

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

NEW AMERICA HIGH INCOME FUND INC  
Form N-CSRS  
September 05, 2003

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 No. 811-5399  
-----

THE NEW AMERICA HIGH INCOME FUND, INC.  
-----

(Exact Name of Registrant as Specified in Charter)

33 Broad Street, Boston, MA 02109  
-----

(Address of Principal Executive Offices) (Zip Code)

Richard E. Floor, Secretary  
The New America High Income Fund, Inc.  
33 Broad Street  
Boston, MA 02109

Registrant's telephone number, including area code: (617) 263-6400

Date of fiscal year end: December 31

Date of reporting period: January 1, 2003 to June 30, 2003

ITEM 1. REPORTS TO STOCKHOLDERS.

THE NEW  
AMERICA  
HIGH INCOME  
FUND, INC.

[NEW AMERICA HIGH INCOME FUND LOGO]

SEMI-ANNUAL  
REPORT  
JUNE 30, 2003

August 22, 2003

DEAR SHAREHOLDER,

During the first six months of 2003, the high yield bond market continued the improvement that began late in 2002. The Fund's market price per share was \$2.20 on June 30th. Including the dividends paid of \$.0975 per share, the Fund had a 14.6% total return for the first half of 2003, based upon the market price per share. When this letter went to press on August 22, 2003, our Fund's shares had an annualized dividend yield of 10.6%, based upon a stock price of \$1.98 and the

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

current monthly dividend of \$.0175 per month. The net asset value per share was \$2.19 on June 30th, up almost 16% from the December 31, 2002 level of \$1.89.

Looking back over the last six months there have been two significant events in the Fund:

- The new investment manager, T. Rowe Price Associates, Inc. (TRP) was able to take over the management of the portfolio in a rising market and has managed the Fund's portfolio with a goal of achieving an asset mix designed to preserve income.
- The Fund successfully completed a rights offering. The offering raised approximately \$42 million through the sale of new shares at a subscription price of \$1.81 per share. Because the issuance of additional common stock in the rights offering has caused a reduction in the Fund's leverage ratio, the Directors have authorized action designed to restore the leverage ratio to approximately 40%, its general level prior to the rights offering. The leverage is an important contributor supporting the Fund's common dividend.

As you all know, the Fund's leverage exaggerates both the decline in net asset value per share in a falling market and the gain in net asset value per share in rising markets. A positive impact on the high yield debt market from a recovering economy should put the Fund in a position to benefit from its leveraged capital structure. A detailed review of the high yield market and the economy written by the Fund's investment manager, TRP, follows.

### HIGH YIELD MARKET UPDATE

The high yield market continued its impressive recovery during the first half of 2003, adding to significant gains earned in the fourth quarter of 2002. The second quarter saw strong performance in the stock market and the continued process of balance sheet repair undertaken by many U.S. corporations.

The high yield market has now generated a return of over 20% during the past twelve months. The most impressive results originated from the lowest rated and most speculative companies and sectors. CCC-rated bonds continue to significantly outperform higher rated securities, from both a yield and capital appreciation standpoint. Conversely, we see many higher rated BB bonds as fundamentally overvalued in a low interest rate environment. With yields under 7% for many credits, BB-rated bonds could be susceptible to rising interest rates if momentum in the economy improves.

### STRATEGY REVIEW

High yield investors assume two types of risk: credit and interest rate. For the past five years, managing credit risk has been the principal challenge in the high yield bear market. We now see the risk shifting more to interest rates. If fiscal and monetary stimulus in the U.S. gain traction by the second half of 2003, we could see stronger economic activity. With interest rates near historic lows, we expect yields to move upward if our scenario proves correct. While high yield bonds should outperform their investment grade counterparts, in a rising interest rate environment, rising interest rates could wipe out most of the income from higher rated bonds in our universe. The average duration and yield of BB-rated bonds are 4.5 and 6.6%, respectively. The basics of bond mathematics lead us to an obvious conclusion. We will continue to reduce our exposure to BB's in the portfolio.

The outlook for lower rated B's and CCC's appears much brighter in our forecast. In addition to their significant yield advantage relative to BB's, we expect the lower quality sectors of the market to benefit if trends in improving credit quality and reduced default risk. The default rate in the high yield market has already fallen sharply

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

this year. Even the most speculative companies in our universe have found ways to repair balance sheets through new bank and bond financings. With equity markets rallying sharply, high yield companies should also be able to issue stock and low coupon convertible bonds.

No sector better exemplifies the shift in the credit cycle than utilities, with year-to-date performance exceeding 30%. At year end, we had limited exposure in this industry. Today utilities comprise one of our top sector exposures and we have found numerous ideas that have generated meaningful capital appreciation. Williams, AES and Calpine are among the recommendations that were strong contributors during the second quarter.

Three years ago, the telecommunications sector began a dramatic and well documented upheaval that made even the more established credits seem dicey propositions at best. Today, we see opportunities among higher yielding telecom companies that will remain solvent and continue to pay the coupons on their bonds. Like the utility sector, we increased our allocation in this area of the market with very positive results. Qwest and Charter Communications are two major names in the high yield market that have staged impressive recoveries this year. Both are now core positions in the portfolio. We were also gratified to see a significant rebound in our wireless services companies, with some of the best returns in the market.

We noted in our last report our intention to exercise particular care when considering the sale of the portfolio's discounted securities, mindful of the fact that many could enjoy meaningful capital appreciation in an improving market. We can now report that we successfully harvested significant gains from recoveries in discounted positions Athena Nuro, Avista, Case and airlines Delta and Northwest, among others. Proceeds from these recovered positions have been gradually redeployed to reduce the portfolio's sector and credit concentrations. We anticipate this will result in less volatile performance going forward.

While we have shifted from a conservative to a neutral stance by rotating from BB's to CCC's, we have not compromised our risk control standards. Even with the increased allocation, CCC's remain a relatively small part of the portfolio and subject to limitations associated with maintaining the AAA credit rating for the ATP. Today the portfolio is more balanced from a sector standpoint, with no industry representing more than 10% of assets and no current intention to move to a more concentrated strategy. Our risk control priorities will be a drag on performance in 2003, as opposed to a positive contributor in less favorable market conditions, but still remain a critical component in generating superior long term returns in this asset class.

Thank you for your continued interest in the Fund,

Sincerely,

/s/ Robert F. Birch

/s/ Mark Vaselkiv

Robert F. Birch  
President  
The New America High Income Fund, Inc.

Mark Vaselkiv  
Vice President  
T. Rowe Price Associates, Inc.

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

(Dollar Amounts in Thousands)

| PRINCIPAL<br>AMOUNT/UNITS                | MOODY'S<br>RATING<br>(UNAUDITED)   | VALUE<br>(NOTE 1(a)) |
|--|--|----------------------|
| -----                                    |  |                      |
| CORPORATE DEBT SECURITIES -- 154.09% (d) |  |                      |
| -----                                    |  |                      |
| AEROSPACE AND DEFENSE -- 1.87%           |  |                      |
| \$ 650                                   | Aviall, Inc., Senior Notes,<br>7.625%, 07/01/11 (g)                                | \$ 660               |
| 350                                      | Esterline Technologies Corp.,<br>Senior Subordinated Notes,<br>7.75%, 06/15/13 (g) | 367                  |
| 600                                      | Sequa Corporation, Senior Notes,<br>9%, 08/01/09                                   | 636                  |
| 1,200                                    | Vought Aircraft Industries, Inc.,<br>Senior Notes,<br>8%, 7/15/11 (g)              | 1,209                |
|  |  | -----                |
|  |  | 2,872                |
|  |  | -----                |
| AUTOMOBILE -- 3.86%                      |  |                      |
| 150                                      | Arvin Industries, Inc., Senior Notes,<br>7.125%, 03/15/09                          | 158                  |
| 450                                      | ArvinMeritor, Inc., Senior Notes,<br>8.75%, 03/01/12                               | 506                  |
| 365                                      | Cummins, Inc., Senior Notes,<br>9.50% 12/01/10 (g)                                 | 411                  |
| 575                                      | Dana Corporation, Notes<br>9%, 08/15/11  | 622                  |
| 395                                      | Dana Corporation, Senior Notes,<br>10.125%, 03/15/10                               | 435                  |
| 250                                      | General Motors Corporation,<br>Senior Notes,<br>7.125%, 07/15/13                   | 250                  |
| 650                                      | HLI Operating Company Inc.,<br>Senior Notes,<br>10.50%, 06/15/10 (g)               | 683                  |
| 600                                      | Tenneco Automotive Inc., Senior<br>Secured Notes,<br>10.25%, 07/15/13 (g)          | 608                  |
| 275                                      | Tenneco Automotive Inc., Senior<br>Subordinated Notes,<br>11.625%, 10/15/09        | 242                  |
| 1,225                                    | TRW Automotive Inc., Senior Notes,<br>9.375%, 02/15/13 (g)                         | 1,335                |
| 600                                      | TRW Automotive Inc., Senior<br>Subordinated Notes,<br>11%, 02/15/13 (g)            | 660                  |
|  |  | -----                |
|  |  | 5,910                |
|  |  | -----                |
| BEVERAGE, FOOD AND TOBACCO -- 5.75%      |  |                      |
| \$ 1,125                                 | Agrilink Foods, Inc. , Senior<br>Subordinated Notes,<br>11.875%, 11/01/08          | \$ 1,218             |
| 1,200                                    | B&G Foods, Inc., Senior<br>Subordinated Notes,                                     |                      |

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|   |   |     |       |
|---|---|-----|-------|
|   | 9.625%, 08/01/07                                    | B3  | 1,239 |
| 625                                     | Burns Philp, Senior Subordinated Notes,             |     |       |
|   | 10.75%, 02/15/11 (g)                                | B3  | 654   |
| 1,125                                   | DIMON Incorporated, Senior Notes,                   |     |       |
|   | 9.625%, 10/15/11                                    | Ba3 | 1,238 |
| 600                                     | Doane Pet Care Co., Senior Notes,                   |     |       |
|   | 10.75%, 03/01/10                                    | B2  | 654   |
| 400                                     | Dole Food Company, Inc., Senior Notes               |     |       |
|   | 7.25%, 05/01/09                                     | B2  | 424   |
| 825                                     | Dole Food Company, Inc., Senior Notes               |     |       |
|   | 8.875%, 03/15/11 (g)                                | B2  | 875   |
| 325                                     | Domino's, Inc., Senior Subordinated Notes,          |     |       |
|   | 8.25%, 07/01/11 (g)                                 | B3  | 336   |
| 1,125                                   | Le-Nature's, Inc., Senior Subordinated Notes,       |     |       |
|   | 9%, 06/15/13 (g)                                    | B3  | 1,164 |
| 325                                     | Luigino's Inc., Senior Subordinated Notes,          |     |       |
|   | 10%, 02/01/06                                       | B3  | 338   |
| 650                                     | Merisant Co., Senior Subordinated Notes,            |     |       |
|   | 9.50%, 07/15/13 (g)                                 | B2  | 671   |
|   |   |     | ----- |
|   |   |     | 8,811 |
|   |   |     | ----- |
| BROADCASTING AND ENTERTAINMENT -- 8.44% |   |     |       |
| 1,125                                   | Charter Communications Holdings, LLC, Senior Notes, |     |       |
|   | 10.75%, 10/01/09                                    | Ca  | 878   |
| 775                                     | Charter Communications Holdings, LLC, Senior Notes, |     |       |
|   | 11.125%, 01/15/11                                   | Ca  | 601   |
| 2,550                                   | CSC Holdings, Inc., Senior Notes,                   |     |       |
|   | 7.625%, 04/01/11                                    | B1  | 2,588 |
| 1,250                                   | Insight Midwest, L.P., Senior Notes,                |     |       |
|   | 9.75%, 10/01/09 (g)                                 | B2  | 1,325 |
| 575                                     | Insight Midwest, L.P., Senior Notes,                |     |       |
|   | 10.50%, 11/01/10                                    | B2  | 633   |

The accompanying notes are an integral part of these financial statements.

