonds | 6.375% | 9/17/24 | 790,000 | 781,112 ^{(f)(h)} |
| HSBC Holdings PLC, Junior Subordinated Bonds | 6.375% | 3/30/25 | 1,070,000 | 1,071,337 ^{(f)(h)} |
| JPMorgan Chase & Co., Junior Subordinated Bonds | 6.000% | 8/1/23 | 630,000 | 630,696 ^{(f)(h)} |
| JPMorgan Chase & Co., Junior Subordinated Notes | 6.100% | 10/1/24 | 800,000 | 805,080 ^{(f)(h)} |
| M&T Bank Corp., Junior Subordinated Bonds | 6.875% | 6/15/16 | 1,790,000 | 1,794,475 ^(h) |
| Royal Bank of Scotland Group PLC, Junior Subordinated Bonds | 7.648% | 9/30/31 | 1,210,000 | 1,504,937 ^{(f)(h)} |
| Royal Bank of Scotland Group PLC, Subordinated Notes | 6.100% | 6/10/23 | 1,470,000 | 1,581,801 |
| Royal Bank of Scotland NV, Subordinated Bonds | 7.750% | 5/15/23 | 390,000 | 449,837 |
| Royal Bank of Scotland PLC, Subordinated Notes | 13.125% | 3/19/22 | 2,480,000 ^{AUD} | 1,990,266 ^{(f)(i)} |
| Santander Issuances SAU, Notes | 5.911% | 6/20/16 | 1,100,000 | 1,117,575 ^(a) |
| Wells Fargo & Co., Junior Subordinated Bonds | 5.875% | 6/15/25 | 580,000 | 611,175 ^{(f)(h)} |
| <i>Total Banks</i> | | | | 25,038,259 |
| Capital Markets - 1.3% | | | | |
| Credit Suisse Group AG, Junior Subordinated Notes | 6.250% | 12/18/24 | 1,800,000 | 1,804,264 ^{(a)(f)(h)} |
| Goldman Sachs Group Inc., Subordinated Notes | 6.750% | 10/1/37 | 1,210,000 | 1,418,710 |
| Goldman Sachs Group Inc., Subordinated Notes | 5.150% | 5/22/45 | 1,320,000 | 1,287,003 |
| Pershing Square Holdings Ltd., Senior Notes | 5.500% | 7/15/22 | 1,000,000 | 935,770 ^(a) |
| <i>Total Capital Markets</i> | | | | 5,445,747 |
| Consumer Finance - 0.9% | | | | |
| Ally Financial Inc., Senior Notes | 8.000% | 3/15/20 | 1,133,000 | 1,294,452 |
| Navient Corp., Medium-Term Notes, Senior Notes | 8.450% | 6/15/18 | 1,110,000 | 1,171,050 |
| Navient Corp., Medium-Term Notes, Senior Notes | 8.000% | 3/25/20 | 1,150,000 | 1,139,075 |
| TMX Finance LLC/TitleMax Finance Corp., Senior Secured Notes | 8.500% | 9/15/18 | 720,000 | 540,000 ^(a) |
| <i>Total Consumer Finance</i> | | | | 4,144,577 |
| Diversified Financial Services - 2.4% | | | | |
| Argos Merger Sub Inc., Senior Notes | 7.125% | 3/15/23 | 2,530,000 | 2,514,820 ^(a) |
| International Lease Finance Corp., Senior Notes | 8.750% | 3/15/17 | 100,000 | 106,750 |
| International Lease Finance Corp., Senior Notes | 8.875% | 9/1/17 | 4,200,000 | 4,583,250 |
| International Lease Finance Corp., Senior Notes | 8.250% | 12/15/20 | 1,860,000 | 2,204,100 |
| ZFS Finance USA Trust II, Bonds | 6.450% | 12/15/65 | 1,000,000 | 1,015,500 ^{(a)(f)} |

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Total Diversified Financial Services

10,424,420

Insurance - 0.8%

| | | | | |
|--|--------|----------|---------|--------------------------|
| Fidelity & Guaranty Life Holdings Inc., Senior Notes | 6.375% | 4/1/21 | 850,000 | 871,250 ^(a) |
| Genworth Holdings Inc., Senior Notes | 4.900% | 8/15/23 | 940,000 | 629,800 |
| Liberty Mutual Group Inc., Junior Subordinated Bonds | 7.800% | 3/15/37 | 900,000 | 1,028,250 ^(a) |
| MetLife Capital Trust IV, Junior Subordinated Notes | 7.875% | 12/15/37 | 650,000 | 796,250 ^(a) |

