

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

NEW AMERICA HIGH INCOME FUND INC  
Form N-CSRS  
August 26, 2005

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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 St Boston MA 02109  
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(Address of principal executive offices) (Zip code)

Ellen E. Terry 33 Broad St, 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: 1/1/05 - 6/30/05  
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Item 1 - Report to Shareholders

THE NEW  
AMERICA  
HIGH INCOME  
FUND, INC.

SEMI-ANNUAL  
REPORT  
JUNE 30, 2005

[NEW AMERICA HIGH INCOME FUND LOGO]

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August 1, 2005

DEAR FELLOW SHAREHOLDERS,

While the high yield bond market was rather volatile in the first half of 2005 compared with market conditions last year, the defensive high yield investing style of the Fund's portfolio managers has resulted in relative stability in the Fund's net asset value per share (the "NAV") and dividend. In the current high yield market environment, we believe that a defensive investment strategy is the best one for our shareholders, especially since the Fund's leverage magnifies the effect of market changes on the NAV. From its inception, the Fund's leverage has been at the upper end of the range permitted by law and by the credit ratings agencies for the Fund's Auction Term Preferred Stock (the "ATP"). The leverage is an important contributor to the Fund's dividend (but can magnify the effect of market downturns) and a reduction in the leverage would most likely cause a reduction in the dividend. As of June 30th, the Fund was approximately 39% leveraged.

- The monthly dividend was unchanged at \$.0175 per share. There were no defaults in the portfolio during the period. It remains the Fund's policy to pay a dividend derived solely from the income earned by the portfolio during the year. Based upon current earnings, we continue to target a monthly dividend of \$.0175 per share, but of course future portfolio results and market conditions will determine the actual dividend paid.
- The market price of the Fund's shares declined from \$2.19 to \$2.12 during the six month period. Annualizing the current monthly dividend of \$.0175 at the NYSE closing market price of \$2.12 on June 30th would produce a dividend yield of 9.91%. Based upon the Fund's market price and dividends earned for the six month period, the Fund's shares earned a total return of 0.79%. The CS First Boston High Yield Index had a total return of 0.77% for the six months ended June 30th.
- The Fund's NAV declined from \$2.26 at the beginning of the year to \$2.17 on June 30th. Annualizing the current monthly dividend of \$.0175 at the closing NAV of \$2.17 on June 30th would produce a dividend yield of 9.68%.
- The Fund's shares generally traded at a discount to their net asset value throughout the six month period. The discount widened from its beginning of the year level in March and April, when the high yield bond market was particularly unsettled. However by June 30th the market price discount to the net asset value per share was -2.3%, compared with a -3.1% discount at the beginning of the year.

On June 10th, 2005, a Schedule 13G was filed by First Trust Portfolios L.P. and related entities disclosing that as of December 31, 2004, had purchased 10.9% of the Fund's common stock on behalf of accounts it manages. In addition, it filed Schedule 13Gs on 23 other closed end funds including a number of funds that have similar investment objectives to our Fund.

	TOTAL RETURNS FOR THE PERIODS ENDING J	
	1 YEAR	3 YEARS CUM
New America High Income Fund (Stock Price and Dividends) *	21.39%	28.5
New America High Income Fund		

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(NAV and Dividends)	12.55%	37.6
Lipper Closed-End Fund Leveraged		
High Yield Average	12.92%	65.9
CS First Boston High Yield Index	10.09%	48.5
10 Year U.S. Treasury Bond	9.60%	22.1

Sources: CS First Boston, Citigroup, Lipper, The New America High Income Fund, Inc.

Past performance is no guarantee of future results. Total return assumes the reinvestment of dividends.

\* Because the Fund's shares may trade at either a discount or premium to the Fund's net asset value per share, returns based upon the share price and dividends will tend to differ from those derived from the underlying change in net asset value and dividends.

### HIGH YIELD MARKET UPDATE

Following two-and-a-half years of good conditions for high yield investors - an environment characterized by extremely low volatility and steady income - volatility crept into the asset class over the past six months. The high yield market was off sharply in March, April and early May then rallied strongly over the last six weeks, recovering enough to provide a slight positive return for the first half of the year, as measured by the CS First Boston High Yield Index. The Fund's performance generally tracked the market's month-to-month vacillations. Several factors contributed to the see-saw performance witnessed during the first half of 2005:

- The impending downgrades of GM and Ford debt stoked fears of a potential oversupply in the high-yield market. Investors were surprised by the speed and magnitude of the ratings downgrades and worried about the ramifications for the rest of the junk bond universe.
- Hedge funds' growing participation within the asset class sparked significant volatility. As financial markets began to experience some losses, investors worried these funds might be forced to unwind aggressive positions, potentially introducing forced selling and unforeseen shocks to the market.
- Longer-term interest rates, as measured by the 10-Year Treasury, a key benchmark for valuing high yield debt, zigged and zagged dramatically in the period, even as the Fed repeatedly raised short-term rates. Movements in the 10-Year Treasury bond directly impact relative valuations in the high yield market, and investors' appetite for risk and yield. Although high-yield bonds were only marginally affected by the Fed's short-term rate hikes, the prospect of an economic slowdown precipitated a flight to quality as we approached the end of the reporting period.
- Technical factors also added some volatility. Some investors, sensing the market as overvalued, reduced high-yield holdings or rotated out of the asset class, introducing some pressure on the price of high-yield bonds.