3

| PRINCIPAL<br>AMOUNT/UNITS | MOODY'S<br>RATING<br>(UNAUDITED) | VALUE<br>(NOTE 1(a)) |
|---------------------------|----------------------------------|----------------------|
|---------------------------|----------------------------------|----------------------|

-----  
CORPORATE DEBT SECURITIES -- CONTINUED

|          |   |    |          |
|----------|---|----|----------|
| \$ 1,175 | Mediacom Broadband LLC,<br>Senior Notes,<br>11%, 07/15/13 | B2 | \$ 1,316 |
|----------|---|----|----------|

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|                                   |  |      |          |
|-----------------------------------|--|------|----------|
| 925                               | Paxson Communications Corporation, Senior Subordinated Notes, 10.75%, 07/15/08 | Caa1 | 999      |
| 550                               | Radio One, Inc., Senior Subordinated Notes, 8.875%, 07/01/11                   | B2   | 606      |
| 1,955                             | Rogers Communications, Inc., Senior Notes, 8.875%, 07/15/07                    | B2   | 2,014    |
| 1,150                             | Spanish Broadcasting System, Inc., Senior Subordinated Notes, 9.625%, 11/01/09 | B3   | 1,219    |
| 150                               | XM Satellite Radio Inc., Senior Secured Discount Debentures, 14%, 12/31/09 (h) | Caa1 | 108      |
| 650                               | XM Satellite Radio Inc., Senior Secured Notes, 12%, 06/15/10 (g)               | Caa1 | 643      |
|                                   |  |      | -----    |
|                                   |  |      | 12,930   |
|                                   |  |      | -----    |
| BUILDING AND REAL ESTATE -- 7.46% |  |      |          |
| 1,175                             | Associated Materials, Inc., Senior Subordinated Notes, 9.75%, 04/15/12         | B3   | 1,281    |
| 125                               | D.R. Horton, Inc., Senior Notes, 6.875%, 05/01/13                              | Ba1  | 133      |
| 75                                | D.R. Horton, Inc., Senior Notes, 8.50%, 04/15/12                               | Ba1  | 84       |
| 500                               | Georgia-Pacific Corporation, Senior Debentures, 9.875%, 11/01/21               | Ba3  | 502      |
| 1,500                             | Georgia-Pacific Corporation, Senior Notes, 9.375%, 02/01/13 (g)                | Ba2  | 1,650    |
| 50                                | LNR Property Corporation, Senior Subordinated Notes, 7.625%, 07/15/13 (g)      | Ba3  | 50       |
| 1,175                             | LNR Property Corporation, Senior Subordinated Notes, 10.50%, 01/15/09          | Ba3  | 1,269    |
| \$ 950                            | Lennar Corporation, Senior Notes, 9.95%, 05/01/10                              | Baa3 | \$ 1,123 |
| 1,100                             | Ryland Group, Inc. Senior Subordinated Notes, 8.25%, 04/01/08                  | Ba2  | 1,148    |
| 2,000                             | Standard Pacific Corp., Senior Notes, 8%, 02/15/08                             | Ba2  | 2,090    |
| 650                               | Texas Industries, Inc., Senior Notes, 10.25%, 06/15/11 (g)                     | B1   | 676      |
| 50                                | WCI Communities, Inc., Senior Subordinated Notes, 9.125%, 05/01/12             | Ba3  | 53       |
| 700                               | WCI Communities, Inc., Senior Subordinated Notes, 10.625%, 02/15/11            | Ba3  | 774      |
| 600                               | Williams Scotsman, Inc., Senior Notes, 9.875%, 06/01/07                        | B3   | 594      |
|                                   |  |      | -----    |

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|  |  |      |        |
|--|--|------|--------|
|  |  |      | 11,427 |
|  |  |      | -----  |
| CHEMICALS, PLASTICS AND RUBBER -- 10.03% |  |      |        |
| 3,400                                    | ARCO Chemical Company,<br>Debentures,<br>9.80%, 02/01/20                       | Ba3  | 3,026  |
| 1,450                                    | Avecia Group plc, Senior Notes,<br>11%, 07/01/09                               | Caa1 | 1,305  |
| 1,650                                    | Compass Minerals Group, Inc., Senior<br>Subordinated Notes,<br>10%, 08/15/11   | B3   | 1,848  |
| 150                                      | Equistar Chemicals, LP, Senior Notes,<br>10.625%, 05/01/11 (g)                 | B1   | 154    |
| 1,025                                    | Hercules, Inc., Senior Notes,<br>11.125%, 11/15/07                             | Ba2  | 1,189  |
| 525                                      | Huntsman Advanced Materials LLC,<br>Senior Secured<br>Notes, 11%, 07/15/10 (g) | B2   | 545    |
| 600                                      | Huntsman International LLC,<br>Senior Notes,<br>9.875%, 03/01/09               | B3   | 627    |
| 1,325                                    | Huntsman International LLC,<br>Senior Subordinated<br>10.125%, 07/01/09        | Caa1 | 1,285  |
| 2,375                                    | Koppers Inc., Senior<br>Subordinated Notes,<br>9.875%, 12/01/07                | B2   | 2,452  |

The accompanying notes are an integral part of these financial statements.

4

| PRINCIPAL<br>AMOUNT/UNITS                 |   | MOODY'S<br>RATING<br>(UNAUDITED) | VALUE<br>(NOTE 1(a)) |
|---|---|----------------------------------|----------------------|
| -----                                     |   |                                  |                      |
| CORPORATE DEBT SECURITIES -- CONTINUED    |   |                                  |                      |
| -----                                     |   |                                  |                      |
| \$ 275                                    | PolyOne Corporation, Senior Notes,<br>10.625%, 05/15/10 (g)             | B2                               | \$ 271               |
| 625                                       | Resolution Performance<br>Products LLC, Senior<br>9.50%, 04/15/10       | B2                               | 650                  |
| 1,950                                     | Rhodia S.A., Senior<br>Subordinated Notes,<br>8.875%, 06/01/11 (g)      | Ba3                              | 2,018                |
|   |   |                                  | -----                |
|   |   |                                  | 15,370               |
|   |   |                                  | -----                |
| CONTAINERS, PACKAGING AND GLASS -- 14.17% |   |                                  |                      |
| 725                                       | AEP Industries, Inc., Senior<br>Subordinated Notes,<br>9.875%, 11/15/07 | B3                               | 678                  |
| 1,625                                     | Ainsworth Lumber Co. Ltd.,<br>Senior Secured Notes,<br>12.50%, 07/15/07 | B3                               | 1,828                |

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|   |   |      |    |        |
|---|---|------|----|--------|
| 350   | Applied Extrusion Technologies, Inc.,<br>Senior Notes,<br>10.75%, 07/01/11            | Caa1 |    | 259    |
| 925   | Bway Corporation, Senior<br>Subordinated Notes,<br>10%, 10/15/10 (g)                  | B3   |    | 967    |
| 800   | Constar International, Inc.<br>Senior Subordinated Notes,<br>11%, 12/01/12            | B3   |    | 868    |
| 1,250   | Crown European Holdings SA,<br>Senior Secured Notes,<br>9.50%, 03/01/11 (g)           | B1   |    | 1,356  |
| 725   | Crown European Holdings SA,<br>Senior Secured Notes,<br>10.875%, 03/01/13 (g)         | B2   |    | 792    |
| 550   | FiberMark, Inc., Senior Notes,<br>10.75%, 04/15/11                                    | B2   |    | 564    |
| 825   | Jefferson Smurfit Corporation,<br>(U.S.) Senior Notes,<br>8.25%, 10/01/12             | B2   |    | 891    |
| 1,425   | Longview<br>10%, 01/15/09   | B2   |    | 1,571  |
| 1,185   | MDP Acquisitions PLC,<br>Senior Notes,<br>9.625%, 10/01/12                            | B2   |    | 1,309  |
| 350   | Owens-Brockway Glass Container,<br>Inc., Senior Secured Notes,<br>7.75%, 05/15/11 (g) | B1   |    | 368    |
| \$ 925  | Owens-Brockway Glass<br>Container, Inc., Senior Notes,<br>8.25%, 05/15/13 (g)         | B2   | \$ | 962    |
| 175   | Owens-Brockway Glass Container,<br>Inc., Senior Secured Notes,<br>8.75%, 11/15/12     | B1   |    | 191    |
| 2,000   | Owens-Brockway Glass Container,<br>Inc., Senior Secured Notes,<br>8.875%, 02/15/09    | B1   |    | 2,170  |
| 525   | Packaging Corporation of America,<br>Senior Subordinated Notes,<br>9.625%, 04/01/09   | Ba2  |    | 578    |
| 1,700   | Plastipak Holdings, Inc.,<br>Senior Notes,<br>10.75%, 09/01/11                        | B3   |    | 1,836  |
| 1,600   | Potlatch Corporation,<br>Senior Subordinated Notes,<br>10%, 07/15/11                  | Ba1  |    | 1,776  |
| 1,750   | Silgan Corporation, Senior<br>Subordinated Debentures,<br>9%, 06/01/09                | B1   |    | 1,811  |
| 550   | Smurfit Capital, Guaranteed Notes,<br>6.75%, 11/20/05                                 | Ba3  |    | 568    |
| 350   | Stone Container Finance Company<br>of Canada, Senior Notes,<br>11.50%, 08/15/06 (g)   | B2   |    | 374    |
|   |   |      |    | -----  |
|   |   |      |    | 21,717 |
|   |   |      |    | -----  |
| DIVERSIFIED/CONGLOMERATE MANUFACTURING -- 2.79% |   |      |    |        |
| 875   | Actuant Financial Corporation,<br>Senior Subordinated Notes,<br>13%, 05/01/09         | B2   |    | 1,024  |
| 275   | AGCO Corporation, Senior Notes,   |      |    |        |



Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|       |   |      |       |
|-------|---|------|-------|
|       | 9.50%, 05/01/08   | Ba3  | 302   |
| 1,450 | Case Corporation, Senior Notes,<br>7.25%, 08/01/05                        | Ba3  | 1,450 |
| 420   | Numatics, Incorporated,<br>Senior Subordinated Notes,<br>9.625%, 04/01/08 | Caa2 | 269   |
| 1,200 | Trimas Corp. Senior<br>Subordinated Notes,<br>9.875%, 06/15/12            | B3   | 1,224 |
|       |   |      | ----- |
|       |   |      | 4,269 |
|       |   |      | ----- |

The accompanying notes are an integral part of these financial statements.