Total Insurance

3,325,550

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2015

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|---------------|-------------|-----------------------------|
| Real Estate Investment Trusts (REITs) - 0.2% | | | | |
| Communications Sales & Leasing Inc., Senior Secured Notes | 6.000% | 4/15/23 | 870,000 | \$ 824,325 ^(a) |
| Real Estate Management & Development - 1.7% | | | | |
| Caesars Entertainment Resort Properties LLC, Secured Notes | 11.000% | 10/1/21 | 800,000 | 728,000 |
| Caesars Entertainment Resort Properties LLC, Senior Secured Notes | 8.000% | 10/1/20 | 2,870,000 | 2,740,850 |
| Greystar Real Estate Partners LLC, Senior Secured Notes | 8.250% | 12/1/22 | 1,610,000 | 1,678,425 ^(a) |
| Howard Hughes Corp., Senior Notes | 6.875% | 10/1/21 | 2,130,000 | 2,183,250 ^(a) |
| <i>Total Real Estate Management & Development</i> | | | | 7,330,525 |
| TOTAL FINANCIALS | | | | 56,533,403 |
| HEALTH CARE - 6.2% | | | | |
| Biotechnology - 0.2% | | | | |
| AMAG Pharmaceuticals Inc., Senior Notes | 7.875% | 9/1/23 | 800,000 | 708,000 ^(a) |
| Health Care Equipment & Supplies - 1.2% | | | | |
| ConvaTec Finance International SA, Senior Notes | 8.250% | 1/15/19 | 2,330,000 | 2,175,637 ^{(a)(b)} |
| DJO Finance LLC/DJO Finance Corp., Secured Notes | 10.750% | 4/15/20 | 1,210,000 | 1,101,100 ^(a) |
| DJO Finco Inc./DJO Finance LLC/DJO Finance Corp., Secured Notes | 8.125% | 6/15/21 | 930,000 | 827,700 ^(a) |
| Greatbatch Ltd., Senior Notes | 9.125% | 11/1/23 | 950,000 | 942,875 ^(a) |
| <i>Total Health Care Equipment & Supplies</i> | | | | 5,047,312 |
| Health Care Providers & Services - 2.8% | | | | |
| BioScrip Inc., Senior Notes | 8.875% | 2/15/21 | 750,000 | 600,000 |
| CHS/Community Health Systems Inc., Senior Notes | 8.000% | 11/15/19 | 380,000 | 384,750 |
| Fresenius Medical Care U.S. Finance Inc., Senior Notes | 6.500% | 9/15/18 | 280,000 | 309,406 ^(a) |
| HCA Inc., Debentures | 7.500% | 11/15/95 | 3,920,000 | 3,763,200 |
| IASIS Healthcare LLC/IASIS Capital Corp., Senior Notes | 8.375% | 5/15/19 | 2,580,000 | 2,386,500 |
| Tenet Healthcare Corp., Senior Notes | 8.125% | 4/1/22 | 1,480,000 | 1,483,700 |
| Tenet Healthcare Corp., Senior Secured Notes | 6.000% | 10/1/20 | 1,330,000 | 1,406,475 |
| Universal Hospital Services Inc., Secured Notes | 7.625% | 8/15/20 | 2,160,000 | 2,038,500 |
| <i>Total Health Care Providers & Services</i> | | | | 12,372,531 |
| Pharmaceuticals - 2.0% | | | | |
| DPx Holdings BV, Senior Notes | 7.500% | 2/1/22 | 980,000 | 959,175 ^(a) |
| JLL/Delta Dutch Pledgeco BV, Senior Notes | 8.750% | 5/1/20 | 2,610,000 | 2,525,175 ^{(a)(b)} |
| Mallinckrodt International Finance SA, Senior Notes | 5.750% | 8/1/22 | 1,590,000 | 1,534,350 ^(a) |
| Valeant Pharmaceuticals International Inc., Senior Notes | 6.750% | 8/15/18 | 360,000 | 358,560 ^(a) |
| Valeant Pharmaceuticals International Inc., Senior Notes | 5.375% | 3/15/20 | 570,000 | 538,650 ^(a) |
| Valeant Pharmaceuticals International Inc., Senior Notes | 6.375% | 10/15/20 | 610,000 | 591,700 ^(a) |
| Valeant Pharmaceuticals International Inc., Senior Notes | 7.500% | 7/15/21 | 1,310,000 | 1,313,275 ^(a) |
| Valeant Pharmaceuticals International Inc., Senior Notes | 7.250% | 7/15/22 | 1,100,000 | 1,080,750 ^(a) |

Total Pharmaceuticals 8,901,635

TOTAL HEALTH CARE 27,029,478

INDUSTRIALS - 11.4%

Aerospace & Defense - 1.0%

| | | | | |
|---|--------|----------|-----------|--------------------------|
| Aerojet Rocketdyne Holdings Inc., Secured Notes | 7.125% | 3/15/21 | 760,000 | 794,200 |
| Bombardier Inc., Senior Notes | 7.500% | 3/15/18 | 640,000 | 627,200 ^(a) |
| Bombardier Inc., Senior Notes | 4.750% | 4/15/19 | 130,000 | 107,575 ^(a) |
| CBC Ammo LLC/CBC FinCo Inc., Senior Notes | 7.250% | 11/15/21 | 2,330,000 | 1,935,065 ^(a) |
| LMI Aerospace Inc., Secured Notes | 7.375% | 7/15/19 | 910,000 | 905,450 |

Total Aerospace & Defense 4,369,490

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2015

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|------------------------|-----------------------------|
| Air Freight & Logistics - 0.8% | | | | |
| Air Medical Merger Sub Corp., Senior Notes | 6.375% | 5/15/23 | 990,000 | \$ 886,050 ^(a) |
| XPO Logistics Inc., Senior Notes | 7.875% | 9/1/19 | 1,770,000 | 1,806,320 ^(a) |
| XPO Logistics Inc., Senior Notes | 5.750% | 6/15/21 | 190,000 ^{EUR} | 192,927 ^(a) |
| XPO Logistics Inc., Senior Notes | 6.500% | 6/15/22 | 860,000 | 798,725 ^(a) |
| <i>Total Air Freight & Logistics</i> | | | | 3,684,022 |
| Airlines - 0.5% | | | | |
| Air Canada, Pass-Through Trust, Secured Notes | 6.625% | 5/15/18 | 560,000 | 564,547 ^(a) |
| American Airlines, Pass-Through Trust, Secured Notes | 7.000% | 1/31/18 | 530,312 | 557,490 ^(a) |
| Continental Airlines Inc., Pass-Through Certificates, Secured Notes | 9.250% | 5/10/17 | 72,948 | 78,145 |
| Delta Air Lines Inc., Pass-Through Certificates, Secured Notes | 8.021% | 8/10/22 | 553,517 | 622,015 |
| Delta Air Lines Inc., Pass-Through Certificates, Subordinated Secured Notes | 9.750% | 12/17/16 | 270,972 | 287,908 |
| <i>Total Airlines</i> | | | | 2,110,105 |
| Building Products - 0.3% | | | | |
| Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Notes | 6.875% | 2/15/21 | 1,460,000 | 1,248,300 ^(a) |
| Commercial Services & Supplies - 1.9% | | | | |
| Garda World Security Corp., Senior Notes | 7.250% | 11/15/21 | 800,000 | 692,000 ^(a) |
| Monitronics International Inc., Senior Notes | 9.125% | 4/1/20 | 3,280,000 | 2,615,800 |
| United Rentals North America Inc., Senior Notes | 8.250% | 2/1/21 | 374,000 | 393,167 |
| United Rentals North America Inc., Senior Notes | 7.625% | 4/15/22 | 2,608,000 | 2,800,210 |
| West Corp., Senior Notes | 5.375% | 7/15/22 | 1,800,000 | 1,559,250 ^(a) |
| <i>Total Commercial Services & Supplies</i> | | | | 8,060,427 |
| Construction & Engineering - 1.4% | | | | |
| Ausdrill Finance Pty Ltd., Senior Notes | 6.875% | 11/1/19 | 1,240,000 | 892,800 ^(a) |
| Brundage-Bone Concrete Pumping Inc., Senior Secured Notes | 10.375% | 9/1/21 | 1,250,000 | 1,231,250 ^(a) |
| Michael Baker Holdings LLC/Michael Baker Finance Corp., Senior Notes | 8.875% | 4/15/19 | 1,656,037 | 1,175,786 ^{(a)(b)} |
| Michael Baker International LLC/CDL Acquisition Co. Inc., Senior Secured Notes | 8.250% | 10/15/18 | 1,870,000 | 1,692,350 ^(a) |
| Modular Space Corp., Secured Notes | 10.250% | 1/31/19 | 1,510,000 | 611,550 ^(a) |
| Odebrecht Finance Ltd., Senior Notes | 5.250% | 6/27/29 | 600,000 | 295,500 ^(a) |
| <i>Total Construction & Engineering</i> | | | | 5,899,236 |
| Electrical Equipment - 0.6% | | | | |
| Interface Grand Master Holdings Inc., Senior Notes | 17.000% | 8/15/19 | 851,794 | 851,794 ^{(b)(c)} |
| International Wire Group Holdings Inc., Senior Secured Notes | 8.500% | 10/15/17 | 1,020,000 | 1,045,500 ^(a) |
| NES Rentals Holdings Inc., Senior Secured Notes | 7.875% | 5/1/18 | 930,000 | 850,950 ^(a) |
| <i>Total Electrical Equipment</i> | | | | 2,748,244 |