In our last report we noted that the strong performance for high-yield bonds in 2003 and 2004 left the asset class with historically low absolute yields and limited potential for additional capital appreciation in 2005. As value conscious investors, our jobs are much tougher when the market is richly valued and offering low yields, and we have a difficult time finding attractively priced securities offering the potential for higher income. While a weaker market can be unsettling, it does at least offer the prospect that new issues

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will be attractively priced, allowing us the opportunity to build a more robust income stream for the fund. As the market rallied in the final six weeks of the first half, many higher quality companies issued bonds in the 6% to 6.5% range. We generally continue to regard ten year junk bonds with 6.5% coupons as unappealing for the long term. While credit trends remain positive for the vast majority of companies in the portfolio, as the last six months reminded us, volatility can surge quickly. We are paying particular attention to the potential risks brought by some high yield investors' expanded use of exotic instruments in the derivatives markets.

### STRATEGY UPDATE

Our focus during the first half of 2005 revolved around purchasing fallen angels, which are bonds that were issued with high quality credit ratings, but which have been downgraded to below investment grade quality. We added to the Fund's holdings in General Motors and also initiated a meaningful position in Ford. In both cases we bought bonds issued by the companies' finance subsidiaries, General Motors Acceptance Corporation and Ford Motor Credit. We think these credits are less risky than securities issued by their respective parent companies, as they have less direct exposure to legacy liabilities including health care and pension expense. Both companies' securities traded up sharply in the final weeks of the second quarter, and it now appears that both Ford and GM's transitions from the high quality to the high yield market are proceeding smoothly, despite the sheer magnitude of debt each has outstanding.

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Away from autos, our analysts researched and recommended three additional fallen angels which we purchased in the portfolio. The first company was Maytag, a well known appliance manufacturer that has suffered from high manufacturing costs versus foreign competition. Our research concluded there was ample ability for the company to refinance short term debt that had recently suffered a ratings downgrade to junk territory. The Fund also bought Bombardier, a Canadian aerospace company involved in a turnaround story with fundamental trends moving in the right direction. Finally, at quarter end we purchased a new issue from RJ Reynolds Tobacco after an extensive review of current issues related to cigarette litigation. Historically, fallen angels have often been a source of profits for high yield investors and we are constructive on the new names we have identified in the first six months of 2005.

Finally, our analysts uncovered interesting opportunities in two convertible bonds which are now in the portfolio. We bought positions in Echostar and Amazon in June, after the convertible market endured some of the same hedge fund related turbulence witnessed in the high yield market. While convertibles are not normally a priority for us, these bonds' yields compared favorably to more traditional high yield securities and were a natural extension of our research efforts in a year when new issue volume for high yield is down substantially compared with new issue volume in recent years.

### OUTLOOK

Given the choppy market conditions, we were pleased the Fund has earned a positive return for the first half of 2005, albeit small in absolute terms. After enduring three months of turmoil the high yield market ended the second quarter in relative calm. We believe conditions may remain reasonably benign, at least through the historically slower summer months, with things picking up in the later part of the year. While the price adjustment that took place in the spring was necessary and beneficial in the longer term, interest rates and spreads for high yield bonds still remain low by historical standards, providing little margin for error in terms of credit selection or with respect to larger macro trends. The Fund's posture continues to favor bonds with less interest

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rate sensitivity and more conservative credit profiles, even if this sacrifices some performance in the short-term. We believe that in this stage of the cycle, the risks to a more aggressive stance may have begun to outweigh the rewards, and a more defensive position may help protect the gains shareholders have enjoyed while seeking to maintain the income stream.

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	/s/ Paul Karpers Paul Karpers Vice President T. Rowe Price Associates
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THE VIEWS EXPRESSED IN THIS UPDATE ARE AS OF THE DATE OF THIS LETTER. THESE VIEWS AND ANY PORTFOLIO HOLDINGS DISCUSSED IN THE UPDATE 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 COMPANIES' SECURITIES SHOULD NOT BE REGARDED AS INVESTMENT ADVICE.

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The New America High Income Fund, Inc.