5

| PRINCIPAL<br>AMOUNT/UNITS                 |   | MOODY'S<br>RATING<br>(UNAUDITED) | VALUE<br>(NOTE 1(a)) |
|---|---|----------------------------------|----------------------|
| -----                                     |   |                                  |                      |
| CORPORATE DEBT SECURITIES -- CONTINUED    |   |                                  |                      |
| -----                                     |   |                                  |                      |
| DIVERSIFIED/CONGLOMERATE SERVICE -- 1.85% |   |                                  |                      |
| \$ 775                                    | Brand Services, Inc.,<br>Senior Subordinated Notes,<br>12%, 10/15/12              | B3                               | \$ 883               |
| 600                                       | Brickman Group LTD,<br>Senior Subordinated Notes,<br>11.75%, 12/15/09 (g)         | B2                               | 672                  |
| 1,150                                     | National Waterworks, Inc.,<br>Senior Subordinated Notes,<br>10.50%, 12/01/12      | B3                               | 1,276                |
|   |   |                                  | -----                |
|   |   |                                  | 2,831                |
|   |   |                                  | -----                |
| ECOLOGICAL -- 2.48%                       |   |                                  |                      |
| 1,000                                     | Allied Waste North America, Inc.,<br>Senior Notes,<br>8.50%, 12/01/08             | Ba3                              | 1,077                |
| 200                                       | Allied Waste North America, Inc.,<br>Senior Secured Notes,<br>7.875%, 04/15/13    | Ba3                              | 210                  |
| 1,225                                     | Casella Waste Systems, Inc.,<br>Senior Subordinated Notes,<br>9.75%, 02/01/13 (g) | B3                               | 1,305                |
| 825                                       | IESI Corporation, Senior<br>Subordinated Notes,<br>10.25%, 06/15/12               | B3                               | 883                  |
| 300                                       | Synagro Technologies, Inc.,<br>Senior Subordinated Notes,<br>9.50%, 04/01/09      | B3                               | 321                  |
|   |   |                                  | -----                |
|   |   |                                  | 3,796                |
|   |   |                                  | -----                |
| ELECTRONICS -- 4.16%                      |   |                                  |                      |

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|  |   |      |        |
|--|---|------|--------|
| 500  | AMI Semiconductor, Inc.,<br>Senior Subordinated Notes,<br>10.75%, 02/01/13 (g)          | B3   | 560    |
| 650  | Amkor Technology, Inc.,<br>Senior Notes,<br>7.75%, 05/15/13 (g)                         | B1   | 611    |
| 825  | Avaya Inc., Senior Secured Notes,<br>11.125%, 04/01/09                                  | B2   | 903    |
| 575  | Chippac International Ltd., Senior<br>Subordinated Notes, Series B,<br>12.75%, 08/01/09 | B3   | 644    |
| 875  | Fairchild Semiconductor<br>Corporation, Senior<br>10.50%, 02/01/09                      | B2   | 976    |
| \$ 875   | IPC Acquisition Corporation,<br>Senior Subordinated Notes,<br>11.50%, 12/15/09          | B3   | \$ 919 |
| 800  | ON Semiconductor Corporation,<br>Senior Secured Notes,<br>12%, 03/15/10                 | B3   | 876    |
| 225  | ON Semiconductor Corporation,<br>Senior Secured Notes,<br>12%, 05/15/08                 | Caa1 | 227    |
| 600  | Sanmina Scientific Corporation,<br>Senior Secured Notes,<br>10.375%, 01/15/10 (g)       | Ba2  | 666    |
|  |   |      | -----  |
|  |   |      | 6,382  |
|  |   |      | -----  |
| FURNISHINGS, HOUSEWARES, DURABLE CONSUMER PRODUCTS -- .80% |   |      |        |
| 625  | Sealy Mattress Company,<br>Senior Subordinated Notes,<br>9.875%, 12/15/07               | B3   | 619    |
| 575  | Simmons Company,<br>Senior Subordinated Notes,<br>10.25%, 03/15/09                      | B2   | 615    |
|  |   |      | -----  |
|  |   |      | 1,234  |
|  |   |      | -----  |
| GROCERY STORES -- .76%                                     |   |      |        |
| 1,125  | The Pantry Inc., Senior<br>Subordinated Notes,<br>10.25%, 10/15/07                      | B3   | 1,164  |
|  |   |      | -----  |
| HEALTHCARE, EDUCATION AND CHILDCARE -- 7.34%               |   |      |        |
| 1,500  | Alaris Medical Systems, Inc.,<br>Senior Secured Notes<br>11.625%, 12/01/06              | B2   | 1,830  |
| 750  | Ameripath, Inc.<br>Senior Subordinated Notes,<br>10.50%, 04/01/13 (g)                   | B3   | 802    |
| 565  | AmerisourceBergen Corporation,<br>Senior Notes,<br>7.25%, 11/15/12                      | Ba3  | 614    |
| 225  | AmerisourceBergen Corporation,<br>Senior Notes,<br>8.125%, 09/01/08                     | Ba3  | 248    |
| 1,500  | Athena Neurosciences Financial,<br>Senior Notes,<br>7.25%, 02/21/08                     | Caa2 | 1,275  |
| 1,125  | Bio-Rad Laboratories, Inc.,<br>Senior Subordinated Notes,                               |      |        |

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

11.625%, 02/15/07

B2

1,237

The accompanying notes are an integral part of these financial statements.

6

| PRINCIPAL<br>AMOUNT/UNITS                 |   | MOODY'S<br>RATING<br>(UNAUDITED) | VALUE<br>(NOTE 1(a))     |
|---|---|----------------------------------|--------------------------|
| -----                                     |   |                                  |                          |
| CORPORATE DEBT SECURITIES -- CONTINUED    |   |                                  |                          |
| -----                                     |   |                                  |                          |
| \$ 375                                    | Concentra Operating Corporation,<br>Senior Subordinated Notes,<br>13%, 08/15/09         | B3                               | \$ 420                   |
| 450                                       | Fisher Scientific International Inc.,<br>Senior Subordinated Notes,<br>8.125%, 05/01/12 | B2                               | 486                      |
| 450                                       | Fresenius Medical Care<br>Capital Trust IV,<br>7.875%, 06/15/11                         | Ba2                              | 473                      |
| 650                                       | InSight Health Services Corp.,<br>Senior Subordinated Notes,<br>9.875%, 11/01/11        | B3                               | 676                      |
| 950                                       | Kinetic Concepts, Inc.,<br>Senior Subordinated Notes,<br>9.625%, 11/01/07               | B3                               | 997                      |
| 1,100                                     | Triad Hospitals Holdings, Inc.,<br>Senior Notes,<br>11%, 05/15/09                       | B2                               | 1,226                    |
| 875                                       | Vicar Operating Inc., Senior Notes,<br>9.875%, 12/01/09                                 | B3                               | 958                      |
|   |   |                                  | -----<br>11,242<br>----- |
| HOTELS, MOTELS, INNS AND GAMING -- 13.15% |   |                                  |                          |
| 1,150                                     | Ameristar Casinos, Inc.,<br>Senior Subordinated Notes,<br>10.75%, 02/15/09              | B3                               | 1,305                    |
| 1,125                                     | Argosy Gaming Company,<br>Senior Subordinated Notes,<br>10.75%, 06/01/09                | B2                               | 1,229                    |
| 450                                       | Chukansi Economic Development<br>14.50%, 06/15/09 (g)                                   | (e)                              | 495                      |
| 575                                       | Coast Hotels and Casinos, Inc.,<br>Senior Subordinated Notes,<br>9.50%, 04/01/09        | B2                               | 615                      |
| 1,675                                     | Courtyard Marriott II Ltd.,<br>Senior Secured Notes,<br>10.75%, 02/01/08                | B2                               | 1,675                    |
| 1,475                                     | John Q. Hammons Hotels, LP,<br>First Mortgage Notes,<br>8.875%, 05/15/12                | B2                               | 1,558                    |
| 725                                       | Hard Rock Hotel, Inc.,<br>Senior Secured Notes,<br>8.875%, 06/01/13 (g)                 | B3                               | 758                      |

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|   |  |      |    |                          |
|---|--|------|----|--------------------------|
| 550   | Horseshoe Gaming Holding Corp.,<br>Senior Subordinated Notes,<br>8.625%, 05/15/09      | B2   |    | 586                      |
| \$ 1,215                                      | Host Marriott LP,<br>Senior Notes, Series I,<br>9.50%, 01/15/07                        | Ba3  | \$ | 1,315                    |
| 600   | Isle of Capri Casinos, Inc.,<br>Senior Subordinated Notes,<br>8.75%, 04/15/09          | B2   |    | 642                      |
| 2,450   | La Quinta Properties, Inc.,<br>Senior Notes,<br>8.875%, 03/15/11 (g)                   | Ba3  |    | 2,646                    |
| 475   | MeriStar Hospitality Operating<br>Partnership, L.P., Senior Notes,<br>9%, 01/15/08     | B2   |    | 468                      |
| 250   | MeriStar Hospitality Operating<br>Partnership, L.P., Senior Notes,<br>9.125%, 01/15/11 | B2   |    | 244                      |
| 800   | Mikohn Gaming Corporation,<br>Senior Secured Notes,<br>11.875%, 08/15/08               | B3   |    | 792                      |
| 425   | Old Evangeline Downs, LLC,<br>Senior Secured Notes,<br>13%, 03/01/10 (g)               | (e)  |    | 434                      |
| 1,225   | Penn National Gaming, Inc.,<br>Senior Subordinated Notes,<br>11.125%, 03/01/08         | B3   |    | 1,360                    |
| 1,350   | Pinnacle Entertainment, Inc.,<br>Senior Subordinated Notes,<br>9.25%, 02/15/07         | Caa1 |    | 1,336                    |
| 1,200   | Station Casinos, Inc.,<br>Senior Subordinated Notes,<br>9.875%, 07/01/10               | B2   |    | 1,332                    |
| 1,200   | Venetian Casino Resort, LLC,<br>Mortgage Notes,<br>11%, 06/15/10                       | B3   |    | 1,356                    |
|   |  |      |    | -----<br>20,146<br>----- |
| LEISURE, AMUSEMENT AND ENTERTAINMENT -- 2.32% |  |      |    |                          |
| 575   | AMF Bowling Worldwide, Inc.<br>Senior Subordinated Notes,<br>13%, 09/01/08             | B3   |    | 630                      |
| 750   | Bally Total Fitness Holding<br>Corporation, Senior Notes,<br>10.50%, 07/15/11 (g)      | B2   |    | 750                      |
| 475   | The Hockey Company,<br>Senior Secured Notes,<br>11.25%, 04/15/09                       | B2   |    | 527                      |
| 1,275   | Six Flags Inc., Senior Notes,<br>9.50%, 02/01/09                                       | B2   |    | 1,256                    |

The accompanying notes are an integral part of these financial statements.

