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NEW AMERICA HIGH INCOME FUND INC  
Form N-CSRS  
September 03, 2004

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-5399  
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The New America High Income Fund Inc.  
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(Exact name of registrant as specified in charter)

33 Broad Street Boston MA 02109  
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(Address of principal executive offices) (Zip code)

Richard E. Floor, Secretary, 53 State Street, Boston MA 02109  
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(Name and address of agent for service)

Registrant's telephone number, including area code: 617-263-6400  
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Date of fiscal year end: 12/31  
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Date of reporting period: 1/1/04 - 6/30/04  
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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

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

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Item 1 Report to Shareholders

THE NEW AMERICA HIGH INCOME FUND, INC.

[NEW AMERICA HIGH INCOME FUND LOGO]

SEMI-ANNUAL REPORT JUNE 30, 2004

August 20, 2004

DEAR FELLOW SHAREHOLDER,

Sometimes no news is good news. Neither the Fund's dividend nor its net asset value ("NAV") has moved significantly during the first 6 months of the year, despite the turmoil in the fixed income market and reductions in dividends at other income funds. The year opened with the Fund's NAV at \$2.19 and at the half way mark it was \$2.14. Based on current earnings, the Fund continues to target the current dividend of \$.0175 per month (subject to future market conditions and portfolio performance) despite the rising cost of the Fund's leverage. The annualized dividend calculated using the June 30th market price of \$1.94 and the current monthly dividend was 10.8%. One significant change during the period was an increase in the market price discount from NAV of 1.4% on December 31st to 9.4% as of June 30th. We cannot say for certain why there is discount on our Fund's shares and on those of some other income funds, however discount and premium levels do tend to fluctuate. Over the longer term, the key issue is not the short term swings in the discount or premium, but the quality and earning power of the underlying portfolio.

As always we remind you, leverage is a two-edged sword. Usually when the market declines our NAV will decline more rapidly than the market and the reverse is generally true in a bull market. In addition, rising interest rates increase the cost of the Fund's leverage, reducing the income spread benefit to the dividend. Despite the reduced spread between the cost of the leverage and the earnings on the portfolio assets, the leverage is still an important contributor to the Fund's dividend. The increase in the cost of the leverage due to rising interest rates is partially offset by the Fund's current interest rate swap position. As rates rise, we expect new high yield bonds with higher coupons to be issued which should also help mitigate the increasing cost of the leverage.

The mutual fund industry has been rocked with scandals involving a number of companies who were believed to be above such shenanigans. In this environment, it bears remembering that as a closed end fund, our shares trade on a stock exchange, so the Fund does not have the problems of trading after a 4 p.m. pricing deadline. Shareholders who attempt to profit by market timing are trading with other shareholders, so have no direct impact on the portfolio management. The Fund's Board and staff do not have any financial interest in the Fund's investment adviser, which does not have any representation on the Board. The Board is free to change investment advisers and has done so in the recent past. In addition, all of the Fund's officers and directors are shareholders.

Below you will find our investment adviser, T. Rowe Price's, market outlook and their strategy for the investment management of the Fund.

HIGH YIELD MARKET UPDATE

The high yield market got off to a strong start in the first three months of the year only to cool quickly in the second quarter and forfeit some of its early

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gains following a swift rise in interest rates. U.S. Treasury bonds set the tempo for fixed income markets in general over the first six months of 2004. The ten year government bond began the year at a yield of 4.24% and closed out the first six months yielding 4.58%. Despite what was just a 34 basis point (0.34%) increase in yield from the beginning of the year to the half-way point, action in Treasuries over the first six months was quite dramatic. The rate on the benchmark ten year government bond fell as low as 3.68% by mid-March and ended the first quarter at a yield of 3.83%. By the second quarter, Treasury rates began to reflect concerns that an expanding U.S. economy was bringing with it the specter of inflation, and the yield on the ten year bond spiked as high as 4.87% by mid-June. On the last day of the second quarter, the Federal Open Market Committee hiked the Fed Funds rate a quarter point to 1.25%, its first rate increase in four years.

Despite the heady action in Treasuries throughout the first six months, the damage to high yield bonds from the trend to higher interest rates was limited by two factors; a tendency for lower quality bonds to exhibit less interest rate sensitivity, and a positive credit environment for most companies. As measured by the CS First Boston High Yield Index, the market delivered a 2.66% gain in the first quarter, but lost .19% in the next three months. May was particularly challenging, with the market down 1.58%. By the same measure, the high yield market has delivered a 2.47% return over the first six months of 2004, but stands up an impressive 11.75% over the trailing 12 month period ended June 30th.

The downside of the high yield market's strong relative showing in the first half of the year has been a continued decrease in the difference or spread between the yields on high yield debt and those on Treasury instruments. Spreads narrowed about 50 basis points for the June quarter, to about 450 basis points over comparable government bonds. Valuations for the lowest rated high yield bonds seem particularly rich, with spreads for CCC-rated issues more than 200 basis points below long term historical averages. For the June quarter, CCC's sharply outperformed higher quality sectors of the market, with interest rate sensitive BB-rated bonds generating the biggest negative returns. For the balance of the year, we anticipate that continued evidence of economic strength will lead to more tightening from the Fed and higher interest rates across the Treasury curve.

### STRATEGY REVIEW

We have had two overriding goals over the last six months; preserving the portfolio's ability to maintain its current dividend in a low coupon environment, and protecting the Fund's principal from the negative effects of higher interest rates. It has been a challenge in a market that for several months allowed many high yield borrowers to successfully price new deals with coupons below 7%, as bonds at these rates bring us short of our dividend goal and are likely to depreciate sharply in a rising rate environment. Our approach to this problem has been to overweight single-B rated issues relative to the high yield debt market as a whole and to favor high coupon bonds trading at a premium to their par values. These premium bonds still offer generous income and should afford some protection from the negative effects of rising rates. As with any strategy there are drawbacks. While these bonds should satisfy the current dividend stream, they will under-perform lower coupon issues should interest rates move lower rather than, as we expect, higher. With an economy growing around 4% and the first of what are anticipated to be several rate increases from the Federal Reserve, we think it's appropriate to sacrifice some capital appreciation potential to focus on income and capital preservation.

Fortunately, the upward trend in Treasury rates since the beginning of the year has brought with it at least one benefit - more attractive coupons on new high

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yield issues. Throughout the second quarter we enthusiastically bought a number of new credits with coupons of 9% and higher. And though scarcer than we'd prefer, we continue to find previously issued bonds that carry yields high enough to satisfy the Fund's dividend, and should the current economic climate continue, possibly deliver some capital appreciation.

We anticipate remaining overweight in single-B rated debt into the second half of the year. We believe that at this stage of the credit cycle, medium quality high yield companies have more potential for credit improvement than companies in the lower quality (CCC-rated) tiers. Bond prices tend to move inversely with changes in interest rates, and generally, the lower the coupon, the greater the sensitivity to changes in rates a bond will exhibit. We think single-B rated issues offer greater insulation against the effects of rising rates versus higher quality (BB-rated) issues, though we are intrigued by some of the lower coupon BB-rated bonds that have traded down eight to ten percent due to rising rates. We still think it is too early to move to a neutral weighting in BB's, but if the move to higher rates that we forecast takes shape, we expect this sector will eventually represent a

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compelling relative value. Overall, the second half of 2004 does not look to be much better than the first six months of the year, but the period of transition could eventually set the stage for potentially attractive high yield returns in 2005.

Thank you for your continued interest in the Fund.

Sincerely,

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

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

THE VIEWS EXPRESSED IN THIS UPDATE ARE AS OF THE DATE OF THIS LETTER. THESE VIEWS ARE SUBJECT TO CHANGE AT ANY TIME BASED ON MARKET OR OTHER CONDITIONS. THE FUND AND THE ADVISER DISCLAIM ANY DUTY TO UPDATE THESE VIEWS, WHICH MAY NOT BE RELIED UPON AS INVESTMENT ADVICE. IN ADDITION, REFERENCES TO SPECIFIC COMPANY SECURITIES SHOULD NOT BE REGARDED AS INVESTMENT RECOMMENDATIONS.

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The New America High Income Fund, Inc.