INDUSTRY SUMMARY JUNE 30, 2005 (UNAUDITED)	AS A PERCENT OF TOTAL INVESTMENTS
Telecommunications	11.17%
Oil and Gas	7.65%
Containers, Packaging and Glass	7.45%
Broadcasting and Entertainment	6.69%
Chemicals, Plastics and Rubber	6.52%
Hotels, Motels, Inns, and Gaming	6.29%
Printing and Publishing	5.53%
Utilities	5.40%
Healthcare, Education and Childcare	5.18%
Automobile	4.94%
Building and Real Estate	4.70%
Electronics	4.09%
Mining, Steel, Iron, Non-Precious Metals	3.65%
Aerospace and Defense	2.35%
Diversified/Conglomerate Service	2.21%
Beverage, Food and Tobacco	2.13%
Retail Stores	1.99%
Diversified/Conglomerate Manufacturing	1.97%
Leisure, Amusement and Entertainment	1.89%
Ecological	1.52%
Personal, Food, and Misc. Services	1.33%
Personal/Non-Durable Consumer Products	1.16%
Furnishings, Housewares, Durable Consumer Products	0.93%
Finance	0.75%

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Banking	0.59%
Textiles and Leather	0.29%
Farming and Agriculture	0.26%
Personal Transportation	0.25%
Machinery	0.24%
Grocery	0.19%
Cargo Transport	0.18%
Short Term Investments	0.51%
	-----
Total Investments	100.00%
	=====

MOODY'S INVESTORS SERVICE RATINGS AS A PERCENT OF  
 JUNE 30, 2005 (UNAUDITED) TOTAL INVESTMENTS

Short Term Investments	0.51%
	-----
B1	14.54%
B2	26.57%
B3	22.34%
	-----
Total B	63.45%
	-----
Ba1	0.38%
Ba2	7.54%
Ba3	14.51%
	-----
Total Ba	22.43%
	-----
Baa2	1.56%
Baa3	0.33%
	-----
Total Baa	1.89%
	-----
Caa1	8.70%
Caa2	1.96%
Caa3	0.09%
	-----
Total Caa	10.75%
	-----
Unrated	0.63%
	-----
Equity	0.34%
	-----
Total Investments	100.00%
	=====

SCHEDULE OF INVESTMENTS -- JUNE 30, 2005 (UNAUDITED) (Dollar Amounts in Thousands)

PRINCIPAL AMOUNT/UNITS	MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
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CORPORATE DEBT SECURITIES -- 157.35% (d)

AEROSPACE AND DEFENSE -- 3.74%

\$ 850	Aviall, Inc., Senior Notes, 7.625%, 07/01/11	B1	\$ 893
525	BE Aerospace, Inc., Senior Subordinated Notes, 8%, 03/01/08	Caa2	525
1,125	BE Aerospace, Inc., Senior Subordinated Notes, 8.875%, 05/01/11	Caa2	1,173
1,625	GenCorp Inc., Senior Subordinated Notes, 9.50%, 08/15/13	Caa1	1,763
425	Moog, Inc., Senior Subordinated Notes, 6.25%, 01/15/15	Ba3	427
600	Sequa Corporation, Senior Notes, 9%, 08/01/09	B1	660
650	TransDigm Inc., Senior Subordinated Notes, 8.375%, 07/15/11	B3	684
1,500	Vought Aircraft Industries, Inc., Senior Notes, 8%, 07/15/11	B2	1,470
			-----
			7,595
			-----

AUTOMOBILE -- 7.84%

950	Accuride Corp., Senior Subordinated Notes, 8.50%, 02/01/15	Caa1	929
800	ADESA, Inc., Senior Subordinated Notes, 7.625%, 06/15/12	B1	812
1,225	American Axle & Manufacturing, Inc., Senior Notes, 5.25%, 02/11/14	Baa3	1,075
675	Autocam Corporation, Senior Subordinated Notes, 10.875%, 06/15/14	Caa2	439
600	Cooper Standard Automotive, Inc., Senior Subordinated Notes, 8.375%, 12/15/14	B3	480
590	Cummins, Inc., Senior Notes, 9.50%, 12/01/10	Ba2	652
1,800	Ford Motor Credit Company, Senior Notes, 7%, 10/1/13	Baa2	1,745
775	Ford Motor Credit Company, Senior Notes, 7.375%, 10/28/09	Baa2	763
1,925	General Motors Acceptance Corporation, Senior Bonds, 6.75%, 12/01/14	Baa2	1,730
\$ 875	General Motors Acceptance Corporation, Senior Bonds, 8%, 11/01/31	Baa2	\$ 789
500	Hawk Corporation, Senior Notes, 8.75%, 11/01/14	B2	505
675	Insurance Auto Auctions, Inc., Senior Notes, 11%, 04/01/13 (g)	Caa1	692
275	Navistar International Corporation, Senior Notes, 6.25%, 03/01/12 (g)	Ba3	265
525	Navistar International Corporation, Senior Notes, 7.50%, 06/15/11	Ba3	536
150	J.B. Poindexter & Co., Inc.,		

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900	Senior Notes, 8.75%, 03/15/14 Tenneco Automotive Inc., Senior Subordinated Notes, 8.625%, 11/15/14	B1	137
1,582	TRW Automotive Inc., Senior Notes, 9.375%, 02/15/13	B3	905
791	TRW Automotive Inc., Senior Subordinated Notes, 11%, 02/15/13	Ba3	1,756
975	Visteon Corporation, Senior Notes, 7%, 03/10/14	B1	910
		B3	807
			-----
			15,927
			-----
BANKING -- .93%			
675	Dollar Financial Group, Inc., Senior Notes, 9.75%, 11/15/11	B3	695
1,100	Global Cash Access Inc., Senior Subordinated Notes, 8.75%, 03/15/12	Caa1	1,196
			-----
			1,891
			-----
BEVERAGE, FOOD AND TOBACCO -- 3.39%			
281	Agrilink Foods, Inc., Senior Subordinated Notes, 11.875%, 11/01/08	B3	292
550	Alliance One International, Inc., Senior Notes, 11%, 05/15/12 (g)	B2	565
925	B&G Foods, Inc., Senior Notes, 8%, 10/01/11	B2	957
325	Del Monte Corporation, Senior Subordinated Notes, 6.75%, 02/15/15 (g)	B2	330
275	Del Monte Corporation, Senior Subordinated Notes, 8.625%, 12/15/12	B2	302