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

| PRINCIPAL<br>AMOUNT/UNITS                            |   | RATING<br>(UNAUDITED) | VALUE<br>(NOTE 1(a)) |
|--|---|-----------------------|----------------------|
| -----  |   |                       |                      |
| CORPORATE DEBT SECURITIES -- CONTINUED               |   |                       |                      |
| -----  |   |                       |                      |
| \$ 350   | Universal City Development<br>Partners, Ltd., Senior Notes,<br>11.75%, 04/01/10 (g) | B2                    | \$ 386               |
|  |   |                       | -----                |
|  |   |                       | 3,549                |
|  |   |                       | -----                |
| MACHINERY -- .84%                                    |   |                       |                      |
| 1,175  | Rexnord Corp., Senior<br>Subordinated Notes,<br>10.125%, 12/15/12 (g)               | B3                    | 1,292                |
|  |   |                       | -----                |
| MINING, STEEL, IRON AND NON-PRECIOUS METALS -- 8.41% |   |                       |                      |
| 1,195  | AK Steel Corporation, Senior Notes,<br>7.75%, 06/15/12                              | B1                    | 998                  |
| 650  | AK Steel Corporation, Senior Notes,<br>7.875%, 02/15/09                             | B1                    | 559                  |
| 550  | Arch Western Finance LLC,<br>Senior Notes,<br>6.75%, 07/01/13 (g)                   | Ba2                   | 562                  |
| 1,800  | Century Aluminum Co.,<br>Senior Secured Notes,<br>11.75%, 04/15/08                  | B1                    | 1,818                |
| 1,200  | Gerdau Ameristeel Corporation,<br>Senior Notes,<br>10.375%, 07/15/11 (g)            | B2                    | 1,170                |
| 175  | IPSCO Inc., Senior Notes,<br>8.75%, 06/01/13 (g)                                    | Ba3                   | 177                  |
| 1,750  | Earle M. Jorgensen Company,<br>Senior Secured Notes,<br>9.75%, 06/01/12             | B2                    | 1,855                |
| 675  | Luscar Coal Ltd., Senior Notes,<br>9.75%, 10/15/11                                  | Ba3                   | 775                  |
| 350  | Mobile Mini, Inc., Senior Notes,<br>9.50%, 07/01/13 (g)                             | B2                    | 364                  |
| 1,800  | Russel Metals, Inc., Units,<br>Senior Notes,<br>10%, 06/01/09                       | B1                    | 1,926                |
| 1,155  | Steel Dynamics, Inc., Senior Notes,<br>9.50%, 03/15/09                              | B2                    | 1,213                |
| 1,300  | United States Steel Corporation,<br>Senior Notes,<br>9.75%, 05/15/10                | B1                    | 1,332                |
| 1,100  | Weirton Steel Corporation,<br>Senior Secured Notes,<br>10%, 04/01/08 (a) (b)        | (e)                   | 143                  |
|  |   |                       | -----                |
|  |   |                       | 12,892               |
|  |   |                       | -----                |
| OIL AND GAS -- 6.22%                                 |   |                       |                      |
| \$ 175   | ANR Pipeline Company, Senior Notes,<br>8.875%, 03/15/10 (g)                         | B1                    | \$ 192               |
| 250  | Bluewater Financial Ltd.,<br>Guaranteed Senior Notes,<br>10.25%, 02/15/12 (g)       | B1                    | 249                  |
| 875  | Chesapeake Energy Corporation,<br>Senior Notes,                                     |                       |                      |

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|       |  |      |       |
|-------|--|------|-------|
|       | 9%, 08/15/12   | Ba3  | 980   |
| 700   | Compagnie Generale de<br>Geophysique (CGG), Senior Notes,<br>10.625%, 11/15/07   | Ba3  | 717   |
| 425   | Dresser, Inc., Senior Notes,<br>9.375%, 04/15/11                                 | B2   | 440   |
| 425   | Dynegy Holdings, Inc., Senior Notes,<br>8.75%, 02/15/12                          | Caa2 | 397   |
| 150   | Encore Acquisition Company,<br>Senior Subordinated Notes,<br>8.375%, 06/15/12    | B2   | 160   |
| 1,275 | Ferrellgas Partners, LP,<br>8.75%, 06/15/12                                      | B2   | 1,383 |
| 375   | Frontier Escrow Corporation,<br>Senior Notes,<br>8%, 04/15/13 (g)                | (e)  | 393   |
| 750   | Magnum Hunter Resources, Inc.,<br>Senior Notes,<br>9.60%, 03/15/12               | B2   | 829   |
| 200   | Northwest Pipeline Corporation,<br>Senior Notes,<br>8.125%, 03/01/10             | B1   | 215   |
| 375   | Southern Natural Gas Company,<br>Senior Notes,<br>8.875%, 03/15/10 (g)           | B1   | 412   |
| 825   | Stone Energy Corporation,<br>Senior Subordinated Notes,<br>8.25%, 12/15/11       | B2   | 870   |
| 1,175 | Swift Energy Company,<br>Senior Subordinated Notes,<br>9.375%, 05/01/12          | B3   | 1,269 |
| 700   | Universal Compression, Inc.,<br>Senior Notes,<br>7.25%, 05/15/10 (g)             | B1   | 728   |
| 275   | Westport Resources Corporation,<br>Senior Subordinated Notes,<br>8.25%, 11/01/11 | Ba3  | 300   |
|       |  |      | ----- |
|       |  |      | 9,534 |
|       |  |      | ----- |

The accompanying notes are an integral part of these financial statements.

8

| PRINCIPAL<br>AMOUNT/UNITS                          | MOODY'S<br>RATING<br>(UNAUDITED)                                 | VALUE<br>(NOTE 1(a)) |
|--|--|----------------------|
| -----  |  |                      |
| CORPORATE DEBT SECURITIES -- CONTINUED             |  |                      |
| -----  |  |                      |
| PERSONAL, FOOD AND MISCELLANEOUS SERVICES -- 1.83% |  |                      |
| \$ 775   | Advantica Restaurant Group,<br>Senior Notes,<br>11.25%, 01/15/08 | Caa2 \$ 618          |
| 900  | Coinmach Corporation,  |                      |

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|   |  |      |        |
|---|--|------|--------|
|   | Senior Notes,<br>9%, 02/01/10  | B2   | 976    |
| 175   | Jacuzzi Brands, Inc., Senior Notes,<br>9.625%, 07/01/10 (g)                                | B3   | 179    |
| 900   | Travelcenters<br>12.75%, 5/01/09   | B3   | 1,026  |
|   |  |      | -----  |
|   |  |      | 2,799  |
|   |  |      | -----  |
| PERSONAL NON-DURABLE CONSUMER PRODUCTS -- 3.82% |  |      |        |
| 575   | American Achievement Corporation,<br>11.625%, 01/01/07                                     | B1   | 628    |
| 425   | American Safety Razor Company,<br>Senior Notes,<br>9.875%, 08/01/05                        | B3   | 411    |
| 400   | Commemorative Brands, Inc.,<br>Senior Subordinated Notes,<br>11%, 01/15/07                 | Caa1 | 386    |
| 275   | Johnson Diversey Inc.,<br>Senior Subordinated Notes,<br>9.625%, 05/15/12                   | B2   | 305    |
| 2,125   | Jostens, Inc., Senior<br>Subordinated Notes,<br>12.75%, 05/01/10                           | B3   | 2,529  |
| 1,600   | Playtex Products, Inc.,<br>Senior Subordinated Notes,<br>9.375%, 06/01/11                  | B3   | 1,600  |
|   |  |      | -----  |
|   |  |      | 5,859  |
|   |  |      | -----  |
| PERSONAL TRANSPORTATION -- 2.19%                |  |      |        |
| 1,550   | Delta Air Lines, Inc., Notes,<br>7.90%, 12/15/09   | B3   | 1,248  |
| 650   | Laidlaw International, Incorporated,<br>Senior Notes,<br>10.75%, 06/15/11 (g)              | B2   | 682    |
| 1,500   | Northwest Airlines, Inc.,<br>Senior Notes,<br>8.875%, 06/01/06                             | Caa1 | 1,222  |
| 200   | Worldspan, L.P., Senior Notes,<br>9.625%, 06/15/11 (g)                                     | B2   | 207    |
|   |  |      | -----  |
|   |  |      | 3,359  |
|   |  |      | -----  |
| PRINTING AND PUBLISHING -- 11.15%               |  |      |        |
| \$ 150  | CBD Media LLC,<br>Senior Subordinated Notes,<br>8.625%, 06/01/11 (g)                       | B3   | \$ 155 |
| 725   | CanWest Media, Inc.,<br>Senior Subordinated Notes,<br>10.625%, 05/15/11                    | B2   | 830    |
| 575   | Dex Media East LLC, Senior Notes,<br>9.875%, 11/15/09                                      | B2   | 648    |
| 1750  | Dex Media East, LLC,<br>Senior Subordinated Notes,<br>12.125%, 11/15/12                    | B3   | 2,082  |
| 2,245   | RH Donnelley Financial Corporation,<br>Senior Subordinated Notes,<br>10.875%, 12/15/12 (g) | B2   | 2,604  |
| 825   | Houghton Mifflin Company,<br>Senior Subordinated Notes,<br>9.875%, 02/01/13 (g)            | B3   | 912    |

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|                              |  |      |                          |
|------------------------------|--|------|--------------------------|
| 925                          | Liberty Group Operating, Inc.,<br>Senior Subordinated Notes,<br>9.375%, 02/01/08 | Caa1 | 935                      |
| 1,610                        | Mail-Well I Corp., Senior Notes,<br>9.625%, 03/15/12                             | B1   | 1,703                    |
| 1,850                        | Quebecor Media Inc., Senior Notes,<br>11.125%, 07/15/11                          | B2   | 2,128                    |
| 600                          | Vertis, Inc., Senior Secured Notes,<br>9.75%, 04/01/09 (g)                       | B2   | 639                      |
| 1,850                        | Vivendi Universal S.A., Senior Notes,<br>9.25%, 04/15/10 (g)                     | B1   | 2,146                    |
| 2,150                        | Von Hoffman Corp., Senior Notes,<br>10.25%, 03/15/09                             | B2   | 2,300                    |
|                              |  |      | -----<br>17,082<br>----- |
| RETAIL STORES -- 1.31%       |  |      |                          |
| 375                          | Barney's, Inc., Units,<br>Senior Secured Notes,<br>9%, 04/01/08 (g)              | B3   | 338                      |
| 575                          | Dillard's Inc., Senior Notes,<br>6.875%, 06/01/05                                | Ba3  | 572                      |
| 900                          | Gap Incorporated, Senior Notes,<br>10.55%, 12/15/08                              | Ba3  | 1,094                    |
|                              |  |      | -----<br>2,004<br>-----  |
| TELECOMMUNICATIONS -- 15.79% |  |      |                          |
| 525                          | Alamosa (Delaware) Inc.,<br>Senior Notes,<br>12.50%, 02/01/11                    | Caa3 | 436                      |

The accompanying notes are an integral part of these financial statements.