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Machinery - 1.5%

| | | | | |
|--|--------|----------|------------------------|--------------------------|
| CTP Transportation Products LLC/CTP Finance Inc., Senior Secured Notes | 8.250% | 12/15/19 | 610,000 | 638,975 ^(a) |
| DH Services Luxembourg Sarl, Senior Notes | 7.750% | 12/15/20 | 2,820,000 | 2,848,200 ^(a) |
| Global Brass and Copper Inc., Senior Secured Notes | 9.500% | 6/1/19 | 1,260,000 | 1,338,750 |
| SIG Combibloc Holdings SCA, Senior Bonds | 7.750% | 2/15/23 | 570,000 ^{EUR} | 648,840 ^(a) |
| SPL Logistics Escrow LLC/SPL Logistics Finance Corp., Senior Secured Notes | 8.875% | 8/1/20 | 890,000 | 872,200 ^(a) |
| <i>Total Machinery</i> | | | | 6,346,965 |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2015

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|---------------|-------------|-----------------------------|
| Marine - 0.5% | | | | |
| Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes | 8.125% | 11/15/21 | 2,170,000 | \$ 1,901,463 ^(a) |
| Ultrapetrol Bahamas Ltd., Senior Secured Notes | 8.875% | 6/15/21 | 1,240,000 | 136,400 ^{*(g)} |
| <i>Total Marine</i> | | | | 2,037,863 |
| Road & Rail - 1.4% | | | | |
| Flexi-Van Leasing Inc., Senior Notes | 7.875% | 8/15/18 | 1,290,000 | 1,296,450 ^(a) |
| Florida East Coast Holdings Corp., Senior Notes | 9.750% | 5/1/20 | 260,000 | 178,100 ^(a) |
| Florida East Coast Holdings Corp., Senior Secured Notes | 6.750% | 5/1/19 | 3,280,000 | 3,009,400 ^(a) |
| Jack Cooper Holdings Corp., Senior Secured Notes | 10.250% | 6/1/20 | 2,110,000 | 1,761,850 ^(a) |
| <i>Total Road & Rail</i> | | | | 6,245,800 |
| Trading Companies & Distributors - 0.7% | | | | |
| Ashtead Capital Inc., Senior Secured Notes | 6.500% | 7/15/22 | 1,340,000 | 1,403,650 ^(a) |
| H&E Equipment Services Inc., Senior Notes | 7.000% | 9/1/22 | 1,620,000 | 1,595,700 |
| <i>Total Trading Companies & Distributors</i> | | | | 2,999,350 |
| Transportation - 0.6% | | | | |
| Hapag-Lloyd AG, Senior Notes | 9.750% | 10/15/17 | 843,000 | 855,645 ^(a) |
| Neovia Logistics Intermediate Holdings LLC/Logistics Intermediate Finance Corp., Senior Notes | 10.000% | 2/15/18 | 1,980,000 | 1,910,700 ^{(a)(b)} |
| <i>Total Transportation</i> | | | | 2,766,345 |
| Transportation Infrastructure - 0.2% | | | | |
| Aguila 3 SA, Senior Secured Notes | 7.875% | 1/31/18 | 870,000 | 875,438 ^(a) |
| TOTAL INDUSTRIALS | | | | 49,391,585 |
| INFORMATION TECHNOLOGY - 2.6% | | | | |
| Communications Equipment - 0.5% | | | | |
| CommScope Technologies Finance LLC, Senior Notes | 6.000% | 6/15/25 | 1,270,000 | 1,225,550 ^(a) |
| QUALCOMM Inc., Senior Subordinated Notes | 4.800% | 5/20/45 | 1,150,000 | 1,024,059 |
| <i>Total Communications Equipment</i> | | | | 2,249,609 |
| Electronic Equipment, Instruments & Components - 0.3% | | | | |
| Interface Security Systems Holdings Inc./Interface Security Systems LLC, Senior Secured Notes | 9.250% | 1/15/18 | 1,400,000 | 1,377,250 |
| Internet Software & Services - 0.5% | | | | |
| Ancestry.com Holdings LLC, Senior Notes | 9.625% | 10/15/18 | 710,000 | 702,012 ^{(a)(b)} |

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| | | | | |
|--|---------|----------|--------------------------|---------------------------|
| Ancestry.com Inc., Senior Notes | 11.000% | 12/15/20 | 1,070,000 | 1,147,575 |
| <i>Total Internet Software & Services</i> | | | | <i>1,849,587</i> |
| IT Services - 1.3% | | | | |
| Compiler Finance Subordinated Inc., Senior Notes | 7.000% | 5/1/21 | 1,900,000 | 836,000 ^(a) |
| First Data Corp., Secured Notes | 5.750% | 1/15/24 | 470,000 | 464,125 ^(a) |
| First Data Corp., Senior Notes | 7.000% | 12/1/23 | 1,030,000 | 1,032,575 ^(a) |
| First Data Corp., Senior Secured Notes | 5.000% | 1/15/24 | 3,400,000 | 3,391,500 ^(a) |
| <i>Total IT Services</i> | | | | <i>5,724,200</i> |
| TOTAL INFORMATION TECHNOLOGY | | | | 11,200,646 |
| MATERIALS - 7.2% | | | | |
| Chemicals - 1.2% | | | | |
| Eco Services Operations LLC/Eco Finance Corp., Senior Notes | 8.500% | 11/1/22 | 470,000 | 401,850 ^(a) |
| Hexion Inc., Senior Secured Notes | 8.875% | 2/1/18 | 1,180,000 | 837,800 |
| HIG BBC Intermediate Holdings LLC/HIG BBC Holdings Corp., Senior Notes | 10.500% | 9/15/18 | 770,000 | 731,500 ^{(a)(b)} |
| Kerling PLC, Senior Secured Notes | 10.625% | 2/1/17 | 1,048,000 ^{EUR} | 1,144,609 ^(a) |
| Rain CII Carbon LLC/CII Carbon Corp., Senior Secured Notes | 8.000% | 12/1/18 | 1,980,000 | 1,707,750 ^(a) |
| Rain CII Carbon LLC/CII Carbon Corp., Senior Secured Notes | 8.250% | 1/15/21 | 280,000 | 219,800 ^(a) |
| <i>Total Chemicals</i> | | | | <i>5,043,309</i> |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2015