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			
\$ 400	Dole Food Company, Inc., Senior Notes 8.625%, 05/01/09	B2	\$ 425
700	Dole Food Company, Inc., Senior Notes 8.875%, 03/15/11	B2	747
1,175	Le-Nature's, Inc., Senior Subordinated Notes, 10.00%, 06/15/13 (g)	Caa1	1,198
400	Pierre Foods, Inc., Senior Subordinated Notes, 9.875%, 07/15/12	B3	412



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1,100	R.J. Reynolds Tobacco Holdings, Inc., Senior Notes 6.50%, 07/15/10 (g)	Ba2	1,100
550	Wornick Company, Senior Secured Notes, 10.875%, 07/15/11	B2	558
			-----
			6,886
			-----
BROADCASTING AND ENTERTAINMENT -- 10.46%			
175	AMC Entertainment, Inc., Senior Notes, 8.625%, 08/15/12 (g)	B2	179
600	CCO Holdings, LLC, Senior Notes, 7.535%, 12/15/10 (g)	B3	582
800	CCO Holdings, LLC, Senior Notes, 8.75%, 11/15/13	B3	792
900	Charter Communications Operating, LLC, Senior Secured Notes, 8%, 04/30/12 (g)	B2	900
250	Cinemark, Inc., Senior Discount Notes, 9.75%, 03/15/14 (b) (g)	Caa1	166
2,125	Cinemark, Inc., Senior Discount Notes, 9.75%, 03/15/14 (b)	Caa1	1,413
75	Cinemark USA, Inc., Senior Subordinated Notes, 9%, 02/01/13	B3	78
625	CSC Holdings, Inc., Senior Notes, 6.75%, 04/15/12 (g)	B1	586
1,000	CSC Holdings, Inc., Senior Notes, 7.625%, 04/01/11	B1	995
850	DirectTV Holdings, LLC, Senior Notes, 6.375%, 06/15/15 (g)	Ba2	845
228	DirectTV Holdings, LLC, Senior Notes, 8.375%, 03/15/13	Ba2	252
500	EchoStar Communications Corporation, Convertible Subordinated Notes, 5.75%, 05/15/08	B2	497
\$ 1,475	EchoStar DBS Corporation, Senior Notes, 6.625%, 10/01/14	Ba3	\$ 1,457
644	EchoStar DBS Corporation, Senior Notes, 9.125%, 01/15/09	Ba3	686
225	Fisher Communications, Inc., Senior Notes, 8.625%, 09/15/14	B2	239
850	Gray Television, Inc., Senior Subordinated Notes, 9.25%, 12/15/11	B1	922
375	Insight Midwest, L.P., Senior Notes, 9.75%, 10/01/09	B2	389
750	Insight Midwest, L.P., Senior Notes, 10.50%, 11/01/10	B2	798
825	Loews Cineplex Entertainment Corporation, Senior Subordinated Notes, 9%, 08/01/14 (g)	B3	800
825	Marquee Holdings, Inc., Senior Notes, 12%, 08/15/14 (b)	Caa1	495
600	Mediacom Broadband LLC, Senior Notes, 11%, 07/15/13	B2	650
2,475	Quebecor Media, Inc., Senior Notes, 11.125%, 07/15/11	B2	2,747
850	Rogers Cable Inc., Senior Secured Notes, 6.75%, 03/15/15	Ba3	875

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275	Sinclair Broadcast Group, Inc., Senior Subordinated Notes, 8%, 03/15/12	B2	282
825	Sinclair Broadcast Group, Inc., Senior Subordinated Notes, 8.75%, 12/15/11	B2	866
825	Videotron Ltee., Senior Notes, 6.875%, 01/15/14	Ba3	835
850	Warner Music Group, Senior Subordinated Notes, 7.375%, 04/15/14	B3	861
300	WDAC Subsidiary Corp. Senior Notes, 8.375%, 12/1/14 (g)	Caa1	287
706	XM Satellite Radio Inc., Senior Secured Notes, 12%, 06/15/10	Caa1	794
			----- 21,268 -----
BUILDING AND REAL ESTATE -- 7.45%			
1,050	ACIH Inc., Senior Discount Notes, 11.50%, 12/15/12 (b) (g)	Caa1	619
850	Ainsworth Lumber Company, Ltd., Senior Notes, 7.25%, 10/01/12	B2	803