9

| PRINCIPAL<br>AMOUNT/UNITS              |   | MOODY'S<br>RATING<br>(UNAUDITED) | VALUE<br>(NOTE 1(a)) |
|--|---|----------------------------------|----------------------|
| -----                                  |   |                                  |                      |
| CORPORATE DEBT SECURITIES -- CONTINUED |   |                                  |                      |
| -----                                  |   |                                  |                      |
| \$ 1,050                               | Alaska Communications<br>System Holdings, Inc.,<br>Senior Subordinated Notes,<br>9.375%, 05/15/09 | B3                               | \$ 1,050             |
| 550                                    | Colt Telecom Group plc,<br>Senior Discount Notes,<br>12%, 12/15/06                                | B3                               | 553                  |
| 2,150                                  | DIRECTV Holdings LLC,<br>Senior Notes,<br>8.375%, 03/15/13 (g)                                    | B1                               | 2,403                |
| 400                                    | Dobson Communications<br>Corporation, Senior Notes,<br>10.875%, 07/01/10                          | B3                               | 432                  |
| 2,990                                  | Echostar DBS Corporation,   |                                  |                      |



Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|          |   |      |          |
|----------|---|------|----------|
|          | Senior Notes,<br>9.125%, 01/15/09   | Ba3  | 3,341    |
| 375      | Echostar DBS Corporation,<br>Senior Notes,<br>10.375%, 10/01/07   | Ba3  | 415      |
| 625      | Level 3 Communications, Inc.,<br>Senior Notes,<br>9.125%, 05/01/08  | Caa3 | 563      |
| 1,100    | NEXTEL Communications, Inc.,<br>Senior Discount Notes,<br>9.95%, 02/15/08                                 | B3   | 1,146    |
| 2,675    | NEXTEL Communications, Inc.,<br>Senior Serial Notes,<br>9.50%, 02/01/11                                   | B3   | 2,963    |
| 350      | Nextel Partners, Inc., Senior Notes,<br>11%, 03/15/10   | Caa1 | 380      |
| 150      | Nextel Partners, Inc., Senior Notes,<br>8.125%, 07/01/11 (g)  | Caa1 | 149      |
| 1,025    | Pegasus Satellite Communications,<br>Inc., Senior Notes,<br>11.25%, 01/15/10 (g)                          | Ca   | 964      |
| 600      | Pegasus Satellite Communications,<br>Inc., Senior Notes,<br>12.375%, 08/01/06                             | Ca   | 564      |
| 150      | Pegasus Satellite Communications,<br>Inc., Senior Notes,<br>12.50%, 08/01/07                              | Ca   | 140      |
| 175      | Pegasus Satellite Communications,<br>Inc., Senior Subordinated<br>Discount Notes,<br>13.50%, 03/01/07 (h) | C    | 147      |
| \$ 1,175 | Qwest Corporation, Senior Notes,<br>8.875%, 03/15/12 (g)  | Ba3  | \$ 1,310 |
| 1,747    | Qwest Services Corporation, Senior<br>Subordinated Secured Notes,<br>13.50%, 12/15/10 (g)                 | (e)  | 1,974    |
| 775      | Rogers Wireless Inc.,<br>Senior Secured Notes,<br>9.375%, 06/01/08  | Ba3  | 810      |
| 400      | Rogers Wireless Inc.,<br>Senior Secured Notes,<br>9.625%, 05/01/11  | Ba3  | 458      |
| 650      | Rural Cellular Corporation,<br>Senior Subordinated Notes,<br>9.75%, 01/15/10                              | Caa1 | 572      |
| 300      | Time Warner Telecom, Inc.,<br>Senior Notes,<br>9.75%, 07/15/08  | B3   | 292      |
| 675      | Time Warner Telecom, Inc.,<br>Senior Notes,<br>10.125%, 02/01/11  | B3   | 656      |
| 1,075    | Tritel PCS, Inc.,<br>Senior Subordinated Notes,<br>10.375%, 01/15/11                                      | Baa2 | 1,322    |
| 775      | Triton PCS, Inc., Senior Notes,<br>8.50%, 06/01/13 (g)  | B2   | 833      |
| 390      | US West Capital Funding Inc., Notes,<br>6.375%, 07/15/08  | Caa2 | 322      |
|          |   |      | -----    |
|          |   |      | 24,195   |
|          |   |      | -----    |

TEXTILES AND LEATHER -- 2.63%

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|     |   |     |     |
|-----|---|-----|-----|
| 625 | Anvil Knitwear, Incorporated,<br>Senior Notes,<br>10.875%, 03/15/07                     | (e) | 625 |
| 425 | Avondale Mills Incorporated,<br>Senior Subordinated Notes,<br>10.25%, 05/01/06          | B3  | 430 |
| 800 | Avondale Mills, Incorporated,<br>Senior Subordinated Notes,<br>10.25%, 07/01/13 (g)     | B3  | 802 |
| 775 | Collins & Aikman Floorcoverings,<br>Inc., Senior Subordinated Notes,<br>9.75%, 02/15/10 | B2  | 810 |
| 250 | Dan River, Inc., Senior Notes,<br>12.75%, 04/15/09 (g)                                  | B3  | 223 |
| 775 | Interface, Incorporated,<br>Senior Notes,<br>7.30%, 04/01/08                            | B2  | 659 |

The accompanying notes are an integral part of these financial statements.

10

| PRINCIPAL<br>AMOUNT/UNITS              |  | MOODY'S<br>RATING<br>(UNAUDITED) | VALUE<br>(NOTE 1(a)) |
|--|--|----------------------------------|----------------------|
| -----                                  |  |                                  |                      |
| CORPORATE DEBT SECURITIES -- CONTINUED |  |                                  |                      |
| -----                                  |  |                                  |                      |
| \$ 575                                 | Levi Strauss & Co., Senior Notes,<br>12.25%, 12/15/12                        | B3                               | \$ 479               |
|  |  |                                  | -----                |
|  |  |                                  | 4,028                |
|  |  |                                  | -----                |
| UTILITIES -- 12.67%                    |  |                                  |                      |
| 1,200                                  | The AES Corporation,<br>Senior Secured,<br>9%, 05/15/15 (g)                  | B2                               | 1,272                |
| 975                                    | The AES Corporation,<br>Senior Subordinated Notes,<br>8.375%, 08/15/07       | Caa1                             | 936                  |
| 900                                    | The AES Corporation,<br>Senior Subordinated Notes,<br>8.50%, 11/01/07        | Caa1                             | 864                  |
| 750                                    | Allegeny Energy Supply<br>Company, LLC, Senior Notes,<br>8.25%, 04/15/12 (g) | B1                               | 637                  |
| 375                                    | Aquila, Inc., Senior Notes,<br>14.875%, 07/01/12 (g)                         | Caa1                             | 399                  |
| 1,000                                  | Avista Corporation, Senior Notes,<br>9.75%, 06/01/08                         | Ba1                              | 1,150                |
| 1,000                                  | Calpine Corporation, Senior Notes,<br>8.50%, 02/15/11                        | B1                               | 750                  |
| 515                                    | Calpine Corporation, Senior Notes,<br>8.625%, 08/15/10                       | B1                               | 386                  |
| 1,275                                  | CMS Energy Corporation,<br>Senior Notes                                      |                                  |                      |

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|        |   |      |    |         |
|--------|---|------|----|---------|
|        | 9.875%, 10/15/07  | B3   |    | 1,364   |
| 450    | DPL, Inc., Senior Notes,<br>8.25%, 03/01/07   | Baa2 |    | 516     |
| 825    | Illinois Power Company, Senior<br>Secured First Mortgage Bonds,<br>11.50%, 12/15/10 (g) | B3   |    | 943     |
| 225    | Northwestern Corporation,<br>Senior Notes,<br>7.875%, 03/15/07                          | Caa1 |    | 176     |
| 500    | Northwestern Corporation,<br>Senior Notes,<br>8.75%, 03/15/12                           | Caa1 |    | 385     |
| \$ 600 | Orion Power Holdings, Inc.,<br>Senior Notes,<br>12%, 05/01/10                           | B2   | \$ | 693     |
| 650    | Reliant Resources, Inc.,<br>Senior Secured Notes,<br>9.50%, 07/15/13 (g)                | B1   |    | 657     |
| 456    | South Point Energy Center, LLC,<br>Senior Secured,<br>8.40%, 05/30/12 (g)               | B1   |    | 456     |
| 1,125  | South Point Energy Center, LLC,<br>Senior Secured,<br>9.825%, 05/30/19 (g)              | B1   |    | 1,057   |
| 775    | TECO Energy, Inc., Senior Notes,<br>7%, 05/01/12  | Ba1  |    | 759     |
| 200    | TECO Energy, Inc., Senior Notes,<br>7.20%, 05/01/11                                     | Ba1  |    | 200     |
| 100    | TECO Energy, Inc., Senior Notes,<br>7.50%, 06/15/10                                     | Ba1  |    | 103     |
| 1,025  | TNP Enterprises, Inc.,<br>Senior Subordinated Notes,<br>10.25%, 04/01/10                | Ba3  |    | 1,025   |
| 1,300  | Western Resources, Inc.,<br>Senior Notes,<br>7.125%, 8/01/09                            | Ba2  |    | 1,302   |
| 750    | The Williams Companies, Inc.,<br>Senior Notes,<br>7.50%, 01/15/31                       | B3   |    | 713     |
| 350    | The Williams Companies, Inc.,<br>Senior Notes,<br>7.625%, 7/15/19                       | B3   |    | 340     |
| 500    | The Williams Companies, Inc.,<br>Senior Notes,<br>8.125%, 03/15/12                      | B3   |    | 514     |
| 1,050  | The Williams Companies, Inc.,<br>Senior Notes,<br>8.625%, 06/01/10                      | B3   |    | 1,097   |
| 700    | The Williams Companies, Inc.,<br>Senior Notes,<br>8.75%, 03/15/32                       | B3   |    | 728     |
|        |   |      |    | -----   |
|        |   |      |    | 19,422  |
|        |   |      |    | -----   |
|        | TOTAL CORPORATE DEBT SECURITIES<br>(Total cost of \$227,315)                            |      |    | 236,116 |
|        |   |      |    | -----   |

The accompanying notes are an integral part of these financial statements.