SCHEDULE OF INVESTMENTS -- JUNE 30, 2004 (UNAUDITED)  
(Dollar Amounts in Thousands)

PRINCIPAL AMOUNT/UNITS	MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
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CORPORATE DEBT SECURITIES -- 157.51% (d)

AEROSPACE AND DEFENSE -- 4.23%  
\$ 850 Aviall, Inc., Senior Notes,

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	7.625%, 07/01/11	B1	\$	884
250	BE Aerospace, Inc., Senior Subordinated Notes, 8%, 03/1/08	Caa3		232
450	BE Aerospace, Inc., Senior Subordinated Notes, 9.50%, 11/01/08	Caa3		438
550	BE Aerospace, Inc., Senior Subordinated Notes, 8.875%, 05/01/11	Caa3		514
2,500	GenCorp, Inc., Senior Subordinated Notes, 9.50%, 08/15/13	B2		2,600
600	Sequa Corporation, Senior Notes, 9%, 08/01/09	B1		639
650	Transdigm, Inc., Senior Subordinated Notes, 8.375%, 07/15/11	B3		669
2,650	Vought Aircraft Industries, Inc., Senior Notes, 8%, 07/15/11 (g)	B2		2,517
				-----
				8,493
				-----
AUTOMOBILE -- 5.44%				
175	Adesa, Inc., Senior Subordinated Notes, 7.625%, 06/15/12	B1		176
700	Asbury Automotive Group, Inc., Senior Subordinated Notes, 8%, 03/15/14	B3		668
675	Autocam Corporation, Senior Subordinated Notes, 10.875%, 06/15/14 (g)	B3		655
75	Collins & Aikman Products, Co., Senior Unsecured Notes, 10.75%, 12/31/11	B2		75
590	Cummins, Inc., Senior Notes, 9.50%, 12/01/10	Ba2		668
900	Dana Corporation, Senior Notes, 9%, 08/15/11	Ba3		1,053
300	Delco Remy International, Inc., Senior Subordinated Notes, 9.375%, 04/15/12 (g)	B3		291
300	Dura Operating Corporation, Senior Subordinated Notes, 9%, 05/01/09	B2		295
\$ 1,150	HLI Operating Company Inc., Senior Notes, 10.50%, 06/15/10	B1	\$	1,294
500	J.B. Poindexter & Co., Inc., Senior Notes, 8.75%, 03/15/14 (g)	B1		506
450	MSX International, Inc., Senior Subordinated Notes, 11.375%, 01/15/08	Caa1		351
375	Navistar International Corp., Senior Notes, 7.50%, 06/15/11	Ba3		381
375	RJ Tower Corporation, Senior Unsecured Notes, 12%, 06/1/13	B3		357
1,457	TRW Automotive Inc., Senior Notes, 9.375%, 02/15/13	B1		1,646
1,291	TRW Automotive Inc.,			

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	Senior Subordinated Notes, 11%, 02/15/13	B2	1,530
1,000	Visteon Corporation, Senior Unsecured Notes, 7%, 03/10/14	Ba1	967
			----- 10,913 -----
BEVERAGE, FOOD AND TOBACCO -- 3.64%			
281	Agrilink Foods, Inc. , Senior Subordinated Notes, 11.875%, 11/01/08	B3	299
1,200	B&G Foods, Inc., Senior Subordinated Notes, 9.625%, 08/01/07	B3	1,221
400	Dole Food Company, Inc., Senior Notes, 8.625%, 05/01/09	B2	421
700	Dole Food Company, Inc., Senior Notes, 8.875%, 03/15/11	B2	740
1,175	Le-Nature's, Inc., Senior Subordinated Notes, 10.00%, 06/15/13 (g)	Caa1	1,213
400	Merisant Co., Senior Subordinated Notes, 9.50%, 07/15/13 (g)	B3	426
400	Pierre Foods, Inc., Senior Subordinated Notes, 9.875%, 07/15/12 (g)	B3	406
2,200	Pinnacle Foods Holding Corporation, Senior Subordinated Notes, 8.25%, 12/01/13 (g)	B3	2,128
450	Wornick Co., Senior Secured Notes, 10.875%, 07/15/11 (g)	B2	459
			----- 7,313 -----

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
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CORPORATE DEBT SECURITIES -- CONTINUED			
BROADCASTING AND ENTERTAINMENT -- 6.96%			
\$ 800	CCO Holdings, LLC, Senior Notes, 8.75%, 11/15/13 (g)	B3	\$ 776
1,675	Charter Communications Holdings II, LLC, Senior Notes, 10.25%, 09/15/10 (g)	Caa1	1,696
800	Charter Communications Operating, LLC, Senior Notes, 8%, 04/30/12 (g)	B2	776

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100	Charter Communications Operating, LLC, Senior Notes, 8.375%, 04/30/14 (g)	B2	98
600	Cinemark, Inc., Senior Discount Notes, 9.75%, 03/15/14 (g) (h)	Caa1	391
75	Cinemark USA, Inc., Senior Subordinated Notes, 9%, 02/01/13	B3	82
1,650	CSC Holdings, Inc., Senior Notes, 7.625%, 04/01/11	B1	1,662
644	Echostar DBS Corporation, Senior Notes, 9.125%, 01/15/09	Ba3	707
375	Echostar DBS Corporation, Senior Notes, 10.375%, 10/01/07	Ba3	401
375	Insight Midwest, L.P., Senior Notes, 9.75%, 10/01/09	B2	395
625	Insight Midwest, L.P., Senior Notes, 10.50%, 11/01/10	B2	680
600	Mediacom Broadband LLC, Senior Notes, 11%, 07/15/13	B2	636
2,475	Quebecor Media Inc., Senior Notes, 11.125%, 07/15/11	B2	2,821
500	Spanish Broadcasting System, Inc., Senior Subordinated Notes, 9.625%, 11/01/09	Caa1	526
1,625	Warner Music Group, Senior Subordinated Notes, 7.375%, 04/15/14 (g)	B3	1,564
656	XM Satellite Radio Inc., Senior Secured Notes, 12%, 06/15/10	Caa1	751
			-----
			13,962
			-----
	BUILDING AND REAL ESTATE -- 7.39%		
\$ 1,550	Associated Materials, Inc., Senior Subordinated Notes, 9.75%, 04/15/12	B3	\$ 1,720
625	B.F. Saul Real Estate Investment Trust, Senior Secured Notes, 7.50%, 03/1/14	B3	619
75	Building Materials Corporation of America, Senior Notes, 7.75%, 07/15/05	B2	75
150	Building Materials Corporation of America, Senior Notes, 8%, 10/15/07	B2	150
75	Building Materials Corporation of America, Senior Notes, 8%, 12/1/08	B2	75
50	Building Materials Corporation of America, Senior Notes, 8.625%, 12/15/06	B2	50
1,050	Collins & Aikman Floorcoverings, Inc., Senior Subordinated Notes, 9.75%, 02/15/10	B2	1,066
400	GEO Group, Inc., Senior Notes, 8.25%, 07/15/13	B1	396
825	Hovnanian Enterprises, Inc.,		

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	Senior Subordinated Notes, 7.75%, 05/15/13	Ba3	823
750	LNR Property Corporation, Senior Subordinated Notes, 7.25%, 10/15/13	Ba3	735
100	LNR Property Corporation, Senior Subordinated Notes, 7.625%, 07/15/13	Ba3	100
775	Mobile Mini, Inc., Senior Notes, 9.50%, 07/01/13	B2	837
1,050	Norcroft Companies, L.P., Senior Subordinated Notes, 9%, 11/01/11 (g)	B3	1,108
325	Omega Healthcare Investors, Inc., Senior Notes, 7%, 04/1/14 (g)	B1	307
850	Riverside Forest Products Ltd., Senior Notes, 7.875%, 03/1/14 (g)	B2	871
1,025	Shaw Group, Inc., Senior Notes, 10.75%, 03/15/10	Ba2	999