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|--------------------------|------------------------------|
| Construction Materials - 0.3% | | | | |
| Hardwoods Acquisition Inc., Senior Secured Notes | 7.500% | 8/1/21 | 1,290,000 | \$ 1,070,700 ^(a) |
| NWH Escrow Corp., Senior Secured Notes | 7.500% | 8/1/21 | 470,000 | 378,350 ^(a) |
| <i>Total Construction Materials</i> | | | | <i>1,449,050</i> |
| Containers & Packaging - 2.8% | | | | |
| Ardagh Finance Holdings SA, Senior Notes | 8.625% | 6/15/19 | 1,408,411 | 1,395,200 ^{(a)(b)} |
| Ardagh Packaging Finance PLC, Senior Notes | 9.125% | 10/15/20 | 1,130,000 | 1,166,725 ^(a) |
| Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes | 9.125% | 10/15/20 | 2,170,000 | 2,229,675 ^(a) |
| BWAY Holding Co., Senior Notes | 9.125% | 8/15/21 | 2,150,000 | 2,021,000 ^(a) |
| Coveris Holdings SA, Senior Notes | 7.875% | 11/1/19 | 1,380,000 | 1,210,950 ^(a) |
| Pactiv LLC, Senior Bonds | 8.375% | 4/15/27 | 3,280,000 | 3,066,800 |
| PaperWorks Industries Inc., Senior Secured Notes | 9.500% | 8/15/19 | 1,030,000 | 947,600 ^(a) |
| <i>Total Containers & Packaging</i> | | | | <i>12,037,950</i> |
| Metals & Mining - 2.5% | | | | |
| ArcelorMittal, Senior Notes | 8.000% | 10/15/39 | 1,850,000 | 1,271,875 |
| Barmingo Finance Pty Ltd., Senior Notes | 9.000% | 6/1/18 | 1,820,000 | 1,446,900 ^(a) |
| Coeur Mining Inc., Senior Notes | 7.875% | 2/1/21 | 1,020,000 | 614,550 |
| Evrax Group SA, Notes | 9.500% | 4/24/18 | 100,000 | 105,187 ^(a) |
| Evrax Group SA, Senior Notes | 9.500% | 4/24/18 | 100,000 | 105,187 ⁽ⁱ⁾ |
| FMG Resources (August 2006) Pty Ltd., Senior Secured Notes | 9.750% | 3/1/22 | 2,580,000 | 2,373,600 ^(a) |
| Joseph T. Ryerson & Son Inc., Senior Secured Notes | 9.000% | 10/15/17 | 260,000 | 201,500 |
| Midwest Vanadium Pty Ltd., Senior Secured Notes | 11.500% | 2/15/18 | 1,570,000 | 88,313 ^{*(a)(d)(g)} |
| Mirabela Nickel Ltd., Subordinated Notes | 1.000% | 9/10/44 | 17,132 | 0 ^{(c)(d)(j)} |
| Prince Mineral Holding Corp., Senior Secured Notes | 11.500% | 12/15/19 | 220,000 | 159,500 ^(a) |
| Schaeffler Holding Finance BV, Senior Secured Bonds | 6.875% | 8/15/18 | 880,000 | 908,600 ^{(a)(b)} |
| Schaeffler Holding Finance BV, Senior Secured Notes | 6.875% | 8/15/18 | 1,050,000 ^{EUR} | 1,183,593 ^{(a)(b)} |
| Schaeffler Holding Finance BV, Senior Secured Notes | 6.750% | 11/15/22 | 1,730,000 | 1,868,400 ^{(a)(b)} |
| St. Barbara Ltd., Senior Secured Notes | 8.875% | 4/15/18 | 290,000 | 283,475 ^(a) |
| Thompson Creek Metals Co. Inc., Senior Notes | 12.500% | 5/1/19 | 1,050,000 | 220,500 |
| <i>Total Metals & Mining</i> | | | | <i>10,831,180</i> |
| Paper & Forest Products - 0.4% | | | | |
| Appvion Inc., Secured Notes | 9.000% | 6/1/20 | 2,510,000 | 1,016,550 ^(a) |
| Resolute Forest Products Inc., Senior Notes | 5.875% | 5/15/23 | 1,060,000 | 776,450 |
| <i>Total Paper & Forest Products</i> | | | | <i>1,793,000</i> |
| TOTAL MATERIALS | | | | 31,154,489 |
| TELECOMMUNICATION SERVICES - 11.9% | | | | |
| Diversified Telecommunication Services - 6.1% | | | | |
| Axtel SAB de CV, Senior Secured Notes | 9.000% | 1/31/20 | 109,000 | 113,633 ^(a) |
| CCOH Safari LLC, Senior Notes | 5.750% | 2/15/26 | 2,510,000 | 2,522,550 ^(a) |