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

11

| SHARES   |   | MOODY'S<br>RATING<br>(UNAUDITED) | VALUE<br>(NOTE 1(a)) |
|--|---|----------------------------------|----------------------|
| -----  |   |                                  |                      |
| PREFERRED STOCK -- 2.70% (d)                         |   |                                  |                      |
| -----  |   |                                  |                      |
| BANKING -- 0.00%                                     |   |                                  |                      |
| 57,935   | WestFed Holdings, Inc., Cumulative,<br>Series A, Preferred Stock,<br>15.50% (a) (c) (f) | (e)                              | \$ --                |
| -----  |   |                                  |                      |
| BROADCASTING AND ENTERTAINMENT -- 1.97%              |   |                                  |                      |
| 25,300   | CSC Holdings, Inc., Series M,<br>Preferred Stock,<br>11.125% (f)                        | B3                               | 2,606                |
| 42   | Paxson Communications<br>Corporation, Junior Exchangeable<br>Preferred Stock,<br>14.25% | Caa2                             | 418                  |
|  |   |                                  | -----                |
|  |   |                                  | 3,024                |
|  |   |                                  | -----                |
| CHEMICALS, PLASTICS AND RUBBER -- .37%               |   |                                  |                      |
| 875  | Hercules Trust II, Convertible<br>Preferred Stock,<br>6.50%                             | Ba3                              | 561                  |
|  |   |                                  | -----                |
| MINING, STEEL, IRON AND NON-PRECIOUS METALS -- 0.02% |   |                                  |                      |
| 18,000   | Weirton Steel Corp., Series C,<br>Preferred Stock (a) (f)                               | (e)                              | 27                   |
|  |   |                                  | -----                |
| TELECOMMUNICATIONS -- .34%                           |   |                                  |                      |
| 200  | Dobson Communications<br>Corporation, Senior Exchangeable<br>Preferred Stock, 12.25%    | Caa2                             | 198                  |
| 325  | Dobson Communications<br>Corporation, Senior Exchangeable<br>Preferred Stock, 12.25%    | Caa2                             | 322                  |
|  |   |                                  | -----                |
|  |   |                                  | 520                  |
|  |   |                                  | -----                |
| TOTAL PREFERRED STOCK                                |   |                                  |                      |
| (Total cost of \$8,787)                              |   |                                  | 4,132                |
|  |   |                                  | -----                |
| COMMON STOCK -- 0.00% (d)                            |   |                                  |                      |
| -----  |   |                                  |                      |
| 4,780  | Mediq Inc. Common Stock (a) (c) (f)   |                                  | --                   |
| 27,474   | WestFed Holdings, Inc.,<br>Common Stock (a) (c) (f)                                     |                                  | --                   |
| 10,052   | WKI Holdings Common Stock<br>Common Stock (c) (f)                                       |                                  | --                   |
|  |   |                                  | -----                |
| TOTAL COMMON STOCK                                   |   |                                  |                      |
| (Total cost of \$4,890)                              |   |                                  | --                   |

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

SHORT-TERM INVESTMENTS -- 12.00% (d)

|  |  |     |            |
|--|--|-----|------------|
| \$ 5,000   | Alpine Securitization Corp.,<br>Commercial Paper,<br>due 07/17/03,<br>Discount of 1%     | P-1 | \$ 4,998   |
| 5,000  | Total S.A., Commercial Paper,<br>due 07/31/03,<br>Discount of 1.31%                      | P-1 | 4,995      |
| 3,403  | UBS Finance (Delaware), Inc.,<br>Commercial Paper,<br>due 07/01/03,<br>Discount of 1.31% | P-1 | 3,403      |
| 5,000  | Wal-Mart, Commercial Paper<br>due 08/14/03,<br>Discount of 1.04%                         | P-1 | 4,994      |
| TOTAL SHORT-TERM INVESTMENTS<br>(Total cost of \$18,390) |  |     | 18,390     |
| TOTAL INVESTMENTS<br>(Total cost of \$259,382)           |  |     | \$ 258,638 |

- (a) Denotes issuer is in bankruptcy proceedings.
- (b) Non-income producing security which is on non-accrual and/or has defaulted on interest payments.
- (c) Security is valued at fair value using methods determined by the Board of Directors. The total value of these securities at June 30, 2003 was \$0.
- (d) Percentages indicated are based on total net assets to common shareholders of \$153,228.
- (e) Not rated.
- (f) Non-income producing.
- (g) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold, normally to qualified institutional buyers in transactions exempt from registration. See Note 1(a) of the Notes to Financial Statements for valuation policy. Total market value of Rule 144A securities amounted to \$59,349 as of June 30, 2003.
- (h) Securities are step interest bonds. Interest on these bonds accrue based on the effective interest rate.

The accompanying notes are an integral  
part of these financial statements.

12

The New America High Income Fund, Inc.

STATEMENT OF ASSETS AND LIABILITIES  
JUNE 30, 2003 (UNAUDITED)

ASSETS: (Dollars in thousands, except per share amounts)  
INVESTMENTS IN SECURITIES, at value (Identified  
cost of \$259,382 see Schedule of Investments  
and Notes 1 and 2)

\$ 258,638

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|                                     |            |
|-------------------------------------|------------|
| RECEIVABLES:                        |            |
| Investment securities sold          | 1,416      |
| Interest and dividends              | 5,577      |
| PREPAID EXPENSES                    | 82         |
| DEFERRED OFFERING EXPENSES (Note 9) | 880        |
|                                     | -----      |
| Total assets                        | \$ 266,593 |
|                                     | -----      |

|  |           |
|--|-----------|
| LIABILITIES:                               |           |
| PAYABLES:                                  |           |
| Investment securities purchased            | \$ 3,910  |
| Dividend on common stock                   | 166       |
| Dividend on preferred stock                | 45        |
| INTEREST RATE SWAP, at fair value (Note 6) | 8,061     |
| ACCRUED EXPENSES (Note 3)                  | 380       |
| ACCRUED OFFERING EXPENSES (Note 9)         | 803       |
|  | -----     |
| Total liabilities                          | \$ 13,365 |
|  | -----     |

|   |            |
|---|------------|
| AUCTION TERM PREFERRED STOCK:   |            |
| \$1.00 par value, 1,000,000 shares authorized,<br>4,000 shares issued and outstanding,<br>liquidation preference of \$25,000 per share<br>(Notes 4 and 5) | \$ 100,000 |
|   | -----      |
| NET ASSETS  | \$ 153,228 |
|   | =====      |

|  |            |
|--|------------|
| REPRESENTED BY:  |            |
| COMMON STOCK:  |            |
| \$0.01 par value, 200,000,000 shares authorized,<br>70,055,538 shares issued and outstanding                         | \$ 701     |
| CAPITAL IN EXCESS OF PAR VALUE   | 340,674    |
| UNDISTRIBUTED NET INVESTMENT INCOME<br>(Note 2)  | 1,159      |
| ACCUMULATED NET REALIZED LOSS FROM<br>SECURITIES TRANSACTIONS (Note 2)   | (180,501)  |
| NET UNREALIZED DEPRECIATION ON<br>INVESTMENTS AND INTEREST RATE SWAPS  | (8,805)    |
|  | -----      |
| Net assets applicable to common stock<br>(Equivalent to \$2.19 per share, based on<br>70,055,538 shares outstanding) | \$ 153,228 |
|  | =====      |

STATEMENT OF OPERATIONS  
FOR THE PERIOD ENDED  
JUNE 30, 2003 (UNAUDITED)

|  |           |
|--|-----------|
| INVESTMENT INCOME: (Note 1) (Dollars in thousands) |           |
| Interest income                                    | \$ 11,169 |
| Other income                                       | 73        |
| Dividend income                                    | 43        |
|  | -----     |
| Total investment income                            | \$ 11,285 |
|  | -----     |
| EXPENSES:  |           |
| Cost of leverage:                                  |           |
| Preferred and auction fees (Note 5)                | \$ 123    |
|  | -----     |

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|  |    |         |
|--|----|---------|
| Total cost of leverage   | \$ | 123     |
|  |    | -----   |
| Professional services expenses:  |    |         |
| Management fees (Note 3)   | \$ | 405     |
| Legal fees   |    | 238     |
| Custodian and transfer agent fees  |    | 117     |
| Audit fees   |    | 41      |
|  |    | -----   |
| Total professional services expenses   | \$ | 801     |
|  |    | -----   |
| Administrative expenses:   |    |         |
| General administrative fees  | \$ | 216     |
| Shareholder meeting expenses   |    | 128     |
| Directors' fees  |    | 104     |
| NYSE fees  |    | 34      |
| Miscellaneous expenses   |    | 27      |
|  |    | -----   |
| Total administrative expenses  | \$ | 509     |
|  |    | -----   |
| Total expenses   | \$ | 1,433   |
|  |    | -----   |
| Net investment income  | \$ | 9,852   |
|  |    | -----   |
| REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT ACTIVITIES:                        |    |         |
| Realized loss on investments   | \$ | (4,108) |
|  |    | -----   |
| Net swap settlement disbursements (Note 6)   | \$ | (1,591) |
|  |    | -----   |
| Change in net unrealized depreciation<br>on investments                              | \$ | 25,643  |
| Change in unrealized depreciation<br>on interest rate swap agreement                 |    | (1,293) |
|  |    | -----   |
| Total change in net unrealized depreciation<br>on investments and interest rate swap | \$ | 24,350  |
|  |    | -----   |
| Net gain on investments and interest rate swap                                       | \$ | 18,651  |
|  |    | -----   |
| COST OF PREFERRED LEVERAGE   |    |         |
| Distributions to preferred stockholders  | \$ | (678)   |
|  |    | -----   |
| Net increase in net assets resulting from operations                                 | \$ | 27,825  |
|  |    | =====   |

The accompanying notes are an integral part of these financial statements.

13

The New America High Income Fund, Inc.

STATEMENTS OF CHANGES IN NET ASSETS

SIX MON  
JUNE 3  
(UNAU  
-----

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|   |  |       |
|---|--|-------|
| FROM OPERATIONS: (Dollars in thousands, except per share amounts)   |  |       |
| Net investment income   |  | \$    |
| Realized loss on investments, net   |  |       |
| Net swap settlement disbursements   |  |       |
| Change in net unrealized depreciation on investments and other financial instruments  |  |       |
| Distributions from net investment income related to preferred stock   |  |       |
| Dividends to preferred stockholders (\$170 and \$488 per preferred share in 2003 and 2002, respectively)  |  |       |
| Net increase (decrease) in net assets resulting from operations   |  | \$    |
| <hr/>   |  |       |
| FROM FUND SHARE TRANSACTIONS:   |  |       |
| Net asset value of 507,385 shares and 1,215,044 shares issued to common stockholders for reinvestment of dividends in 2003 and 2002, respectively |  | \$    |
| Increase in net assets resulting from fund share transactions   |  | \$    |
| <hr/>   |  |       |
| DISTRIBUTIONS TO COMMON STOCKHOLDERS:   |  |       |
| From net investment income (\$.10 and \$.29 per share in 2003 and 2002, respectively)   |  | \$    |
| Total net increase (decrease) in net assets   |  | \$    |
| <hr/>   |  |       |
| NET ASSETS APPLICABLE TO COMMON STOCK:  |  |       |
| Beginning of period   |  | \$    |
| End of period (Including \$1,159 and \$351 of undistributed net investment income at June 30, 2003 and December 31, 2002, respectively)           |  | \$    |
|   |  | ===== |

The accompanying notes are an integral part of these financial statements.

14

The New America High Income Fund, Inc.