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 750	Texas Industries, Inc., Senior Notes, 10.25%, 06/15/11	B1	\$ 838
550	U.S. Concrete, Inc., Senior Subordinated Notes, 8.375%, 04/1/14 (g)	B3	550
700	WII Components, Inc., Senior Notes, 10%, 02/15/12 (g)	B2	700
675	WCI Communities, Inc., Senior Subordinated Notes, 9.125%, 05/01/12	Ba3	724
975	WCI Communities, Inc., Senior Subordinated Notes, 10.625%, 02/15/11	Ba3	1,070
300	Williams Scotsman, Inc., Senior Notes, 9.875%, 06/01/07	B3	297
650	Williams Scotsman, Inc., Senior Secured Notes, 10%, 08/15/08	B2	705
			----- 14,815 -----
CHEMICALS, PLASTICS AND RUBBER -- 8.05%			
525	ARCO Chemical Company, Debentures, 10.25%, 11/01/10	B1	538



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825	BCP Caylux Holdings Luxembourg S.C.A., Senior Subordinated Notes, 9.625%, 06/15/14 (g)	B3	858
1,650	Compass Minerals Group, Inc., Senior Subordinated Notes, 10%, 08/15/11	B3	1,836
475	Ethyl Corporation, Senior Notes, 8.875%, 05/01/10	B2	501
425	Freeport McMoran Resources, Senior Notes, 7%, 02/15/08	Caal	436
600	Huntsman International LLC, Senior Notes, 9.875%, 03/01/09	B3	646
1,475	Huntsman LLC, Senior Secured Notes, 11.625%, 10/15/10	B2	1,626
850	Invista, Senior Notes, Units, 9.25%, 05/01/12 (g)	B1	854
2,000	Koppers Inc., Senior Secured Notes, 9.875%, 10/15/13	B2	2,190
\$ 400	Lyondell Chemical Company, Senior Notes, 9.50%, 12/15/08	B1	\$ 418
725	Omnova Solutions, Inc., Senior Secured Notes, 11.25%, 06/1/10	B2	805
525	PolyOne Corporation, Senior Notes, 10.625%, 05/15/10	B3	554
825	Resolution Performance Products, LLC, Senior Notes, 9.50%, 04/15/10	B3	854
975	Rhodia S.A., Senior Notes, 10.25%, 06/01/10 (g)	B3	985
1,500	Rhodia S.A., Senior Subordinated Notes, 8.875%, 06/01/11 (g)	Caal	1,264
775	Rockwood Specialities Group, Inc., Senior Subordinated Notes, 10.625%, 05/15/11	B3	829
200	VWR International, Inc., Senior Notes, 6.875%, 04/15/12 (g)	B2	201
725	VWR International, Inc., Senior Subordinated Notes, 8%, 04/15/14 (g)	B3	740
			----- 16,135 -----
CONTAINERS, PACKAGING AND GLASS -- 12.75%			
700	AEP Industries, Inc., Senior Subordinated Notes, 9.875%, 11/15/07	B3	719
800	Ball Corporation, Senior Notes, 6.875%, 12/15/12	Ba3	811
1,675	Boise Cascade Corporation, Senior Notes, 7%, 11/01/13	Ba2	1,708
775	Bway Corporation, Senior Subordinated Notes, 10%, 10/15/10	B3	808
575	Constar International, Inc. Senior Subordinated Notes,		

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	11%, 12/01/12	Caa1	538
1,300	Crown European Holdings, S.A., Senior Secured Notes, 9.50%, 03/01/11	B1	1,427
1,725	Crown European Holdings, S.A., Senior Secured Notes, 10.875%, 03/01/13	B2	1,975

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 500	Georgia-Pacific Corporation, Senior Notes, 8.875%, 02/01/10	Ba2	\$ 568
2,375	Georgia-Pacific Corporation, Senior Notes, 9.375%, 02/01/13	Ba2	2,702
450	Graphic Packaging International, Inc., Senior Notes, 8.50%, 08/15/11	B2	481
175	Graphic Packaging International, Inc., Senior Subordinated, Notes, 9.50%, 08/15/13	B3	190
350	Greif Brothers Corporation, Senior Subordinated Notes, 8.875%, 08/1/12	B2	376
750	Jefferson Smurfit Corporation, Senior Notes, 7.50%, 06/01/13	B2	741
1,425	Longview Fibre Company, Senior Subordinated Notes, 10%, 01/15/09	B2	1,539
1,735	MDP Acquisitions PLC, Senior Notes, 9.625%, 10/01/12	B3	1,926
378	MDP Acquisitions PLC, Subordinated Notes, 15.50%, 10/01/13 (b)	Caa1	440
550	Owens-Brockway Glass Container, Inc., Senior Notes, 8.25%, 05/15/13	B3	567
450	Owens-Brockway Glass Container, Inc., Senior Secured Notes, 7.75%, 05/15/11	B2	466
175	Owens-Brockway Glass Container, Inc., Senior Secured Notes, 8.75%, 11/15/12	B2	191
1,225	Owens-Brockway Glass Container, Inc., Senior Secured Notes, 8.875%, 02/15/09	B2	1,323
1,550	Plastipak Holdings, Inc., Senior Notes,		

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	10.75%, 09/01/11	B3	1,658
1,600	Potlatch Corporation, Senior Subordinated Notes, 10%, 07/15/11	Ba1	1,776
375	Silgan Holdings, Inc., Senior Subordinated Notes, 6.75%, 11/15/13	B1	364
\$ 975	Solo Cup Company, Senior Subordinated Notes, 8.50%, 02/15/14 (g)	B3	\$ 916
100	Stone Container Corporation, Senior Notes, 9.75%, 02/01/11	B2	110
350	Stone Container Finance Company of Canada, Senior Notes, 11.50%, 08/15/06 (g)	B2	353
950	Tekni-Plex, Inc., Senior Notes, 8.75%, 11/15/13 (g)	B2	907
			----- 25,580 -----
DIVERSIFIED/CONGLOMERATE MANUFACTURING -- 4.43%			
750	Aearo Company, Senior Subordinated Notes, 8.25%, 04/15/12 (g)	B3	765
275	AGCO Corporation, Senior Notes, 9.50%, 05/01/08	Ba3	298
850	Case New Holland Inc., Senior Notes, 9.25%, 08/01/11 (g)	Ba3	897
500	Columbus McKinnon Corporation, Senior Subordinated Notes, 8.50%, 04/01/08	Caa1	455
450	General Cable Corporation, Senior Notes, 9.50%, 11/15/10	B2	481
550	Manitowoc, Incorporated, Senior Notes, 7.125%, 11/01/13	B1	550
1,150	National Waterworks, Inc., Senior Subordinated Notes, 10.50%, 12/01/12	B3	1,294
1,575	Rexnord Corp., Senior Subordinated Notes, 10.125%, 12/15/12	B3	1,732
1,625	Trimas Corp. Senior Subordinated Notes, 9.875%, 06/15/12	B3	1,731
700	Valmont Industries, Inc., Senior Subordinated Notes, 6.875%, 05/01/14 (g)	Ba3	686
			----- 8,889 -----
DIVERSIFIED/CONGLOMERATE SERVICE -- 2.96%			
1,425	Brand Services, Inc., Senior Subordinated Notes, 12%, 10/15/12	B3	1,653
1,225	Brickman Group LTD, Senior Subordinated Notes, 11.75%, 12/15/09	B2	1,409

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CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 1,200	Coinmach Corporation, Senior Notes, 9%, 02/01/10	B2	\$ 1,206
1,600	Synagro Technologies, Inc., Senior Subordinated Notes, 9.50%, 04/01/09	B3	1,672
			----- 5,940 -----
ECOLOGICAL -- 1.87%			
975	Allied Waste North America, Inc., Senior Secured Notes, 7.875%, 04/15/13	Ba3	1,019
1,625	Casella Waste Systems, Inc., Senior Subordinated Notes, 9.75%, 02/01/13	B3	1,755
900	IESI Corporation, Senior Subordinated Notes, 10.25%, 06/15/12	B3	972
			----- 3,746 -----
ELECTRONICS -- 7.28%			
325	AMI Semiconductor, Inc., Senior Subordinated Notes, 10.75%, 02/01/13	B3	379
325	Amkor Technology, Inc., Senior Notes, 7.125%, 03/15/11 (g)	B1	306
825	Amkor Technology, Inc., Senior Notes, 7.75%, 05/15/13	B1	780
275	Amkor Technology, Inc., Senior Notes, 10.50%, 05/01/09	B3	288
461	Avaya Inc., Senior Secured Notes, 11.125%, 04/01/09	B1	541
750	Chippac International Ltd., Senior Subordinated Notes, Series B, 12.75%, 08/01/09	B3	801
875	Fairchild Semiconductor Corporation, Senior 10.50%, 02/01/09	B2	952
1,025	Invensys PLC, Senior Notes, 9.875%, 03/15/11 (g)	B3	1,022
375	Lucent Technologies, Inc., Senior Notes, 5.50%, 11/15/08	Caa1	355
1,150	New Asat Finance LLC, Senior Notes 9.25%, 02/01/11 (g)	B3	1,144
\$ 1,075	Nortel Networks, Ltd., Senior Secured Notes,		