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| | | | | |
|---|---------|----------|-----------|--------------------------|
| CenturyLink Inc., Senior Notes | 6.750% | 12/1/23 | 1,760,000 | 1,656,600 |
| CenturyLink Inc., Senior Notes | 7.650% | 3/15/42 | 1,360,000 | 1,047,200 |
| Frontier Communications Corp., Senior Notes | 10.500% | 9/15/22 | 1,090,000 | 1,088,638 ^(a) |
| Frontier Communications Corp., Senior Notes | 11.000% | 9/15/25 | 1,670,000 | 1,657,475 ^(a) |
| Intelsat Jackson Holdings SA, Senior Notes | 7.500% | 4/1/21 | 6,840,000 | 5,985,000 |
| Intelsat Luxembourg SA, Senior Bonds | 7.750% | 6/1/21 | 1,370,000 | 647,325 |
| Level 3 Financing Inc., Senior Notes | 7.000% | 6/1/20 | 130,000 | 136,175 |
| Level 3 Financing Inc., Senior Notes | 6.125% | 1/15/21 | 630,000 | 653,625 |
| Level 3 Financing Inc., Senior Notes | 5.625% | 2/1/23 | 1,350,000 | 1,382,062 |
| Oi Brasil Holdings Cooperatief U.A., Senior Notes | 5.750% | 2/10/22 | 2,410,000 | 1,120,650 ^(a) |
| Verizon Communications Inc., Senior Notes | 5.150% | 9/15/23 | 1,830,000 | 2,014,989 |
| Windstream Services LLC, Senior Notes | 7.750% | 10/15/20 | 410,000 | 346,963 |
| Windstream Services LLC, Senior Notes | 7.750% | 10/1/21 | 7,260,000 | 5,749,012 |
| Windstream Services LLC, Senior Notes | 6.375% | 8/1/23 | 500,000 | 361,875 |
| <i>Total Diversified Telecommunication Services</i> | | | | 26,483,772 |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2015

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|------------------------|---------------------------|
| Wireless Telecommunication Services - 5.8% | | | | |
| Altice Financing SA, Senior Secured Notes | 5.250% | 2/15/23 | 180,000 ^{EUR} | \$ 195,644 ^(a) |
| Altice Financing SA, Senior Secured Notes | 6.625% | 2/15/23 | 3,260,000 | 3,227,400 ^(a) |
| Neptune Finco Corp., Senior Notes | 10.125% | 1/15/23 | 310,000 | 323,950 ^(a) |
| Neptune Finco Corp., Senior Notes | 6.625% | 10/15/25 | 1,410,000 | 1,469,925 ^(a) |
| Neptune Finco Corp., Senior Notes | 10.875% | 10/15/25 | 1,360,000 | 1,428,000 ^(a) |
| Sprint Capital Corp., Senior Notes | 6.875% | 11/15/28 | 2,900,000 | 2,030,000 |
| Sprint Capital Corp., Senior Notes | 8.750% | 3/15/32 | 6,065,000 | 4,563,913 |
| Sprint Communications Inc., Senior Notes | 6.000% | 12/1/16 | 200,000 | 200,000 |
| Sprint Communications Inc., Senior Notes | 9.000% | 11/15/18 | 2,770,000 | 2,922,350 ^(a) |
| Sprint Corp., Senior Notes | 7.875% | 9/15/23 | 2,130,000 | 1,604,955 |
| T-Mobile USA Inc., Senior Notes | 6.542% | 4/28/20 | 560,000 | 585,200 |
| T-Mobile USA Inc., Senior Notes | 6.000% | 3/1/23 | 2,000,000 | 2,030,000 |
| T-Mobile USA Inc., Senior Notes | 6.500% | 1/15/26 | 590,000 | 597,074 |
| Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, Senior Notes | 9.125% | 4/30/18 | 130,000 | 140,950 ⁽ⁱ⁾ |
| Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, Senior Notes | 7.748% | 2/2/21 | 2,010,000 | 2,061,691 ^(a) |
| VimpelCom Holdings BV, Senior Notes | 7.504% | 3/1/22 | 1,000,000 | 1,005,000 ⁽ⁱ⁾ |
| VimpelCom Holdings BV, Senior Notes | 7.504% | 3/1/22 | 590,000 | 592,950 ^(a) |
| <i>Total Wireless Telecommunication Services</i> | | | | 24,979,002 |
| TOTAL TELECOMMUNICATION SERVICES | | | | 51,462,774 |
| UTILITIES - 2.8% | | | | |
| Electric Utilities - 1.8% | | | | |
| Midwest Generation LLC, Pass-Through Certificates, Secured Bonds | 8.560% | 1/2/16 | 113,096 | 112,672 |
| NRG REMA LLC, Pass-Through Certificates, Senior Secured Bonds | 9.237% | 7/2/17 | 317,783 | 325,529 |
| NRG REMA LLC, Pass-Through Certificates, Senior Secured Bonds | 9.681% | 7/2/26 | 2,820,000 | 2,738,925 |
| Red Oak Power LLC, Secured Notes | 9.200% | 11/30/29 | 4,200,000 | 4,494,000 |
| <i>Total Electric Utilities</i> | | | | 7,671,126 |
| Gas Utilities - 0.0% | | | | |
| Southern Natural Gas Co., LLC, Senior Notes | 8.000% | 3/1/32 | 60,000 | 59,050 |
| Independent Power and Renewable Electricity Producers - 1.0% | | | | |
| Calpine Corp., Senior Secured Notes | 7.875% | 1/15/23 | 940,000 | 1,005,800 ^(a) |
| Mirant Mid Atlantic LLC, Pass-Through Certificates, Secured Bonds | 10.060% | 12/30/28 | 3,303,832 | 3,208,847 |
| Mirant Mid Atlantic LLC, Pass-Through Certificates, Senior Secured Notes | 9.125% | 6/30/17 | 71,465 | 70,840 |
| <i>Total Independent Power and Renewable Electricity Producers</i> | | | | 4,285,487 |
| TOTAL UTILITIES | | | | 12,015,663 |
| TOTAL CORPORATE BONDS & NOTES | | | | 363,410,778 |

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(Cost - \$404,625,017)

COLLATERALIZED MORTGAGE OBLIGATIONS - 0.4%

| | | | | |
|--|--------|---------|-----------|---------------------------|
| Commercial Mortgage Trust, 2015-LC21 E | 3.250% | 7/10/48 | 1,100,000 | 683,339 ^(a) |
| JPMBB Commercial Mortgage Securities Trust, 2015-C31 E | 4.619% | 8/15/48 | 900,000 | 629,428 ^{(a)(f)} |
| Wells Fargo Commercial Mortgage Trust, 2015-C28 E | 3.000% | 5/15/48 | 1,000,000 | 607,220 ^(a) |

TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS

(Cost - \$1,959,830)