FINANCIAL HIGHLIGHTS  
 SELECTED PER SHARE DATA AND RATIOS  
 FOR EACH SHARE OF COMMON STOCK OUTSTANDING THROUGHOUT THE PERIOD

|  | FOR THE<br>SIX MONTHS<br>ENDED<br>JUNE 30, 2003<br>(UNAUDITED) | 2002    | FOR THE YEARS<br>2001 (c) |       |
|--|--|---------|---------------------------|-------|
|  | -----  | -----   | -----                     | ----- |
| NET ASSET VALUE:   |  |         |                           |       |
| Beginning of period  | \$ 1.89  | \$ 2.61 | \$ 2.85                   | \$    |
| NET INVESTMENT INCOME  | .14  | .37     | .48                       |       |
| NET REALIZED AND UNREALIZED GAIN<br>(LOSS) ON INVESTMENTS AND<br>OTHER FINANCIAL INSTRUMENTS | .29  | (.72)   | (.24)                     |       |
| DISTRIBUTIONS FROM NET INVESTMENT INCOME<br>RELATED TO PREFERRED STOCK:                      | (.03)  | (.08)   | (.12)                     |       |



Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|  |                          |                            |                          |       |
|--|--------------------------|----------------------------|--------------------------|-------|
| TOTAL FROM INVESTMENT OPERATIONS   | -----<br>.40<br>-----    | -----<br>(.43)<br>-----    | -----<br>.12<br>-----    | ----- |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS:  |                          |                            |                          |       |
| From net investment income   | (.10)                    | (.29)                      | (.36)                    |       |
| In excess of net investment income   | --                       | --                         | --                       |       |
| TOTAL DISTRIBUTIONS  | -----<br>(.10)<br>-----  | -----<br>(.29)<br>-----    | -----<br>(.36)<br>-----  | ----- |
| Effect of rights offering and related expenses;<br>and Auction Term Preferred Stock offering<br>costs and sales load | -----<br>--<br>-----     | -----<br>--<br>-----       | -----<br>--<br>-----     | ----- |
| NET ASSET VALUE:   |                          |                            |                          |       |
| End of period  | \$ 2.19<br>=====         | \$ 1.89<br>=====           | \$ 2.61<br>=====         | \$    |
| PER SHARE MARKET VALUE:  |                          |                            |                          |       |
| End of period  | \$ 2.20<br>=====         | \$ 2.01<br>=====           | \$ 2.64<br>=====         | \$    |
| TOTAL INVESTMENT RETURN+   | -----<br>14.57%<br>===== | -----<br>(12.97)%<br>===== | -----<br>13.97%<br>===== | ----- |

The accompanying notes are an integral part of these financial statements.

15

|  | FOR THE<br>SIX MONTHS<br>ENDED<br>JUNE 30, 2003<br>(UNAUDITED) | 2002                    | FOR THE YEARS<br>2001 (c) |       |
|--|--|-------------------------|---------------------------|-------|
|  | -----  | -----                   | -----                     | ----- |
| NET ASSETS, END OF PERIOD, APPLICABLE<br>TO COMMON STOCK (a)                                 | \$ 153,228<br>=====  | \$ 131,170<br>=====     | \$ 178,231<br>=====       | \$    |
| NET ASSETS, END OF PERIOD, APPLICABLE<br>TO PREFERRED STOCK (a)                              | \$ 100,000<br>=====  | \$ 100,000<br>=====     | \$ 150,000<br>=====       | \$    |
| TOTAL NET ASSETS APPLICABLE<br>TO COMMON AND PREFERRED STOCK,<br>END OF PERIOD (a)           | \$ 253,228<br>=====  | \$ 231,170<br>=====     | \$ 328,231<br>=====       | \$    |
| EXPENSE RATIOS:  |  |                         |                           |       |
| Ratio of preferred and other leverage<br>expenses to average net assets*                     | .17%**   | .18%                    | .17%                      |       |
| Ratio of operating expenses to average<br>net assets*  | 1.85%**  | 1.46%                   | 1.11%                     |       |
| RATIO OF TOTAL EXPENSES TO AVERAGE<br>NET ASSETS*  | -----<br>2.02%**<br>=====                                      | -----<br>1.64%<br>===== | -----<br>1.28%<br>=====   | ----- |
| RATIO OF NET INVESTMENT INCOME TO<br>AVERAGE NET ASSETS*                                     | 13.90%**   | 16.48%                  | 16.70%                    |       |
| RATIO OF TOTAL EXPENSES TO AVERAGE<br>NET ASSETS APPLICABLE TO COMMON<br>AND PREFERRED STOCK | 1.19%**  | .89%                    | .71%                      |       |

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

|   |           |        |        |
|---|-----------|--------|--------|
| RATIO OF NET INVESTMENT INCOME TO<br>AVERAGE NET ASSETS APPLICABLE TO<br>COMMON AND PREFERRED STOCK | 8.18%**   | 8.91%  | 9.23%  |
| PORTFOLIO TURNOVER RATE   | 156.63%** | 82.47% | 38.89% |

- (a) Dollars in thousands.
- (b) The Fund issued Series D ATP on May 20, 1998. The per share data and ratios for the year ended December 31, 1998 reflect this transaction.
- (c) As required, effective January 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing discount and premium on debt securities. This had no effect on net investment income per share and a \$.01 increase to net realized and unrealized loss per share for the year ended December 31, 2001. The effect of this change increased the ratio of net investment income to average net assets from 16.29% to 16.70%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

\* Ratios calculated on the basis of expenses and net investment income applicable to the common shares relative to the average net assets of the common stockholders only. The expense ratio and net investment income ratio do not reflect the effect of dividend payments (including net swap settlement receipts/payments) to preferred stockholders.

\*\* Annualized

# Calculation is based on average shares outstanding during the indicated period due to the per share effect of the Fund's March 1998 rights offering.

+ Total investment return is calculated assuming a purchase of common stock at the current market value on the first day and a sale at the current market value on the last day of each year reported. Dividends and distributions are assumed for purposes of this calculation to be reinvested at prices obtained under the dividend reinvestment plan. This calculation does not reflect brokerage commissions.

The accompanying notes are an integral  
part of these financial statements.

16

### INFORMATION REGARDING SENIOR SECURITIES

|                                     | JUNE 30, 2003<br>(UNAUDITED) | 2002           | AS OF DECEMBER 31 |                |
|-------------------------------------|------------------------------|----------------|-------------------|----------------|
|                                     | -----                        | -----          | -----             | -----          |
| TOTAL AMOUNT OUTSTANDING:           |                              |                |                   |                |
| Preferred Stock                     | \$ 100,000,000               | \$ 100,000,000 | \$ 150,000,000    | \$ 160,000,000 |
| ASSET COVERAGE:                     |                              |                |                   |                |
| Per Preferred Stock Share (1)       | \$ 63,307                    | \$ 57,793      | \$ 54,705         | \$ 54,705      |
| INVOLUNTARY LIQUIDATION PREFERENCE: |                              |                |                   |                |
| Preferred Stock Share (2)           | \$ 25,000                    | \$ 25,000      | \$ 25,000         | \$ 25,000      |
| APPROXIMATE MARKET VALUE:           |                              |                |                   |                |
| Per Preferred Stock Share (2)       | \$ 25,000                    | \$ 25,000      | \$ 25,000         | \$ 25,000      |

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

- (1) Calculated by subtracting the Fund's total liabilities (not including the Preferred Stock) from the Fund's total assets and dividing such amount by the number of Preferred Shares outstanding.
- (2) Plus accumulated and unpaid dividends.

The accompanying notes are an integral part of these financial statements.

17

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 (UNAUDITED)

#### (1) SIGNIFICANT ACCOUNTING AND OTHER POLICIES

The New America High Income Fund, Inc. (the Fund) was organized as a corporation in the state of Maryland on November 19, 1987 and is registered with the Securities and Exchange Commission as a diversified, closed-end investment company under the Investment Company Act of 1940. The Fund commenced operations on February 26, 1988. The investment objective of the Fund is to provide high current income while seeking to preserve stockholders' capital through investment in a professionally managed, diversified portfolio of "high yield" fixed-income securities.

The Fund invests primarily in fixed maturity corporate debt securities that are rated less than investment grade. Risk of loss upon default by the issuer is significantly greater with respect to such securities compared to investment grade securities because these securities are generally unsecured and are often subordinated to other creditors of the issuer and because these issuers usually have high levels of indebtedness and are more sensitive to adverse economic conditions, such as a recession, than are investment grade issuers. In some cases, the collection of principal and timely receipt of interest is dependent upon the issuer attaining improved operating results, selling assets or obtaining additional financing.

See the schedule of investments for information on individual securities as well as industry diversification and credit quality ratings.

The Fund's financial statements have been prepared in conformity with generally accepted accounting principles in the United States that require the management of the Fund to, among other things, make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund, which are in conformity with those generally accepted in the investment company industry.

(a) VALUATION OF INVESTMENTS--Investments for which market quotations are readily available are stated at market value, which is determined by using the most recently quoted bid price provided by an independent pricing service or principal market maker. Independent pricing services provide market quotations based primarily on quotations from dealers and brokers, market transactions, accessing data from quotations services, offering sheets obtained from dealers and various relationships between securities. Short-term investments having maturities of 60 days or less are stated at amortized cost, which approximates market value. Following procedures approved by the Board of Directors, investments for which market quotations are not readily available (primarily

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

fixed-income corporate bonds and notes) are stated at fair value on the basis of subjective valuations furnished by securities dealers and brokers. Other investments, with a cost of approximately \$9,809,000 and a value of \$0, are valued in good faith at fair market value using methods determined by the Board of Directors.

(b) INTEREST AND DIVIDEND INCOME--Interest income is accrued on a daily basis. Discount on short-term investments is amortized to investment income. Premiums or discounts on corporate debt securities are amortized based on the interest method for financial reporting purposes. All income on original issue discount and step interest bonds is accrued based on the effective interest method for tax reporting purposes as required by federal income tax regulations. The Fund does not amortize market premiums or discounts for tax purposes. Dividend payments received in the

18

form of additional securities are recorded on the ex-dividend date in an amount equal to the value of the security on such date.

(c) FEDERAL INCOME TAXES--It is the Fund's policy to comply with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders each year. Accordingly, no federal income tax provision is required.

### (2) TAX MATTERS AND DISTRIBUTIONS

At June 30, 2003, the total cost of securities (including temporary cash investments) for federal income tax purposes was approximately \$259,406,000. Aggregate gross unrealized gain on securities in which there was an excess of value over tax cost was approximately \$12,904,000. Aggregate unrealized loss on securities in which there was an excess of tax cost over value was approximately \$13,672,000. Net unrealized loss on investments for tax purposes at June 30, 2003 was approximately \$768,000.

At December 31, 2002, the Fund had approximate capital loss carryovers available to offset future capital gains, if any, to the extent provided by regulations:

| CARRYOVER AVAILABLE | EXPIRATION DATE   |
|---------------------|-------------------|
| -----               | -----             |
| \$ 35,581,000       | December 31, 2007 |
| 21,822,000          | December 31, 2008 |
| 67,042,000          | December 31, 2009 |
| 46,118,000          | December 31, 2010 |
| -----               |                   |
| \$ 170,563,000      |                   |
| =====               |                   |

It is the policy of the Fund to reduce future distributions of realized gains to shareholders to the extent of the unexpired capital loss carry forward.

The tax character of distributions paid to common and preferred shareholders of approximately \$22,371,000 in 2002 was from ordinary income.