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	6.125%, 02/15/06	B3	\$	1,078
1,089	ON Semiconductor Corporation, Senior Secured Notes, 12%, 03/15/10	B3		1,280
163	ON Semiconductor Corporation, Senior Secured Notes, 13%, 05/15/08	Caa1		187
975	Sanmina Scientific Corporation, Senior Secured Notes, 10.375%, 01/15/10	Ba2		1,121
450	Solectron Corporation, Senior Notes, 9.625%, 02/15/09	B1		492
1,200	Stratus Technologies, Inc., Senior Notes, 10.375%, 12/01/08 (g)	B3		1,230
775	Superior Essex Communications LLC, Senior Notes, 9%, 04/15/12 (g)	B3		748
800	Telex Communications, Inc., Senior Notes, 11.50%, 10/15/08	B3		858
975	UGS Corporation, Senior Subordinated Notes, 10%, 06/01/12 (g)	B3		1,036
				-----
				14,598
				-----
FINANCE -- 1.00%				
1,100	Global Cash Access LLC, Senior Subordinated Notes, 8.75%, 03/15/12 (g)	Caa1		1,148
850	LaBranche & Co., Inc., Senior Notes, 9.50%, 05/15/09 (g)	Ba1		850
				-----
				1,998
				-----
FURNISHINGS, HOUSEWARES, DURABLE CONSUMER PRODUCTS -- .90%				
675	Fedders North America, Inc., Senior Notes, 9.875%, 03/01/14 (g)	Caa1		618
475	Maax Corporation, Senior Subordinated Notes, 9.75%, 06/15/12 (g)	B3		491
700	Sealy Mattress Company, Senior Subordinated Notes, 8.25%, 06/15/14 (g)	Caa1		703
				-----
				1,812
				-----

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

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PRINCIPAL AMOUNT/UNITS		RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES -- CONTINUED			
FARMING AND AGRICULTURE -- .22%			
\$ 150	IMC Global Inc., Senior Notes, 10.875%, 06/01/08	B1	\$ 175
125	IMC Global Inc., Senior Notes, 10.875%, 08/01/13	B1	151
100	IMC Global Inc., Senior Notes, 11.25%, 06/01/11	B1	116
			----- 442 -----
HEALTHCARE, EDUCATION AND CHILDCARE -- 6.66%			
850	Alliance Imaging, Inc., Senior Subordinated Notes, 10.375%, 04/15/11	B3	897
825	Alpharma, Inc., Senior Notes, 8.625%, 05/01/11 (g)	B3	853
900	Ameripath, Inc. Senior Subordinated Notes, 10.50%, 04/01/13	Caal	909
300	AmerisourceBergen Corporation, Senior Notes, 8.125%, 09/01/08	Ba3	325
700	Biovail Corporation, Senior Subordinated Notes, 7.875%, 04/01/10	B2	693
1,425	Concentra Operating Corporation, Senior Subordinated Notes, 9.50%, 08/15/10	B3	1,518
441	Fisher Scientific International Inc., Senior Subordinated Notes, 8.125%, 05/01/12	B2	472
575	Fresenius Medical Care Capital Trust IV, 7.875%, 06/15/11	Ba2	608
1,075	Genesis Healthcare Corporation, Senior Subordinated Notes, 8%, 10/15/13 (g)	B3	1,105
425	InSight Health Services Corp., Senior Subordinated Notes, 9.875%, 11/01/11	B3	458
250	Inverness Medical Innovations, Inc., Senior Subordinated Notes, 8.75%, 02/15/12 (g)	Caal	256
1,000	Omnicare, Inc., Senior Subordinated Notes, 8.125%, 03/15/11	Ba2	1,070
\$ 1,125	Quintiles Transnational Corp., Senior Subordinated Notes, 10%, 10/01/13	B3	\$ 1,114
450	Tenet Healthcare Corporation, Senior Notes, 6.50%, 06/01/12	B3	391
300	Tenet Healthcare Corporation, Senior Notes, 7.375%, 02/01/13	B3	272
400	Tenet Healthcare Corporation, Senior Notes,		

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	9.875%, 07/01/14 (g)	B3	406
750	Triad Hospitals, Inc., Senior Subordinated Notes, 7%, 11/15/13	B3	719
1,175	Vicar Operating, Inc., Senior Subordinated Notes, 9.875%, 12/01/09	B2	1,295
			-----
			13,361
			-----
HOTELS, MOTELS, INNS AND GAMING -- 12.22%			
625	American Casino & Entertainment Properties LLC, Senior Secured Notes, 7.85%, 02/01/12 (g)	B2	634
1,000	Ameristar Casinos, Inc., Senior Subordinated Notes, 10.75%, 02/15/09	B2	1,137
450	Argosy Gaming Company, Senior Subordinated Notes, 7%, 01/15/14 (g)	B3	438
75	Argosy Gaming Company, Senior Subordinated Notes, 9%, 09/01/11	B2	83
1,000	Boyd Gaming Corporation, Senior Subordinated Notes, 6.75%, 04/15/14 (g)	B1	943
1,675	Courtyard Marriott II Ltd., Senior Secured Notes, 10.75%, 02/01/08	B2	1,679
550	Horseshoe Gaming Holding Corp., Senior Subordinated Notes, 8.625%, 05/15/09	B2	574
740	Host Marriott LP, Senior Notes, Series I, 9.50%, 01/15/07	Ba3	812
1,075	Isle of Capri Casinos, Inc., Senior Subordinated Notes, 7%, 03/01/14 (g)	B2	997

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
-----			
CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 1,475	John Q. Hammons Hotels, LP, First Mortgage Notes, 8.875%, 05/15/12	B2	\$ 1,613
3,275	La Quinta Properties, Inc., Senior Notes, 8.875%, 03/15/11	Ba3	3,533
300	Majestic Star Casino, LLC,		

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	Senior Notes, 9.50%, 10/15/10	B2	302
1,500	MGM Grand, Inc., Senior Notes, 6.875%, 02/06/08	Ba1	1,596
1,100	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 8%, 04/01/12	Ba3	1,173
1,625	Penn National Gaming, Inc., Senior Subordinated Notes, 11.125%, 03/01/08	B2	1,792
425	Premier Entertainment Biloxi LLC, Senior Notes, 10.75%, 02/01/12 (g)	B3	447
825	Prime Hospitality Corporation, Senior Subordinated Notes, 8.375%, 05/01/12	B2	855
75	Resorts International Hotel and Casino, Inc., Senior Notes, 11.50%, 03/15/09	B2	85
525	Station Casinos, Inc., Senior Notes, 6%, 04/01/12	Ba3	507
425	Station Casinos, Inc., Senior Subordinated Notes, 6.875%, 03/01/16	B1	408
3,275	Venetian Casino Resort, LLC, 2nd Mortgage Notes, 11%, 06/15/10	B3	3,770
954	Wynn Las Vegas, LLC, Senior Secured Notes, 12%, 11/01/10	B3	1,140
			-----
			24,518
			-----
LEISURE, AMUSEMENT AND ENTERTAINMENT -- 3.59%			
700	AMF Bowling Worldwide, Inc. Senior Subordinated Notes, 10%, 03/01/10 (g)	B3	719
575	Equinox Holdings, Inc., Senior Notes, 9%, 12/15/09 (g)	B3	572
\$ 1,075	The Hockey Company, Senior Secured Notes, Units, 11.25%, 04/15/09	Ba3	\$ 1,279
775	K2 Inc., Senior Notes, 7.375%, 07/01/14 (g)	Ba3	792
225	Six Flags Inc., Senior Notes, 9.50%, 02/01/09	B3	232
600	Six Flags Inc., Senior Notes, 9.75%, 04/15/13	B3	604
800	Town Sports International, Inc., Senior Notes, 9.625%, 04/15/11	B2	770
1,925	Universal City Development Partners, Ltd., Senior Notes, 11.75%, 04/01/10	B2	2,228
			-----
			7,196
			-----
MACHINERY -- .28%			
550	JLG Industries, Inc., Senior Subordinated Notes, 8.375%, 06/15/12	B3	560
			-----
MINING, STEEL, IRON AND NON-PRECIOUS METALS -- 10.00%			
75	Algoma Steel Inc., Secured Notes,		