1,919,987

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2015

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|-------------|------------------------------|
| CONVERTIBLE BONDS & NOTES - 0.3% | | | | |
| MATERIALS - 0.3% | | | | |
| Chemicals - 0.1% | | | | |
| Hercules Inc., Junior Subordinated Bonds | 6.500% | 6/30/29 | 420,000 | \$ 371,700 |
| Metals & Mining - 0.2% | | | | |
| Mirabela Nickel Ltd., Senior Secured Bonds | 9.500% | 6/24/19 | 1,240,176 | 731,704 ^{(a)(b)(d)} |
| TOTAL CONVERTIBLE BONDS & NOTES | | | | 1,103,404 |
| (Cost - \$1,627,479) | | | | |
| SENIOR LOANS - 2.6% | | | | |
| CONSUMER DISCRETIONARY - 0.7% | | | | |
| Hotels, Restaurants & Leisure - 0.3% | | | | |
| Equinox Holdings Inc., Second Lien Term Loan | 9.750% | 7/31/20 | 1,290,000 | 1,307,200 ^{(k)(l)} |
| Specialty Retail - 0.3% | | | | |
| Spencer Gifts LLC, Second Lien Term Loan | 9.250% | 11/12/21 | 1,100,000 | 1,108,250 ^{(k)(l)} |
| Textiles, Apparel & Luxury Goods - 0.1% | | | | |
| TOMS Shoes LLC, Term Loan B | 6.500% | 10/28/20 | 823,775 | 560,167 ^{(k)(l)} |
| TOTAL CONSUMER DISCRETIONARY | | | | 2,975,617 |
| CONSUMER STAPLES - 0.1% | | | | |
| Food Products - 0.1% | | | | |
| AdvancePierre Foods Inc., Second Lien Term Loan | 9.500% | 10/10/17 | 550,000 | 541,750 ^{(k)(l)} |
| ENERGY - 0.5% | | | | |
| Energy Equipment & Services - 0.3% | | | | |
| Hercules Offshore LLC, Exit Term Loan | 10.500% | 5/6/20 | 2,050,000 | 1,445,250 ^{(k)(l)} |
| Oil, Gas & Consumable Fuels - 0.2% | | | | |
| Magnum Hunter Resources Inc., DIP Term Loan | 9.000% | 9/15/16 | 280,000 | 280,700 ^{(k)(l)} |
| Westmoreland Coal Co., Term Loan B | 7.500% | 12/16/20 | 823,702 | 514,814 ^{(k)(l)} |
| <i>Total Oil, Gas & Consumable Fuels</i> | | | | 795,514 |
| TOTAL ENERGY | | | | 2,240,764 |
| HEALTH CARE - 0.5% | | | | |
| Health Care Equipment & Supplies - 0.2% | | | | |
| Lantheus Medical Imaging Inc., Term Loan | 7.000% | 6/30/22 | 1,014,900 | 933,708 ^{(k)(l)} |
| Health Care Providers & Services - 0.3% | | | | |
| Radnet Management Inc., Second Lien Term Loan | 8.000% | 3/25/21 | 1,350,000 | 1,296,000 ^{(k)(l)} |

| | | | | |
|---|--------|---------|-----------|-----------------------------|
| TOTAL HEALTH CARE | | | | 2,229,708 |
| INDUSTRIALS - 0.3% | | | | |
| Commercial Services & Supplies - 0.3% | | | | |
| Kronos Inc., Second Lien Term Loan | 9.750% | 4/30/20 | 979,232 | 976,376 ^{(k)(l)} |
| UTILITIES - 0.5% | | | | |
| Electric Utilities - 0.2% | | | | |
| Panda Temple Power LLC, 2015 Term Loan B | 7.250% | 3/4/22 | 1,210,850 | 998,951 ^{(k)(l)} |
| Independent Power and Renewable Electricity Producers - 0.3% | | | | |
| Energy Future Intermediate Holding Co., LLC, DIP Term Loan | 4.250% | 6/19/16 | 1,160,000 | 1,158,006 ^{(k)(l)} |
| TOTAL UTILITIES | | | | 2,156,957 |
| TOTAL SENIOR LOANS | | | | |
| (Cost - \$12,415,212) | | | | 11,121,172 |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2015

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|--------|---------------|-------------|------------------------------|
| U.S. GOVERNMENT & AGENCY OBLIGATIONS - 3.4% | | | | |
| U.S. Government Obligations - 3.4% | | | | |
| U.S. Treasury Notes | | | | |
| (Cost - \$14,995,549) | 1.375% | 9/30/20 | 15,000,000 | \$ 14,742,480 |
| SHARES | | | | |
| COMMON STOCKS - 2.1% | | | | |
| CONSUMER DISCRETIONARY - 0.0% | | | | |
| Hotels, Restaurants & Leisure - 0.0% | | | | |
| Bossier Casino Venture Holdco Inc. | | | 86,730 | 0 ^{*(c)(d)(j)} |
| ENERGY - 0.3% | | | | |
| Energy Equipment & Services - 0.3% | | | | |
| Hercules Offshore Inc. | | | 56,559 | 122,733* |
| KCAD Holdings I Ltd. | | | 275,927,431 | 968,781 ^{*(c)(d)} |
| TOTAL ENERGY | | | | 1,091,514 |
| FINANCIALS - 1.1% | | | | |
| Banks - 1.1% | | | | |
| Citigroup Inc. | | | 64,503 | 3,338,030 |
| JPMorgan Chase & Co. | | | 24,776 | 1,635,960 |
| TOTAL FINANCIALS | | | | 4,973,990 |
| HEALTH CARE - 0.3% | | | | |
| Health Care Providers & Services - 0.3% | | | | |
| Physiotherapy Associates Holdings Inc. | | | 16,100 | 1,336,300 ^{*(c)(d)} |
| INDUSTRIALS - 0.4% | | | | |
| Marine - 0.1% | | | | |
| DeepOcean Group Holding AS | | | 106,322 | 496,418 ^{*(c)(d)} |
| Road & Rail - 0.0% | | | | |
| Jack Cooper Enterprises Inc. | | | 3,202 | 32 ^{*(c)(d)} |
| Trading Companies & Distributors - 0.3% | | | | |
| H&E Equipment Services Inc. | | | 59,590 | 1,041,633 |
| TOTAL INDUSTRIALS | | | | 1,538,083 |
| MATERIALS - 0.0% | | | | |
| Metals & Mining - 0.0% | | | | |
| Mirabela Nickel Ltd. | | | 3,464,533 | 209,542 ^{*(c)(d)} |

| | | | |
|--|--------|---------|--------------------------|
| TOTAL COMMON STOCKS | | | |
| (Cost - \$13,930,211) | | | 9,149,429 |
| CONVERTIBLE PREFERRED STOCKS - 0.0% | | | |
| ENERGY - 0.0% | | | |
| Oil, Gas & Consumable Fuels - 0.0% | | | |
| Rex Energy Corp. | | | |
| (Cost - \$1,186,250) | 6.000% | 16,600 | 117,860 |
| PREFERRED STOCKS - 1.8% | | | |
| FINANCIALS - 1.8% | | | |
| Consumer Finance - 1.3% | | | |
| GMAC Capital Trust I | 8.125% | 216,388 | 5,487,600 ^(f) |
| Diversified Financial Services - 0.5% | | | |
| Citigroup Capital XIII | 6.692% | 92,250 | 2,397,577 ^(f) |
| TOTAL PREFERRED STOCKS | | | |
| (Cost - \$7,794,546) | | | 7,885,177 |
| TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS | | | |
| (Cost - \$458,534,094) | | | 409,450,287 |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2015