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			
\$ 625	B.F. Saul Real Estate Investment Trust, Senior Secured Notes, 7.50%, 03/1/14	B3	\$ 648
1,150	Building Materials Corporation of America, Senior Notes, 7.75%, 08/01/14	B2	1,072
1,050	Collins & Aikman Floorcoverings, Inc., Senior Subordinated Notes, 9.75%, 02/15/10	Caa1	1,087
825	Hovnanian Enterprises, Inc., Senior Subordinated Notes, 7.75%, 05/15/13	Ba2	858
275	Meristar Hospitality Operating, Senior Notes, 9%, 01/15/08	B2	286
525	Meristar Hospitality Operating, Senior Notes, 9.125%, 01/15/11	B2	546
775	Mobile Mini, Inc., Senior Notes, 9.50%, 07/01/13	B2	864
1,275	Norcraft Companies, L.P., Senior Subordinated Notes, 9%, 11/01/11	B3	1,320
325	Omega Healthcare Investors, Inc., Senior Notes, 7%, 04/01/14	B1	323
675	RMCC Acquisition Company,		

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	Senior Subordinated Notes, 9.50%, 11/01/12 (g)	Caa1	655
750	Texas Industries, Inc., Senior Notes, 7.25%, 07/15/13 (g)	Ba3	769
750	Texas Industries, Inc., Senior Notes, 10.25%, 06/15/11	B1	869
750	U.S. Concrete, Inc., Senior Subordinated Notes, 8.375%, 04/1/14	B3	705
325	Ventas Realty, Limited Partnership, Senior Notes, 6.75%, 06/1/10 (g)	Ba3	337
875	WII Components, Inc., Senior Notes, 10%, 02/15/12	B2	860
700	WCI Communities, Inc., Senior Subordinated Notes, 9.125%, 05/01/12	Ba3	733
975	WCI Communities, Inc., Senior Subordinated Notes, 10.625%, 02/15/11	Ba3	1,053
675	Williams Scotsman, Inc., Senior Secured Notes, 10%, 08/15/08	B2	737
			-----
			15,144
			-----
CARGO TRANSPORT -- .28%			
\$ 200	Great Lakes Dredge and Dock Corporation, Senior Subordinated Notes, 7.75%, 12/15/13	Caa3	\$ 152
400	TFM, S.A. de C.V., Senior Notes, 9.375%, 05/01/12 (g)	B2	418
			-----
			570
			-----
CHEMICALS, PLASTICS AND RUBBER -- 10.34%			
525	ARCO Chemical Company, Senior Debentures, 10.25%, 11/01/10	B1	575
300	ARCO Chemical Company, Senior Notes, 9.80%, 02/01/20	B1	336
990	BCP Caylux Holdings Luxembourg S.C.A., Senior Subordinated Notes, 9.625%, 06/15/14	B3	1,109
675	Borden Chemical, Inc., Senior Secured Notes, 9%, 07/15/14 (g)	B3	685
1,650	Compass Minerals Group, Inc., Senior Subordinated Notes, 10%, 08/15/11	B3	1,798
1,792	Crystal US Holdings 3 LLC, Senior Discount Notes, 10.50%, 10/01/14 (b)	Caa2	1,259
274	Crystal US Holdings 3 LLC, Senior Discount Notes, 10%, 10/01/14 (b)	Caa2	194
375	EquiStar Chemicals PL Funding, Senior Notes, 8.75%, 02/15/09	B2	396
475	Ethyl Corporation, Senior Notes, 8.875%, 05/01/10	B2	494
425	Freeport McMoran Resources, Senior Notes, 7%, 02/15/08	Ba3	430
600	Huntsman International LLC, Senior Notes, 9.875%, 03/01/09	B2	642
959	Huntsman LLC, Senior Secured		

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2,050	Notes, 11.625%, 10/15/10 Invista, Units,	B1	1,124
	9.25%, 05/01/12 (g)	B1	2,242
1,375	KI Holdings, Inc., Senior Discount Notes, 9.875%, 11/15/14 (b) (g)	Caa2	811
75	KI Holdings, Inc., Senior Discount Notes, 9.875%, 11/15/14 (b)	Caa2	44
1,250	Koppers Inc., Senior Secured Notes, 9.875%, 10/15/13	B2	1,356

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			
\$ 400	Lyondell Chemical Company, Senior Secured Notes, 9.50%, 12/15/08	B1	\$ 427
600	Lyondell Chemical Company, Senior Secured Notes, 9.625%, 05/01/07	B1	640
625	Lyondell Chemical Company, Senior Secured Notes, 10.50%, 06/1/13	B1	716
200	Lyondell Chemical Company, Senior Secured Notes, 11.125%, 07/15/12	B1	226
525	PolyOne Corporation, Senior Notes, 10.625%, 05/15/10	B3	556
825	Resolution Performance Products, LLC, Senior Secured Notes, 9.50%, 04/15/10	B3	850
1,825	Rhodia S.A., Senior Notes, 10.25%, 06/01/10	B3	1,957
1,150	Rockwood Specialties Group, Inc., Senior Subordinated Notes, 10.625%, 05/15/11	B3	1,268
200	VWR International, Inc., Senior Notes, 6.875%, 04/15/12	B3	198
725	VWR International, Inc., Senior Subordinated Notes, 8%, 04/15/14	Caa1	692
			-----
			21,025
			-----
CONTAINERS, PACKAGING AND GLASS -- 11.83%			
625	AEP Industries, Inc., Senior Notes, 7.875%, 03/15/13 (g)	B2	625
950	Ball Corporation, Senior Notes, 6.875%, 12/15/12	Ba2	1,000
950	Boise Cascade, LLC, Senior Subordinated, Notes, 7.125%, 10/15/14 (g)	B2	933