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	11%, 12/31/09	(e)	89
700	Allegheny Technologies Inc., Senior Notes, 8.375%, 12/15/11	B3	709
825	Alpha Natural Resrouces, LLC, Senior Notes, 10%, 06/01/12 (g)	B3	862
2,230	Century Aluminum Company, Senior Notes, 11.75%, 04/15/08	B1	2,486
1,375	CSN Islands VIII Corporation, Senior Notes, 9.75%, 12/16/13 (g)	B1	1,227
2,675	Earle M. Jorgensen Company, Senior Secured Notes, 9.75%, 06/01/12	B2	2,929
700	Euramax Internanational, Inc., Senior Subordinated Notes, 8.50%, 08/15/11	B2	732
1,800	Gerdau Ameristeel Corporation, Senior Notes, 10.375%, 07/15/11	B2	2,011
1,175	IPSCO Inc., Senior Notes, 8.75%, 06/01/13	Ba3	1,310
650	Ispat Inland ULC, Senior Secured Notes, 9.75%, 04/01/14 (g)	Caal	673

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
-----			
CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 150	Joy Global Inc., Senior Subordinated Notes, 8.75%, 03/15/12	B1	\$ 166
725	Luscar Coal Ltd., Senior Notes, 9.75%, 10/15/11	Ba3	816
675	Massey Energy Company, Senior Notes, 6.625%, 11/15/10	Ba3	673
500	Neenah Foundry Company, Senior Notes, 11%, 09/30/10 (g)	B2	530
2,000	Peabody Energy Corporation, Senior Notes, 6.875%, 03/15/13	Ba3	2,030
1,155	Steel Dynamics, Inc., Senior Notes, 9.50%, 03/15/09	B1	1,276
375	Steel Dynamics, Inc., Senior Notes, 9.50%, 03/15/09 (g)		415
1,009	United States Steel Corporation, Senior Notes, 9.75%, 05/15/10	B1	1,112
			-----
			20,046
			-----

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OIL AND GAS -- 11.11%			
2,300	AmeriGas Partners, L.P., Senior Notes, 8.875%, 05/20/11	B2	2,450
275	ANR Pipeline Company, Senior Notes, 8.875%, 03/15/10	B1	300
300	Chesapeake Energy Corporation, Senior Notes, 8.125%, 04/01/11	Ba3	324
875	Chesapeake Energy Corporation, Senior Notes, 9%, 08/15/12	Ba3	983
1,050	Compagnie Generale de Geophysique (CGG), Senior Notes, 10.625%, 11/15/07	Ba3	1,117
600	Comstock Resources, Inc., Senior Notes, 6.875%, 03/01/12	B2	572
425	Denbury Resources, Inc., Senior Subordinated Notes, 7.50%, 04/01/13	B2	427
925	Dresser, Inc., Senior Notes, 9.375%, 04/15/11	B2	990
725	El Paso Production Holding Company, Senior Notes, 7.75%, 06/01/13	B3	669
150	Encore Acquisition Company, Senior Subordinated Notes, 8.375%, 06/15/12	B2	159
\$ 1,725	Ferrellgas Partners LP, Senior Notes, 8.75%, 06/15/12	B2	\$ 1,841
1,000	Magnum Hunter Resources, Inc., Senior Notes, 9.60%, 03/15/12	B2	1,100
1,025	North American Energy Partners, Senior Notes, 8.75%, 12/01/11 (g)	B2	1,020
200	Northwest Pipeline Corporation, Senior Notes, 8.125%, 03/01/10	B1	217
950	Petroleum Helicopters, Inc., Senior Notes, 9.375%, 05/01/09	B1	998
775	Plains Exploration and Production Co., L.P., Senior Subordinated Notes, 8.75%, 07/01/12	Ba3	839
600	Pride International, Inc., Senior Notes, 7.375%, 07/15/14 (g)	Ba2	606
300	Range Resources Corporation, Senior Subordinated Notes, 7.375%, 07/15/13 (g)	B3	299
375	Southern Natural Gas Company, Senior Notes, 8.875%, 03/15/10	B1	409
1,100	Stone Energy Corporation, Senior Subordinated Notes, 8.25%, 12/15/11	B2	1,151
850	Suburban Propane Partners, L.P., Senior Notes, 6.875%, 12/15/13	B1	827
400	Swift Energy Company, Senior Notes, 7.625%, 07/15/11	B1	403
350	Swift Energy Company, Senior Subordinated Notes, 10.25%, 08/01/09	B2	373
925	Universal Compression, Inc., Senior Notes, 7.25%, 05/15/10	B1	953
275	Westport Resources Corporation, Senior Subordinated Notes,		

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	8.25%, 11/01/11	Ba3	311
175	Williams Companies, Inc., Senior Notes, 7.625%, 07/15/19	B3	169
1,725	Williams Companies, Inc., Senior Notes, 8.125%, 03/15/12	B3	1,837

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
-----			
CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 850	Williams Companies, Inc., Senior Notes, 8.625%, 06/01/10	B3	\$ 933
			-----
			22,277
			-----
PERSONAL, FOOD AND MISCELLANEOUS SERVICES -- 1.96%			
525	Affinity Group, Inc., Senior Subordinated Notes, 9%, 02/15/12 (g)	B3	541
350	Armkel LLC, Senior Subordinated Notes, 9.50%, 08/15/09	B1	382
625	Friendly Ice Cream Corporation, Senior Notes, 8.375%, 06/15/12 (g)	B2	609
425	FTD, Inc., Senior Subordinated Notes, 7.75%, 02/15/14	B3	402
850	O'Charleys, Inc., Senior Subordinated Notes, 9%, 11/01/13	Ba3	884
250	Perkins Family Restaurants, L.P., Senior Notes, 10.125%, 12/15/07	B1	256
825	Worldspan, L.P., Senior Notes, 9.625%, 06/15/11	B2	868
			-----
			3,942
			-----
PERSONAL NON-DURABLE CONSUMER PRODUCTS -- 3.42%			
1,050	American Achievement Corporation, Senior Notes, 8.25%, 04/01/12 (g)	B3	1,066
150	Buhrmann US, Inc., Senior Subordinated Notes, 8.25%, 07/01/14 (g)	B2	149
525	Chattem, Inc., Senior		

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	Subordinated Notes, 7%, 03/01/14	B2	501
3,000	Jostens, Inc., Senior Subordinated Notes, 12.75%, 05/01/10	B3	3,390
1,675	Rayovac Corporation, Senior Subordinated Notes, 8.50%, 10/01/13	B3	1,759
			-----
			6,865
			-----
PERSONAL TRANSPORTATION -- 2.07%			
\$ 800	CHC Helicopter Corporation, Senior Subordinated Notes, 7.375%, 05/01/14 (g)	B2	\$ 786
1,525	Laidlaw International, Incorporated, Senior Notes, 10.75%, 06/15/11	B2	1,666
1,475	TravelCenters of America, Inc., Senior Subordinated Notes, 12.75%, 05/01/09	B3	1,711
			-----
			4,163
			-----
PRINTING AND PUBLISHING -- 11.64%			
325	Advanstar Communications, Inc., Senior Notes, 10.75%, 08/15/10	B3	359
325	Advanstar Communications, Inc., Senior Subordinated Notes, 12%, 02/15/11	Caa2	346
500	American Media Operations, Inc., Senior Subordinated Notes, 10.25%, 05/01/09	B2	515
950	CanWest Media, Inc., Senior Subordinated Notes, 10.625%, 05/15/11	B2	1,066
150	CBD Media LLC, Senior Subordinated Notes, 8.625%, 06/01/11	B3	159
1,750	Dex Media East, LLC, Senior Subordinated Notes, 12.125%, 11/15/12	Caa1	2,043
700	Dex Media, Inc., Senior Notes, 8%, 11/15/13 (g)	Caa2	672
825	Dex Media West LLC, Senior Notes, 8.50%, 08/15/10 (g)	B3	907
1,725	Dex Media West LLC, Senior Notes, 9.875%, 08/15/13	Caa1	1,898
2,245	R.H. Donnelley Inc., Senior Subordinated Notes, 10.875%, 12/15/12	B2	2,610
800	Hollinger International Publishing, Inc., Senior Notes, 9%, 12/15/10	B2	924
1,333	Hollinger Participation Trust, Senior Notes, 12.125%, 11/15/10 (b) (g)	B3	1,553