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

As of December 31, 2002, the components of distributable earnings on a tax basis were approximately:

|  |    |               |
|--|----|---------------|
| Undistributed Net Investment Income                              | \$ | 402,000       |
| Undistributed Long-Term Gain                                     |    | --            |
| Unrealized Gain (Loss)   | \$ | (26,462,000)  |
| Capital Losses Carry Forward<br>and Post October Losses Deferred | \$ | (176,822,000) |

The difference between components of distributable earnings on a tax basis and the amounts reflected in the Statement of Assets and Liabilities are primarily due to wash sales, accrued interest on defaulted bonds and amortization of swap termination payments.

Distributions on common stock are declared based upon annual projections of the Fund's investment company taxable income. The Fund records all dividends and distributions payable to shareholders on the ex-dividend date and declares and distributes income dividends monthly.

The Fund was required to amortize market discounts and premiums for financial reporting purposes beginning January 1, 2001. This new accounting policy resulted in additional interest income for financial reporting purposes only. The Fund does not amortize market discounts or premiums for tax purposes. Therefore, the additional interest income for financial reporting purposes does not result in additional common stock dividend income.

The Fund has recorded several reclassifications in the capital accounts to present undistributed net investment income or accumulated net realized gains and losses on a tax basis, which is considered to be more informative to the shareholder. These reclassifications have no impact on the net asset value of the Fund.

### (3) INVESTMENT ADVISORY AGREEMENT

T. Rowe Price Associates, Inc. (T. Rowe Price), the Fund's Investment Advisor, earned approximately \$405,000 in management fees during the six months

19

ended June 30, 2003. Management fees paid by the Fund to T. Rowe Price were calculated at 0.50% on the first \$50,000,000 of the Fund's average weekly net assets, 0.40% on the next \$50 million and 0.30% on average weekly net assets in excess of \$100 million. T. Rowe Price's fee is calculated based on assets attributable to the Fund's common and auction term preferred stock. At June 30, 2003, the fee payable to T. Rowe Price was approximately \$74,000, which was included in accrued expenses on the accompanying statement of assets and liabilities.

### (4) AUCTION TERM PREFERRED STOCK (ATP)

The Fund had 4,000 shares of ATP issued and outstanding at June 30, 2003. The ATP's dividends are cumulative at a rate determined at an auction, and dividend periods will typically be 28 days unless notice is given for periods to be longer or shorter than 28 days. Dividend rates ranged from 1.15% to 1.60% for the six months ended June 30, 2003. The average dividend rate as of June 30, 2003 was 1.25%.

The ATP is redeemable, at the option of the Fund, or subject to mandatory

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

redemption (if the Fund is in default of certain coverage requirements) at a redemption price equal to \$25,000 per share plus accumulated and unpaid dividends. The ATP has a liquidation preference of \$25,000 per share plus accumulated and unpaid dividends. The Fund is required to maintain certain asset coverages with respect to the ATP under the Fund's Charter and the 1940 Act in order to maintain the Fund's Aaa/AAA ratings by Moody's Investors Service, Inc. and Fitch, Inc., respectively.

### (5) ATP AUCTION-RELATED MATTERS

Bankers Trust Company (BTC) serves as the ATP's auction agent pursuant to an agreement entered into on January 4, 1994. The term of the agreement is unlimited and may be terminated by either party. BTC may resign upon notice to the Fund, such resignation to be effective on the earlier of the 90th day after the delivery of such notice and the date on which a successor auction agent is appointed by the Fund. The Fund may also replace BTC as auction agent at any time.

After each auction, BTC as auction agent will pay to each broker-dealer, from funds provided by the Fund, a maximum service charge at the annual rate of 0.25 of 1% or such other percentage subsequently agreed to by the Fund and the broker-dealers, of the purchase price of shares placed by such broker-dealers at such auction. In the event an auction scheduled to occur on an auction date fails to occur for any reason, the broker-dealers will be entitled to service charges as if the auction had occurred and all holders of shares placed by them had submitted valid hold orders. The Fund incurred approximately \$123,000 for service charges through June 30, 2003. This amount is included under the caption preferred and auction fees in the accompanying statement of operations.

### (6) INTEREST RATE SWAPS

The Fund entered into an interest payment swap arrangement with Fleet Bank (Fleet) for the purpose of partially hedging its dividend payment obligations with respect to the ATP. Pursuant to the Swap Arrangement the Fund makes payments to Fleet on a monthly basis at a fixed annual rate. In exchange for such payment Fleet makes payments to the Fund on a monthly basis at a variable rate determined with reference to one month LIBOR. The variable rates ranged from 1.31% to 1.44% for the six months ended June 30, 2003. The effective date, notional amount, maturity and fixed rate of the swap is as follows:

| EFFECTIVE<br>DATE | NOTIONAL<br>CONTRACT<br>AMOUNT | MATURITY | FIXED<br>ANNUAL<br>RATE |
|-------------------|--------------------------------|----------|-------------------------|
| 10/1/01           | \$100 million                  | 10/1/06  | 4.50%                   |

Swap transactions, which involve future settlement, give rise to credit risk. Credit risk is the amount of loss the Fund would incur in the event counterparties failed to perform according to the terms of the contractual commitments. In the event of nonperformance by the counterparty, the Fund's dividend payment obligation with respect to the ATP would no longer be partially hedged. Therefore, the ATP dividend would no longer be partially fixed. In an unfavorable interest rate environment, the Fund would be subject to higher net ATP dividend payments, resulting in less income available for the common share dividend. The Fund does not anticipate nonperformance by any counterparty. While notional contract amounts are used to express the volume of interest rate swap

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

agreements, the amounts potentially subject to credit risk, in the event of nonperformance by counterparties, are substantially smaller.

The Fund accounts for interest rate swaps in accordance with the Statement of Financial Accounting Standards No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. This statement requires an entity to recognize all freestanding derivative instruments in the balance sheet as either assets or liabilities and measure them at fair value. Any change in the unrealized gain or loss is recorded in current earnings. For the six months ended June 30, 2003, the Fund's obligations under the swap agreements were more than the amount received from Fleet by approximately \$1,591,000 and is included in the accompanying statement of operations.

The estimated fair value of the interest rate swap agreement at June 30, 2003 amounted to approximately \$8,061,000 of unrealized loss and is presented in the accompanying balance sheet.

### (7) PURCHASES AND SALES OF SECURITIES

Purchases and proceeds of sales or maturities of long-term securities during the six months ended June 30, 2003 were approximately:

|                         |                |
|-------------------------|----------------|
| Purchases of securities | \$ 180,270,000 |
| Sales of securities     | \$ 191,034,000 |

### (8) RELATED PARTY TRANSACTIONS

A partner of Goodwin Procter LLP, counsel to the Fund, serves as a Director of the Fund. Fees earned by Goodwin Procter LLP amounted to approximately \$397,000 for the six months ended June 30, 2003. The Fund paid approximately \$130,000 during the six months ended June 30, 2003 to two officers of the Fund for the provision of certain administrative services.

### (9) RIGHTS OFFERING

The Fund issued to stockholders of record as of the close of business on July 21, 2003, rights to subscribe for an aggregate of 23,397,095 shares of common stock, \$.01 par value per share, of the Fund. One right was issued for each three full shares of common stock beneficially held on the record date. The rights entitled a stockholder to acquire at the subscription price of \$1.81 per share one share for each right held. The subscription price was 94% of the average of the last reported sales price of the Fund's Common Stock on the New York Stock Exchange on August 18, 2003, the expiration date and the nine preceding business days. On August 22, 2003 the Fund completed its rights offering. Proceeds of approximately \$42,348,000 and shares of 23,397,095 were recorded. In addition the deferred offering expense of approximately \$880,000 was netted against the rights offering proceeds.

21

### COMMON AND AUCTION TERM PREFERRED STOCK TRANSACTIONS

From time to time in the future, the Fund may effect redemptions and/or repurchases of its ATP as provided in the applicable constituent instruments or as agreed upon by the Fund and sellers. The Fund intends to effect such redemptions and/or repurchases to the extent necessary to maintain applicable asset coverage requirements.

## Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

The Fund may purchase shares of its Common Stock in the open market when the Common Stock trades at a discount to net asset value or at other times if the Fund determines such purchases are in the best interest of its stockholders. There can be no assurance that the Fund will take such action in the event of a market discount to net asset value or that Fund purchases will reduce a discount.

22

### DIRECTORS

Robert F. Birch  
Joseph L. Bower  
Richard E. Floor  
Bernard J. Korman  
Ernest E. Monrad

### DIRECTOR EMERITUS

Franco Modigliani

### OFFICERS

Robert F. Birch - President  
Ellen E. Terry - Vice President, Treasurer  
Richard E. Floor - Secretary

### INVESTMENT ADVISOR

T. Rowe Price Associates, Inc.  
100 E. Pratt Street  
Baltimore, Maryland 21202

### ADMINISTRATOR

The New America High Income Fund, Inc.  
33 Broad Street  
Boston, MA 02109  
(617) 263-6400

### CUSTODIAN

State Street Bank and Trust Company  
225 Franklin Street  
Boston, MA 02110

### TRANSFER AGENT

EquiServe Trust Company N.A.  
P.O. Box 43011  
Providence, RI 02940-3011  
(617) 328-5000 ext. 6406  
(800) 426-5523

Listed: NYSE  
Symbol: HYB  
Web site: [www.newamerica-hyb.com](http://www.newamerica-hyb.com)

23

EQUISERVE TRUST COMPANY N.A.  
P.O. BOX 43011  
PROVIDENCE, RI 02940-3011

NEHCM-SA-03



Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

ITEM 2. CODE OF ETHICS.  
Not applicable.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.  
Not applicable.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.  
Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.  
Not applicable.

ITEM 6. [RESERVED]

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END  
MANAGEMENT INVESTMENT COMPANIES.  
Not applicable.

ITEM 8. [RESERVED]

ITEM 9. CONTROLS AND PROCEDURES.

(a) The principal executive officer and principal financial officer concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-2(c) under the Investment Company Act of 1940, as amended (the "1940 Act") provide reasonable assurances that material information regarding the Registrant is made known to them by the appropriate persons, based on their evaluation of the disclosure controls and procedures as of a date within 90 days of the filing date of this report.

(b) There was no change 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 half-year that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 10. EXHIBITS.

(a) (1) Not applicable.

(a) (2) The certifications required by Rule 30a-2(a) under the 1940 Act are attached as exhibits to this report.

(b) The certifications required by Rule 30a-2(b) under the 1940 Act are attached as exhibits to this report.

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.

The New America High Income Fund, Inc.

By: /s/ Robert F. Birch

-----  
Name: Robert F. Birch  
Title: Chief Executive Officer  
Date: September 5, 2003

Edgar Filing: NEW AMERICA HIGH INCOME FUND INC - Form N-CSRS

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/ Robert F. Birch

-----  
Name: Robert F. Birch  
Title: Chief Executive Officer  
Date: September 5, 2003

By: /s/ Ellen E. Terry

-----  
Name: Ellen E. Terry  
Title: Chief Financial Officer  
Date: September 5, 2003