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775	BWAY Corporation, Senior Subordinated Notes, 10%, 10/15/10	B3	810
1,300	Crown European Holdings, S.A., Senior Secured Notes, 9.50%, 03/01/11	B1	1,440
\$ 650	Crown European Holdings, S.A., Senior Secured Notes, 10.875%, 03/01/13	B2	\$ 767
500	Georgia-Pacific Corporation, Senior Notes, 8.875%, 02/01/10	Ba2	567
2,075	Georgia-Pacific Corporation, Senior Notes, 9.375%, 02/01/13	Ba2	2,360
675	Graham Packaging Company, L.P., Senior Notes, 8.50%, 10/15/12 (g)	Caa1	687
450	Graphic Packaging International Inc., Senior Notes, 8.50%, 08/15/11	B2	460
325	Graphic Packaging International Inc., Senior Subordinated, Notes, 9.50%, 08/15/13	B3	328
350	Greif Brothers Corporation, Senior Subordinated Notes, 8.875%, 08/1/12	B1	375
850	Jefferson Smurfit Corporation, (U.S.) Senior Notes, 7.50%, 06/01/13	B2	812
900	Jefferson Smurfit Corporation, (U.S.) Senior Notes, 8.25%, 10/01/12	B2	907
800	JSG Funding, PLC, Senior Subordinated Notes, 7.75%, 04/01/15 (g)	Caa1	656
1,425	Longview Fibre Company, Senior Subordinated Notes, 10%, 01/15/09	B2	1,518
1,410	MDP Acquisitions Plc, Senior Notes, 9.625%, 10/01/12	B3	1,403
275	NewPage Corporation, Senior Secured Notes, 9.46% , 05/01/12 (g)	B3	276
675	NewPage Corporation, Senior Secured Notes, 10%, 05/01/12 (g)	B3	680
325	NewPage Corporation, Senior Subordinated Notes, 12%, 05/01/13 (g)	Caa2	323
825	Norske Skog Canada Ltd., Senior Notes 7.375%, 03/1/14	Ba3	809
475	Owens-Brockway Glass Container, Inc., Senior Notes, 8.25%, 05/15/13	B2	515
450	Owens-Brockway Glass Container, Inc., Senior Secured Notes, 7.75%, 05/15/11	B1	482

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			
\$ 725	Owens-Brockway Glass Container, Inc., Senior Secured Notes, 8.75%, 11/15/12	B1	\$ 799
1,225	Owens-Brockway Glass Container, Inc., Senior Secured Notes, 8.875%, 02/15/09	B1	1,302
1,550	Plastipak Holdings, Inc., Senior Notes, 10.75%, 09/01/11	B3	1,709
375	Silgan Holdings Inc., Senior Subordinated Notes, 6.75%, 11/15/13	B1	383
450	Solo Cup Company, Senior Subordinated Notes, 8.50%, 02/15/14	B3	421
100	Stone Container Corporation, Senior Notes, 9.75%, 02/01/11	B2	106
625	Stone Container Finance Company of Canada, Senior Notes, 7.375%, 07/15/14	B2	587
			----- 24,040 -----
DIVERSIFIED/CONGLOMERATE MANUFACTURING -- 3.12%			
850	Aearo Company, Senior Subordinated Notes, 8.25%, 04/15/12	B3	850
625	Bombardier, Inc., Senior Notes, 6.30%, 05/1/14 (g)	Ba2	558
1,175	Bombardier, Inc., Senior Notes, 6.75%, 05/01/12 (g)	Ba2	1,110
850	Case New Holland Inc., Senior Notes, 9.25%, 08/01/11 (g)	Ba3	899
500	Columbus McKinnon Corporation, Senior Subordinated Notes, 8.50%, 04/01/08	Caa1	498
550	Manitowoc Company, Inc., Senior Notes, 7.125%, 11/01/13	B1	571
1,700	Rexnord Corp., Senior Subordinated Notes, 10.125%, 12/15/12	B3	1,861
			----- 6,347 -----
DIVERSIFIED/CONGLOMERATE SERVICE -- 3.50%			
1,475	Brand Services, Inc., Senior Subordinated Notes, 12%, 10/15/12	Caa1	1,578
\$ 1,225	Brickman Group, LTD, Senior Subordinated Notes, 11.75%, 12/15/09	B2	\$ 1,390
864	Coinmach Corporation, Senior Notes, 9%, 02/01/10	B3	890
1,525	National Waterworks, Inc., Senior Subordinated Notes, 10.50%, 12/01/12	B3	1,719
625	NationsRent Companies, Inc., Senior Notes, 9.50%, 10/15/10	B2	675