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 1,100	Houghton Mifflin Company, Senior Subordinated Notes, 9.875%, 02/01/13	B3	\$ 1,104
925	Liberty Group Operating, Inc., Senior Subordinated Notes, 9.375%, 02/01/08	Caa1	920
2,160	Mail-Well I Corp., Senior Notes, 9.625%, 03/15/12	B1	2,333
625	Primedia, Inc., Senior Notes, 7.625%, 04/01/08	B3	620
675	Reader's Digest Association, Inc., Senior Notes, 6.50%, 03/01/11	Ba3	660
1,675	Vertis, Inc., Senior Secured Notes, 9.75%, 04/01/09	B2	1,809
650	Vertis, Inc., Senior Secured Notes, 13.50%, 12/07/09 (g)	Caa1	652
2,150	Von Hoffman Corp., Senior Notes, 10.25%, 03/15/09	B2	2,209
			----- 23,359 -----
RETAIL STORES -- 1.81%			
1,200	Barneys, Incorporated, Senior Notes, 9%, 04/01/08	B3	1,248
550	Dollar Financial Group, Inc., Senior Notes, 9.75%, 11/15/11	B3	575
100	J.Crew Intermediate, LLC, Senior Discount Notes, 16%, 05/15/08 (h)	(e)	86
875	J. Crew Operating Corporation, Senior Subordinated Notes, 10.375%, 10/15/07	Caa3	888
850	Nebraska Book Company, Inc., Senior Subordinated Notes, 8.625%, 03/15/12	Caa1	835
			----- 3,632 -----
TELECOMMUNICATIONS -- 14.71%			
1,822	Alamosa (Delaware) Inc., Senior Notes, 11%, 07/31/10	Caa1	1,995
550	Alaska Communications System Holdings, Inc., Senior Notes, 9.875%, 08/15/11	B2	572
750	Call-Net Enterprises, Inc., Senior Secured Notes 10.625%, 12/31/08	Caa3	750
\$ 475	Centennial Cellular Operating		

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	Company, L.L.C., Senior Notes, 8.125%, 02/01/14 (g)	Caa1	\$	439
350	Centennial Cellular Operating Company, L.L.C., Senior Notes, 10.125%, 06/15/13	Caa1		360
500	Citizens Communications Co., Senior Notes, 9.25%, 05/15/11	Baa3		524
1,025	Crown Castle International Corp., Senior Notes, 10.75%, 08/1/11	B3		1,151
1,675	Eircom Funding, plc, Senior Subordinated Notes, 8.25%, 08/15/13	B1		1,754
75	Fairpoint Communications, Inc., Senior Notes, 11.875%, 03/01/10	B3		86
400	Fairpoint Communications, Inc., Senior Subordinated Notes, 12.50%, 05/01/10	Caa1		426
275	Inmarsat Finance, PLC, Senior Notes, 7.625%, 06/30/12 (g)	B2		268
900	IPC Acquisition Corporation, Senior Subordinated Notes, 11.50%, 12/15/09	B3		972
900	LCI International, Inc., Senior Notes, 7.25%, 06/15/07	Caa1		828
1,225	MCI, Inc., Notes, 5.908%, 05/1/07	(e)		1,185
1,625	NEXTEL Communications, Inc., Senior Serial Notes, 6.875%, 10/31/13	B2		1,605
1,600	NEXTEL Communications, Inc., Senior Serial Notes, 7.375%, 08/01/15	B2		1,612
825	Primus Telecommunications Holding, Inc., Senior Notes, 8%, 01/15/14 (g)	B3		726
975	Qwest Corporation, Senior Notes, 9.125%, 03/15/12 (g)	Ba3		1,065
3,997	Qwest Services Corp., Senior Subordinated Secured Notes, 14%, 12/15/10 (g)	Caa1		4,647
450	Rogers Wireless Inc., Senior Secured Notes, 6.375%, 03/01/14 (g)	Ba3		415

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

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PRINCIPAL AMOUNT/UNITS	MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
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CORPORATE DEBT SECURITIES -- CONTINUED

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\$	1,000	Rogers Wireless Inc., Senior Secured Notes, 9.625%, 05/01/11	Ba3	\$	1,123
	400	Rural Cellular Corporation, Senior Secured Notes, 8.25%, 03/15/12 (g)	B2		411
	1,075	Time Warner Telecom, Inc., Senior Notes, 9.75%, 07/15/08	B3		1,027
	725	Triton PCS, Inc., Senior Notes, 8.50%, 6/01/13	B2		691
	1,025	TSI Telecommunications Services, Inc., Senior Subordinated Notes, 12.75%, 02/01/09	B3		1,112
	675	UbiquiTel Operating Company, Senior Notes, 9.875%, 03/01/11 (g)	Caa1		678
	900	US Unwired, Inc., Senior Secured Notes, 10%, 06/15/12 (g)	Caa1		911
	390	US West Capital Funding Inc., Senior Notes, 6.375%, 07/15/08	Caa2		351
	1,775	Western Wireless Corporation, Senior Notes, 9.25%, 07/15/13	Caa1		1,824
					-----
					29,508
					-----
		TEXTILES AND LEATHER -- .48%			
	375	Anvil Knitwear, Incorporated, Senior Notes, 10.875%, 03/15/07	(e)		293
	1,075	Avondale Mills, Inc., Senior Subordinated Notes, 10.25%, 07/01/13	B3		661
					-----
					954
					-----
		UTILITIES -- 10.44%			
	350	The AES Corporation, Senior Notes, 7.75%, 03/01/14	B2		337
	725	The AES Corporation, Senior Notes, 9.375%, 09/15/10	B2		772
	1,550	The AES Corporation, Senior Secured Notes, 9%, 05/15/15 (g)	B1		1,659
	1,200	Allegeny Energy Supply Company, LLC, Senior Notes, 8.25%, 04/15/12 (g)	B3		1,179
\$	1,500	CE Electric UK Funding Company, Senior Notes, 6.995%, 12/30/07 (g)	Baa3	\$	1,583
	1,500	CenterPoint Energy, Inc., Senior Notes, 7.25%, 09/01/10	Ba2		1,590
	775	Dynegy Holdings, Inc., Senior Notes, 10.125%, 07/15/13 (g)	B3		840
	950	Edison Mission Energy, Senior Notes, 9.875%, 04/15/11	B2		986
	125	Edison Mission Energy, Senior Notes, 10%, 08/15/08	B2		132
	1,225	Illinois Power Company, Senior Secured 1st Mortgage Bonds, 11.50%, 12/15/10	B1		1,446
	450	Midwest Generation, LLC,			

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	Senior Secured Notes, 8.75%, 05/01/34 (g)	B1	455
200	NGC Corporation, Senior Notes, 7.125%, 05/15/18	Caa2	154
1,650	NRG Energy, Inc., Senior Notes, 8%, 12/15/13 (g)	B2	1,671
1,650	Orion Power Holdings, Inc., Senior Notes, 12%, 05/01/10	B2	2,013
1,075	PSEG Energy Holdings, L.L.C., Senior Notes, 8.50%, 06/15/11	Ba3	1,150
175	PSEG Energy Holdings, L.L.C., Senior Notes, 10%, 10/01/09	Ba3	199
1,725	Sierra Pacific Resources, Senior Notes, 8.625%, 03/15/14 (g)	B2	1,693
1,500	Teco Energy, Inc., Senior Notes, 7%, 05/01/12	Ba2	1,440
1,575	TNP Enterprises, Inc., Senior Subordinated Notes, 10.25%, 04/01/10	B2	1,638
			-----
			20,937
			-----
	TOTAL CORPORATE DEBT SECURITIES (Total cost of \$312,330)		315,954
			-----