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|--------|---------------|-------------|----------------|
| SHORT-TERM INVESTMENTS - 3.2% | | | | |
| Repurchase Agreements - 2.6% | | | | |
| Deutsche Bank Securities Inc. repurchase agreement dated 12/31/15; Proceeds at maturity - \$11,200,423; (Fully collateralized by U.S. government obligations, 0.125% due 4/15/17; Market value - \$11,424,000) (Cost - \$11,200,000) | 0.340% | 1/4/16 | 11,200,000 | \$ 11,200,000 |
| Money Market Funds - 0.6% | | | | |
| State Street Institutional U.S. Government Money Market Fund, Premier Class (Cost - \$2,653,832) | 0.073% | | 2,653,832 | 2,653,832 |
| TOTAL SHORT-TERM INVESTMENTS (Cost - \$13,853,832) | | | | |
| | | | | 13,853,832 |
| TOTAL INVESTMENTS - 97.8% (Cost - \$472,387,926#) | | | | |
| | | | | 423,304,119 |
| Other Assets in Excess of Liabilities - 2.2% | | | | 9,479,296 |
| TOTAL NET ASSETS - 100.0% | | | | |
| | | | | \$ 432,783,415 |

Face amount denominated in U.S. dollars, unless otherwise noted.

* 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, unless otherwise noted.

(b) Payment-in-kind security for which the issuer has the option at each interest payment date of making interest payments in cash or additional debt securities.

(c) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).

(d) Illiquid security.

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- (e) The maturity principal is currently in default as of December 31, 2015.
- (f) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (g) The coupon payment on these securities is currently in default as of December 31, 2015.
- (h) Security has no maturity date. The date shown represents the next call date.
- (i) Security is exempt from registration under Regulation S of the Securities Act of 1933. Regulation S applies to securities offerings that are made outside of the United States and do not involve direct selling efforts in the United States. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (j) Value is less than \$1.
- (k) Interest rates disclosed represent the effective rates on senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
- (l) Senior loans may be considered restricted in that the Fund ordinarily is contractually obligated to receive approval from the agent bank and/or borrower prior to the disposition of a senior loan.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

AUD Australian Dollar

DIP Debtor-in-Possession

EUR Euro

OJSC Open Joint Stock Company

This Schedule of Investments is unaudited and is intended to provide information about the Fund's portfolio holdings 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.

Notes to Schedule of Investments (unaudited)**1. Organization and significant accounting policies**

Western Asset High Income Opportunity 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. Capital appreciation is a secondary objective. In seeking to fulfill its investment objectives, the Fund invests, under normal market conditions, at least 80% of its net assets in high-yield securities and up to 20% in common stock equivalents, including options, warrants and rights.

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. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. When the Fund holds securities or other assets that are denominated in a foreign currency, the Fund will normally use the currency exchange rates as of 4:00 p.m. (Eastern Time). 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 (LEVEL 1) | OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | |
| Long-term investments : | | | | |
| Corporate bonds & notes: | | | | |
| Consumer discretionary | | \$ 61,121,041 | \$ 1,132,816 | \$ 62,253,857 |
| Industrials | | 48,539,791 | 851,794 | 49,391,585 |
| Materials | | 31,154,489 | 0* | 31,154,489 |
| Other corporate bonds & notes | | 220,610,847 | | 220,610,847 |
| Collateralized mortgage obligations | | 1,919,987 | | 1,919,987 |
| Convertible bonds & notes | | 1,103,404 | | 1,103,404 |
| Senior loans: | | | | |
| Consumer discretionary | | 1,307,200 | 1,668,417 | 2,975,617 |
| Consumer staples | | | 541,750 | 541,750 |
| Energy | | | 2,240,764 | 2,240,764 |
| Health care | | 1,296,000 | 933,708 | 2,229,708 |
| Industrials | | 976,376 | | 976,376 |
| Utilities | | 1,158,006 | 998,951 | 2,156,957 |
| U.S. government & agency obligations | | 14,742,480 | | 14,742,480 |
| Common stocks: | | | | |
| Consumer discretionary | | | 0* | 0* |
| Energy | \$ 122,733 | | 968,781 | 1,091,514 |
| Financials | 4,973,990 | | | 4,973,990 |
| Health care | | | 1,336,300 | 1,336,300 |
| Industrials | 1,041,633 | | 496,450 | 1,538,083 |
| Materials | | | 209,542 | 209,542 |
| Convertible preferred stocks | 117,860 | | | 117,860 |
| Preferred stocks | 7,885,177 | | | 7,885,177 |
| Total long-term investments | \$ 14,141,393 | \$ 383,929,621 | \$ 11,379,273 | \$ 409,450,287 |
| Short-term investments : | | | | |
| Repurchase agreements | | 11,200,000 | | 11,200,000 |

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| | | | | | | |
|------------------------------------|----|------------|----|-------------|---------------|----------------|
| Money market funds | | 2,653,832 | | | 2,653,832 | |
| Total short-term investments | \$ | 2,653,832 | \$ | 11,200,000 | \$ 13,853,832 | |
| Total investments | \$ | 16,795,225 | \$ | 395,129,621 | \$ 11,379,273 | \$ 423,304,119 |
| Other financial instruments: | | | | | | |
| Futures contracts | \$ | 113,116 | | | \$ 113,116 | |
| Forward foreign currency contracts | | | \$ | 173,775 | 173,775 | |
| Total other financial instruments | \$ | 113,116 | \$ | 173,775 | \$ 286,891 | |
| Total | \$ | 16,908,341 | \$ | 395,303,396 | \$ 11,379,273 | \$ 423,591,010 |

See Schedule of Investments for additional detailed categorizations.

* Amount represents less than \$1.