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850	Sunstate Equipment Co, LLC, Senior Secured Notes, 10.50%, 04/01/13 (g)	B3	871
			-----
			7,123
			-----
ECOLOGICAL -- 2.42%			
1,575	Allied Waste North America, Inc., Senior Secured Notes, 7.875%, 04/15/13	B2	1,603
925	Allied Waste North America, Inc., Senior Secured Notes, 8.875%, 04/01/08	B2	967
100	Allied Waste North America, Inc., Senior Secured Notes, 9.25%, 09/01/12	B2	107
2,075	Casella Waste Systems, Inc., Senior Subordinated Notes, 9.75%, 02/01/13	B3	2,241
			-----
			4,918
			-----
ELECTRONICS -- 6.49%			
125	Activant Solutions, Inc., Senior Notes, 9.09%, 04/01/10 (g)	B2	131
150	Amkor Technology, Inc., Senior Notes, 7.75%, 05/15/13	B3	127
375	Amkor Technology, Inc., Senior Notes, 9.25%, 02/15/08	B3	356
825	Celestica, Inc., Senior Subordinated Notes, 7.875%, 07/01/11	B2	850
200	Coleman Cable, Inc., Senior Notes, 9.875%, 10/01/12 (g)	B3	178
850	Flextronics International, Inc., Senior Subordinated Notes, 6.25%, 11/15/14	Ba2	850

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			
\$ 650	Freescale Semiconductor, Inc., Senior Notes, 6.875%, 07/15/11	Ba2	\$ 691
925	Freescale Semiconductor, Inc., Senior Notes, 7.125%, 07/15/14	Ba2	992
625	General Cable Corporation, Senior Notes, 9.50%, 11/15/10	B2	666
400	Hynix Semiconductor, Inc., Senior Notes, 9.875%, 07/01/12 (g)	B1	400
825	Invensys plc, Senior Notes, 9.875%, 03/15/11 (g)	B3	804

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450	MagnaChip Semiconductor S.A., Senior Secured Notes, 6.875%, 12/15/11 (g)	Ba3	443
375	New Asat Finance LLC, Senior Notes 9.25%, 02/01/11	B3	319
150	Sanmina-SCI Corporation, Senior Secured Notes, 10.375%, 01/15/10	Ba2	167
725	Sanmina-SCI Corporation, Senior Subordinated Notes, 6.75%, 03/01/13 (g)	B1	692
525	Semiconductor Note Participation Trust, 10%, 08/04/11(g)	(e)	787
350	STATS ChipPAC Ltd., Senior Notes, 6.75%, 11/15/11	Ba2	332
875	Stratus Technologies, Inc., Senior Notes, 10.375%, 12/01/08	B3	849
775	Superior Essex Communications LLC, Senior Notes, 9%, 04/15/12	B3	771
800	Telex Communications, Inc., Senior Secured Notes, 11.50%, 10/15/08	B3	854
1,050	UGS Corp., Senior Subordinated Notes, 10%, 06/01/12	B3	1,176
375	Xerox Corp., Senior Notes, 7.20%, 04/01/16	Ba2	408
325	Xerox Corp., Senior Notes, 7.625%, 06/15/13	Ba2	350
			----- 13,193 -----
FARMING AND AGRICULTURE -- .41%			
150	IMC Global Inc., Senior Notes, 10.875%, 06/01/08	Ba3	169
125	IMC Global Inc., Senior Notes, 10.875%, 08/01/13	Ba3	147
\$ 100	IMC Global Inc., Senior Notes, 11.25%, 06/01/11	Ba3	\$ 111
397	United Agri Products, Inc., Senior Notes, 8.25%, 12/15/11	B1	411
			----- 838 -----
FINANCE -- 1.19%			
2,300	E*TRADE Financial Corp., Senior Notes, 8%, 06/15/11	B1	2,427
			-----
FURNISHINGS, HOUSEWARES, DURABLE CONSUMER PRODUCTS -- 1.48%			
600	MAAX Corporation, Senior Subordinated Notes, 9.75%, 06/15/12	B3	531
1,000	Maytag Corporation, Senior Notes, 6.875%, 12/01/06	Ba2	1,020
1,050	Sealy Mattress Company, Senior Subordinated Notes, 8.25%, 06/15/14	B3	1,058
875	Simmons Company, Senior Discount Notes, 10%, 12/15/14 (b) (g)	Caa2	407
			----- 3,016 -----
GROCERY -- .30%			



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625	Pathmark Stores, Inc., Senior Subordinated Notes, 8.75%, 02/01/12	Caa1	614
-----			
HEALTHCARE, EDUCATION AND CHILDCARE -- 8.23%			
875	AmerisourceBergen Corporation, Senior Notes, 8.125%, 09/01/08	Ba2	950
700	Biovail Corporation, Senior Subordinated Notes, 7.875%, 04/01/10	B2	718
375	Community Health Systems, Inc., Senior Subordinated Notes, 6.50%, 12/15/12	B3	377
1,425	Concentra Operating Corporation, Senior Subordinated Notes, 9.50%, 08/15/10	B3	1,514
325	Davita, Inc., Senior Notes, 6.625%, 03/15/13 (g)	B2	336
825	Davita, Inc., Senior Subordinated Notes, 7.25%, 03/15/15 (g)	B3	848
825	Fisher Scientific International Inc., Senior Subordinated Notes, 6.125%, 07/01/15 (g)	Ba3	825
575	Fresenius Medical Care Capital Trust IV, 7.875%, 06/15/11	B1	620