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

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SHARES		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
-----			
	PREFERRED STOCK -- .85% (d)		
	BANKING -- 0.00%		
57,935	WestFed Holdings, Inc., Cumulative, Series A, Preferred Stock, 15.50% (a)(c)(f)	(e)	\$ --
			-----
	CHEMICALS, PLASTICS AND RUBBER -- .43%		
1,275	Hercules Trust II, Preferred Stock Unit, 6.50%	Ba3	865
			-----
	MINING, STEEL, IRON, NON-PRECIOUS METALS -- 0.00%		
18,000	Weirton Steel Corp., Series C Preferred Stock (a)(f)	(e)	3
			-----
	UTILITIES -- .42%		
750	TNP Enterprises, Inc., Preferred Stock, 14.50%	B3	840
			-----
	TOTAL PREFERRED STOCK (Total cost of \$6,994)		1,708
			-----



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COMMON STOCK and WARRANTS -- 0.00% (d)

950	Barneys, Inc., warrants exp. 2/1/08 (f) (g)	--
27,474	WestFed Holdings, Inc., Common Stock (a) (c) (f)	--
10,052	WKI Holdings Common Stock Common Stock (c) (f)	--
TOTAL COMMON STOCK AND WARRANTS (Total cost of \$2,295)		--

PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
SHORT-TERM INVESTMENTS -- 4.98% (d)			
\$ 5,000	Citibank Credit Card Issuance Trust, Citiserries, Commercial Paper, Due 07/14/04 Discount of 1.221%	P-1	\$ 4,998
5,000	New Center Asset Trust, Commercial Paper, Due 07/07/04 Discount of 1.11%	P-1	4,999
TOTAL SHORT-TERM INVESTMENTS (Total cost of \$9,997)			9,997
TOTAL INVESTMENTS (Total cost of \$331,616)			\$ 327,659

- (a) Denotes issuer is in bankruptcy proceedings.
- (b) Security is a Pay-in-Kind bond. Income on this bond accrues based upon the effective interest rate.
- (c) Security is valued at fair value using methods determined by the Board of Directors. The total value of these securities at June 30, 2004 was \$0.
- (d) Percentages indicated are based on total net assets to common shareholders of \$200,592.
- (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 \$75,529 as of June 30, 2004.
- (h) Securities are step interest bonds. Interest on these bonds accrue based upon the effective interest rate.

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

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### STATEMENT OF ASSETS AND LIABILITIES JUNE 30, 2004 (UNAUDITED)

ASSETS: (Dollars in thousands, except per share amounts)	
INVESTMENTS IN SECURITIES, at value (Identified cost of \$331,616 see Schedule of Investments and Notes 1 and 2)	\$ 327,659
CASH	1,277
RECEIVABLES:	
Investment securities sold	1,418
Interest and dividends	6,661
PREPAID EXPENSES	103
	-----
Total assets	\$ 337,118
	-----
LIABILITIES:	
PAYABLES:	
Investment securities purchased	\$ 2,901
Dividend on common stock	184
Dividend on preferred stock	58
Swap settlement payable	283
INTEREST RATE SWAP, at fair value (Note 6)	2,917
ACCRUED EXPENSES (Note 3)	183
	-----
Total liabilities	\$ 6,526
	-----
AUCTION TERM PREFERRED STOCK:	
\$1.00 par value, 1,000,000 shares authorized, 5,200 shares issued and outstanding, liquidation preference of \$25,000 per share (Notes 4 and 5)	\$ 130,000
	-----
NETASSETS	\$ 200,592
	=====
REPRESENTED BY:	
COMMON STOCK:	
\$0.01 par value, 200,000,000 shares authorized, 93,868,118 shares issued and outstanding	\$ 939
CAPITAL IN EXCESS OF PAR VALUE	381,226
UNDISTRIBUTED NET INVESTMENT INCOME (Note 2)	2,865
ACCUMULATED NET REALIZED LOSS FROM SECURITIES TRANSACTIONS (Note 2)	(177,564)
NET UNREALIZED DEPRECIATION ON INVESTMENTS AND INTEREST RATE SWAPS	(6,874)
	-----
NET ASSETS APPLICABLE TO COMMON STOCK (Equivalent to \$2.14 per share, based on 93,868,118 shares outstanding)	\$ 200,592
	=====

### STATEMENT OF OPERATIONS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2004 (UNAUDITED)

INVESTMENT INCOME: (Note 1) (Dollars in thousands)	
Interest income	\$ 13,422

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Other income	310
Dividend income	87
	-----
Total investment income	\$ 13,819
	-----
EXPENSES:	
Cost of leverage:	
Preferred and auction fees (Note 5)	\$ 171
	-----
Total cost of leverage	\$ 171
	-----
Professional services expenses:	
Management fees (Note 3)	\$ 574
Custodian and transfer agent fees	150
Legal fees (Note 8)	147
Audit fees	43
	-----
Total professional services expenses	\$ 914
	-----
Administrative expenses:	
General administrative fees	\$ 222
Directors' fees	85
NYSE fees	43
Shareholder meeting expenses	22
Shareholder communications expense	22
Miscellaneous expenses	5
	-----
Total administrative expenses	\$ 399
	-----
Total expenses	\$ 1,484
	-----
Net investment income	\$ 12,335
	-----
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT ACTIVITIES:	
Realized loss on investments, net	\$ (131)
	-----
Net swap settlement disbursements (Note 6)	\$ (1,717)
	-----
Change in net unrealized depreciation on investments	\$ (8,717)
Change in unrealized depreciation on interest rate swap agreement	2,423
	-----
Total change in net unrealized depreciation on investments and interest rate swap	\$ (6,294)
	-----
Net loss on investments and interest rate swap	\$ (8,142)
	-----
COST OF PREFERRED LEVERAGE	
Distributions to preferred stockholders	\$ (763)
	-----
Net increase in net assets resulting from operations	\$ 3,430
	=====

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

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The New America High Income Fund, Inc.

### STATEMENTS OF CHANGES IN NET ASSETS

	SIX MONTHS ENDED JUNE 30, 2004 (UNAUDITED)	FOR D
	-----	-----
FROM OPERATIONS: (Dollars in thousands, except per share amounts)		
Net investment income	\$ 12,335	\$
Realized loss on investments, net	(131)	
Net swap settlement disbursements	(1,717)	
Change in net unrealized depreciation on investments and other financial instruments	(6,294)	
Distributions from net investment income related to preferred stock		
Dividends to preferred stockholders (\$147 and \$313 per preferred share in 2004 and 2003, respectively)	(763)	
	-----	-----
Net increase in net assets resulting from operations	\$ 3,430	\$
	-----	-----
FROM FUND SHARE AND AUCTION TERM PREFERRED STOCK TRANSACTIONS:		
Proceeds from rights offering (23,397,095 shares), net of \$84 of offering costs in 2004 and \$817 in 2003 (Note 9)	\$ (84)	\$
Offering costs and sales load from sale of Auction Term Preferred Stock Series C (Note 4)	--	
Net asset value of 339,724 shares and 583,346 shares issued to common stockholders for reinvestment of dividends in 2004 and 2003, respectively	750	
	-----	-----
Increase in net assets resulting from fund share transactions	\$ 666	\$
	-----	-----
DISTRIBUTIONS TO COMMON STOCKHOLDERS:		
From net investment income (\$.09 and \$.22 per share in 2004 and 2003, respectively)	\$ (8,209)	\$
	-----	-----
Total net increase (decrease) in net assets	\$ (4,113)	\$
	-----	-----
NET ASSETS APPLICABLE TO COMMON STOCK:		
Beginning of period	\$ 204,705	\$
	-----	-----
End of period (Including \$2,865 and \$570 of undistributed net investment income at June 30, 2004 and December 31, 2003, respectively)	\$ 200,592	\$
	=====	=====