The Fund's policy is to recognize transfers between levels as of the end of the reporting period. At December 31, 2015, securities valued at \$117,860 were transferred from Level 2 to Level 1 within the fair value hierarchy because of the availability of a quoted price in an active market for an identical investment.

Notes to Schedule of Investments (unaudited) (continued)

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

| INVESTMENTS IN SECURITIES | CORPORATE BONDS & NOTES | | | | CONVERTIBLE BONDS & NOTES |
|---|-------------------------|-------------|-----------|--------------|---------------------------|
| | CONSUMER DISCRETIONARY | INDUSTRIALS | MATERIALS | UTILITIES | MATERIALS |
| Balance as of September 30, 2015 | \$ 1,141,402 | | \$ 0* | \$ 2,961,296 | \$ 651,166 |
| Accrued premiums/discounts | 4,172 | | | | |
| Realized gain (loss) | | | | | |
| Change in unrealized appreciation (depreciation) ¹ | (12,758) | | (170) | (109,699) | 24,301 |
| Purchases | | | 170 | | 56,237 |
| Sales | | | | | |
| Transfers into Level 3 ² | | \$ 851,794 | | | |
| Transfers out of Level 3 ³ | | | | (2,851,597) | (731,704) |
| Balance as of December 31, 2015 | \$ 1,132,816 | \$ 851,794 | \$ 0* | | |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at December 31, 2015 ¹ | (12,758) | | \$ (170) | | |

| INVESTMENTS IN SECURITIES (cont d) | SENIOR LOANS | | | HEALTH CARE | UTILITIES |
|---|------------------------|------------------|--------------|-------------|--------------|
| | CONSUMER DISCRETIONARY | CONSUMER STAPLES | ENERGY | | |
| Balance as of September 30, 2015 | \$ 1,851,507 | | \$ 2,660,486 | \$ 966,578 | \$ 1,171,414 |
| Accrued premiums/discounts | 3,207 | | 2,507 | 370 | 734 |
| Realized gain (loss) | 175 | | 45 | 30 | 56 |
| Change in unrealized appreciation (depreciation) ¹ | (184,397) | | (748,704) | (30,720) | (170,203) |
| Purchases | | | 2,268,500 | | |
| Sales | (2,075) | | (1,942,070) | (2,550) | (3,050) |
| Transfers into Level 3 ² | | \$ 541,750 | | | |
| Transfers out of Level 3 | | | | | |
| Balance as of December 31, 2015 | \$ 1,668,417 | \$ 541,750 | \$ 2,240,764 | \$ 933,708 | \$ 998,951 |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at December 31, 2015 ¹ | \$ (184,397) | | \$ (748,704) | \$ (30,720) | \$ (170,203) |

| INVESTMENTS IN SECURITIES (cont d) | COMMON STOCKS | | | | | | TOTAL |
|--|------------------------|----------------|--------------|--------------|------------|------------|----------------|
| | CONSUMER DISCRETIONARY | ENERGY | HEALTH CARE | INDUSTRIALS | MATERIALS | WARRANTS | |
| Balance as of September 30, 2015 | \$ 0* | \$ 2,498,523 | \$ 1,336,300 | \$ 685,351 | \$ 201,836 | \$ 448,280 | \$ 16,574,139 |
| Accrued premiums/discounts | | | | | | | 10,990 |
| Realized gain (loss) | | | | | | | 306 |
| Change in unrealized appreciation (depreciation) ¹ | | (1,529,742) | | (244,590) | 7,706 | (392,623) | (3,391,599) |
| Purchases | | | | 55,689 | | 32 | 2,380,628 |
| Sales | | | | | | (55,689) | (2,005,434) |
| Transfers into Level 3 ² | | | | | | | 1,393,544 |
| Transfers out of Level 3 ³ | | | | | | | (3,583,301) |
| Balance as of December 31, 2015 | \$ 0* | \$ 968,781 | \$ 1,336,300 | \$ 496,450 | \$ 209,542 | | \$ 11,379,273 |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at | | \$ (1,529,742) | | \$ (244,590) | \$ 7,706 | | \$ (2,913,578) |

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December 31, 2015¹

The Fund's policy is to recognize transfers between levels as of the end of the reporting period.

* Amount represents less than \$1.

¹ Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

² Transferred into Level 3 as a result of the unavailability of a quoted price in an active market for an identical investment or the unavailability of other significant observable inputs.

³ Transferred out of Level 3 as a result of the availability of a quoted price in an active market for an identical investment or the availability of other significant observable inputs.

2. Investments

At December 31, 2015, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

| | |
|-------------------------------|-----------------|
| Gross unrealized appreciation | \$ 11,365,991 |
| Gross unrealized depreciation | (60,449,798) |
| Net unrealized depreciation | \$ (49,083,807) |

Notes to Schedule of Investments (unaudited) (continued)

At December 31, 2015, the Fund had the following open futures contracts:

| | Number of Contracts | Expiration Date | Basis Value | Market Value | Unrealized Appreciation |
|--|--------------------------------|----------------------------|------------------------|-------------------------|------------------------------------|
| Contracts to Buy: | | | | | |
| U.S. Treasury Ultra Long-Term Bonds | 86 | 3/16 | \$ 13,554,303 | \$ 13,647,125 | \$ 92,822 |
| Contracts to Sell: | | | | | |
| U.S. Treasury 10-Year Notes | 73 | 3/16 | 9,211,450 | 9,191,156 | 20,294 |
| Net unrealized appreciation on open futures contracts | | | | | \$ 113,116 |

At December 31, 2015, the Fund had the following open forward foreign currency contracts:

| Currency Purchased | | Currency Sold | | Counterparty | Settlement Date | Unrealized Appreciation |
|-------------------------------|-----------|--------------------------|-----------|----------------------|----------------------------|------------------------------------|
| EUR | 519,000 | USD | 549,054 | Bank of America N.A. | 1/19/16 | \$ 15,168 |
| USD | 3,290,574 | EUR | 2,885,658 | Bank of America N.A. | 1/19/16 | 153,478 |
| USD | 3,207,309 | EUR | 2,943,512 | Citibank, N.A. | 2/16/16 | 5,129 |
| Total | | | | | | \$ 173,775 |

Abbreviations used in this table:

EUR Euro
USD United States Dollar

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 High Income Opportunity Fund Inc.

By /s/ JANE TRUST
 Jane Trust
 Chief Executive Officer

Date: February 22, 2016

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: February 22, 2016

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

Date: February 22, 2016