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

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

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	FOR THE SIX MONTHS ENDED JUNE 30, 2004 (UNAUDITED)	2003 (b)	FOR THE YEARS END 2002	2001
NET ASSET VALUE:				
Beginning of period	\$ 2.19	\$ 1.89	\$ 2.61	\$ 2.61
NET INVESTMENT INCOME	.13	.26#	.37	.37
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS	(.06)	.34	(.72)	(.72)
DISTRIBUTIONS FROM NET INVESTMENT INCOME RELATED TO PREFERRED STOCK:	(.03)	(.06)	(.08)	(.08)
TOTAL FROM INVESTMENT OPERATIONS	.04	.54	(.43)	(.43)
DISTRIBUTIONS TO COMMON SHAREHOLDERS:				
From net investment income	(.09)	(.22)	(.29)	(.29)
TOTAL DISTRIBUTIONS	(.09)	(.22)	(.29)	(.29)
Effect of rights offering and related expenses; and Auction Term Preferred Stock offering costs and sales load	--	(.02)	--	--
NET ASSET VALUE:				
End of period	\$ 2.14	\$ 2.19	\$ 1.89	\$ 2.19
PER SHARE MARKET VALUE:				
End of period	\$ 1.94	\$ 2.16	\$ 2.01	\$ 2.16
TOTAL INVESTMENT RETURN+	(6.35)%	19.23%	(12.97)%	13.23%

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

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	FOR THE SIX MONTHS ENDED JUNE 30, 2004 (UNAUDITED)	2003 (b)	FOR THE YEARS 2002	2001
NET ASSETS, END OF PERIOD, APPLICABLE TO COMMON STOCK (a)	\$ 200,592	\$ 204,705	\$ 131,170	\$ 131,170
NET ASSETS, END OF PERIOD, APPLICABLE TO PREFERRED STOCK (a)	\$ 130,000	\$ 130,000	\$ 100,000	\$ 100,000

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	=====	=====	=====	=====
TOTAL NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK, END OF PERIOD (a)	\$ 330,592	\$ 334,705	\$ 231,170	\$ 3
	=====	=====	=====	=====
EXPENSE RATIOS:				
Ratio of preferred and other leverage expenses to average net assets*	.17%**	.16%	.18%	
Ratio of operating expenses to average net assets*	1.29%**	1.56%	1.46%	
	-----	-----	-----	-----
RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS*	1.46%**	1.72%	1.64%	
	=====	=====	=====	=====
RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS*	12.13%**	12.81%	16.48%	
RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK	.89%**	1.05%	.89%	
RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK	7.42%**	7.79%	8.91%	
PORTFOLIO TURNOVER RATE	43.46%	120.47%	82.47%	

(a) Dollars in thousands.

(b) The Fund issued Series C ATP on October 17, 2003. The per share data and ratios for the year ended December 31, 2003 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 August, 2003 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.

The New America High Income Fund, Inc.

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	JUNE 30, 2004 (UNAUDITED)	2003	2002	AS OF DECEMBER 2001
	-----	-----	-----	-----
TOTAL AMOUNT OUTSTANDING:				
Preferred Stock	\$ 130,000,000	\$ 130,000,000	\$ 100,000,000	\$ 150,000,000
ASSET COVERAGE:				
Per Preferred Stock Share (1)	\$ 63,575	\$ 64,366	\$ 57,793	\$ 54,000
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

(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.

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The New America High Income Fund, Inc.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 (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.

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The Fund's financial statements have been prepared in conformity with accounting principles generally accepted in the United States for investment companies 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 with original 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 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 \$7,214,000 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

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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, 2004, the total cost of securities (including temporary cash investments) for federal income tax purposes was approximately \$331,612,000. Aggregate gross unrealized gain on securities in which there was an excess of value over tax cost was approximately \$7,489,000. Aggregate unrealized loss on securities in which there was an excess of tax cost over value was approximately \$11,443,000. Net unrealized loss on investments for tax purposes at June 30, 2004 was approximately \$3,954,000.

At December 31, 2003, the Fund had approximate capital loss carryovers available to offset future capital gains, if any, to the extent provided by regulations:



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CARRYOVER AVAILABLE	EXPIRATION DATE
-----	-----
\$ 35,581,000	December 31, 2007
21,821,000	December 31, 2008
67,043,000	December 31, 2009
45,239,000	December 31, 2010
7,387,000	December 31, 2011
-----	
\$ 177,071,000	
=====	

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 \$18,782,000 in 2003 was from ordinary income.

As of December 31, 2003, the components of distributable earnings on a tax basis were approximately:

Undistributed Net Investment Income	\$ 542,000
Undistributed Long-Term Gain	--
Unrealized Gain	\$ 4,649,000
Capital Losses Carry Forward and Post October Losses Deferred	\$ (177,071,000)

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 results in additional interest income in some years and decreased interest income in others for financial reporting purposes only. The Fund does not amortize market discounts or premiums for tax purposes. Therefore, the additional or decreased interest income for financial reporting purposes does not result in additional or decreased 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.

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T. Rowe Price Associates, Inc. (T. Rowe Price), the Fund's Investment Advisor, earned approximately \$574,000 in management fees during the six months ended June 30, 2004. 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, 2004, the fee payable to T. Rowe Price was approximately \$93,000, which was included in accrued expenses on the accompanying statement of assets and liabilities.

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

On October 17, 2003, the Fund issued 1,200 shares of Series C ATP. The underwriting discount of \$300,000 and offering expenses of \$358,000 were recorded as a reduction of the capital in excess of par value on common stock.

The Fund had 5,200 shares of ATP issued and outstanding at June 30, 2004. 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 1.08% to 1.47% for the six months ended June 30, 2004. The average dividend rate as of June 30, 2004 was 1.41%.

The ATP is redeemable, at the option of the Fund, or subject to mandatory 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 \$158,000 for service charges for the six month period ended June 30, 2004. 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

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such payment Fleet makes payments to the Fund on a monthly basis

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at a variable rate determined with reference to one month LIBOR. The variable rates ranged from 1.09% to 1.17% for the six months ended June 30, 2004. The effective date, notional amount, maturity and fixed rate of the swap is as follows:

EFFECTIVE DATE	NOTIONAL CONTRACT AMOUNT	MATURITY	FIXED ANNUAL 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 agreements, the amounts potentially subject to credit risk, in the event of nonperformance by counterparties, are substantially smaller.

The Fund recognizes all freestanding derivative instruments in the balance sheet as either assets or liabilities and measures them at fair value. Any change in the unrealized gain or loss is recorded in current earnings. For the six months ended June 30, 2004, the Fund's obligations under the swap agreements were more than the amount received from Fleet by approximately \$1,717,000 and such amount is included in the accompanying statement of operations.

The estimated fair value of the interest rate swap agreement at June 30, 2004 amounted to approximately \$2,917,000 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, 2004 were approximately:

Purchases of securities	\$ 140,876,000
Sales of securities	\$ 139,309,000

### (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 \$108,000 for the six months ended June 30, 2004.

The Fund paid approximately \$131,000 during the six months ended June 30,

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2004 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 \$42,349,000 and shares of 23,397,095 were recorded. In addition the deferred offering expense of approximately \$817,000 was netted against the rights offering proceeds in 2003 and \$84,000 in 2004.

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### 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.

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.

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The New America High Income Fund, Inc.

### DIRECTORS

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

### 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

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(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)

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EquiServe Trust Company N.A.  
P.O. Box 43011  
Providence, RI 02940-3011

3709-SAR-04

ITEM 2-ITEM 9 Not applicable

ITEM 10. CONTROLS AND PROCEDURES.

(a) The Fund's principal executive officer and principal financial officer concluded that the Fund disclosure controls and procedures (as defined in Rule 30a-3(c) under the 1940 Act) provide reasonable assurances that information required to be disclosed by the Fund on Form N-CSR is recorded, processed, summarized and reported within the required time periods and that information required to be disclosed by the Fund in the reports that it files or submits on Form N-CSR is accumulated and communicated to the Fund's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure, 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 Fund's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the Fund's first fiscal half-year that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

ITEM 11. EXHIBITS.

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(a) (1) not applicable.

(a) (2) The certifications required by Rule 30a-2(a) under the 1940 Act.

(a) (3) Not applicable.

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(b) The certifications required by Rule 30a-2(b) under the 1940 Act.

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: President and Director  
Date: September 3, 2004

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: President  
Date: September 3, 2004

By: /s/ Ellen E. Terry

-----  
Name: Ellen E. Terry  
Title: Treasurer  
Date: September 3, 2004