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			
\$ 1,125	Genesis Healthcare Corporation, Senior Subordinated Notes, 8%, 10/15/13	B3	\$ 1,221
875	HCA Inc., Senior Notes, 6.375%, 01/15/15	Ba2	909
1,275	HCA Inc., Senior Notes, 8.75%, 09/1/10	Ba2	1,453
350	MedQuest, Inc., Senior Subordinated Notes, 11.875%, 08/15/12	Caa1	331
1,175	Omnicare, Inc., Senior Subordinated Notes, 8.125%, 03/15/11	Ba2	1,241
1,125	Quintiles Transnational Corp., Senior Subordinated Notes, 10%, 10/01/13	B3	1,240
450	Tenet Healthcare Corporation, Senior Notes, 6.50%, 06/01/12	B3	429
300	Tenet Healthcare Corporation, Senior Notes, 7.375%, 02/01/13	B3	298
175	Tenet Healthcare Corporation, Senior Notes, 9.875%, 07/01/14	B3	188
1,300	Triad Hospitals, Inc., Senior Subordinated Notes,		

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	7%, 11/15/13	B3	1,339
775	US Oncology, Inc., Senior Notes, 9%, 08/15/12	B2	829
525	Vanguard Health Holding Company II, LLC, Senior Subordinated Notes, 9%, 10/01/14	Caa1	568
500	Warner Chilcott Corporation, Senior Subordinated Notes, 8.75%, 02/01/15 (g)	Caa1	486
			-----
			16,720
			-----
HOTELS, MOTELS, INNS AND GAMING -- 9.98%			
1,225	American Casino & Entertainment Properties LLC, Senior Secured Notes, 7.85%, 02/01/12	B2	1,302
1,000	Ameristar Casinos, Inc., Senior Subordinated Notes, 10.75%, 02/15/09	B2	1,088
450	Argosy Gaming Company, Senior Subordinated Notes, 7%, 01/15/14	B1	498
75	Argosy Gaming Company, Senior Subordinated Notes, 9%, 09/01/11	Ba3	82
\$ 1,000	Boyd Gaming Corporation, Senior Subordinated Notes, 6.75%, 04/15/14	B1	\$ 1,025
100	Boyd Gaming Corporation, Senior Subordinated Notes, 7.75%, 12/15/12	B1	107
25	Boyd Gaming Corporation, Senior Subordinated Notes, 8.75%, 04/15/12	B1	27
700	Herbst Gaming, Inc., Senior Subordinated Notes, 7%, 11/15/14	B3	704
100	Host Marriott, L.P., Senior Notes, 6.375%, 03/15/15 (g)	Ba3	99
740	Host Marriott, L.P., Senior Notes, 9.50%, 01/15/07	Ba3	786
525	Isle of Capri Casinos, Inc., Senior Subordinated Notes, 7%, 03/01/14	B2	529
1,625	John Q. Hammons Hotels, LP, First Mortgage Notes, 8.875%, 05/15/12	B2	1,779
1,775	La Quinta Properties, Inc., Senior Notes, 8.875%, 03/15/11	Ba3	1,921
175	Las Vegas Sands Corporation, Senior Notes, 6.375%, 02/15/15 (g)	B2	170
600	Mandalay Resort Group, Senior Subordinated Notes, 10.25%, 08/01/07	Ba3	660
825	MGM MIRAGE, Senior Notes, 9.75%, 06/01/07	Ba3	891
1,500	MGM MIRAGE, Senior Secured Notes, 8.50%, 09/15/10	Ba2	1,658
650	Mohegan Tribal Gaming Authority, Senior Notes, 6.125%, 02/15/13 (g)	Ba2	656

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575	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 6.875%, 02/15/15 (g)	Ba3	589
1,100	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 8%, 04/01/12	Ba3	1,169
75	Penn National Gaming, Inc., Senior Subordinated Notes, 6.75%, 03/1/15 (g)	B3	75

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			
\$ 650	Poster Financial group, Inc., Senior Notes, 8.75%, 12/01/11	B2	\$ 661
75	Resorts International Hotel and Casino, Inc., Senior Notes, 11.50%, 03/15/09	B2	85
650	Seneca Gaming Corporation, Senior Notes, 7.25%, 05/01/12 (g)	B1	672
525	Station Casinos, Inc., Senior Notes, 6%, 04/01/12	Ba3	538
125	Station Casinos, Inc., Senior Subordinated Notes, 6.50%, 02/01/14	B1	128
600	Station Casinos, Inc., Senior Subordinated Notes, 6.875%, 03/01/16	B1	618
550	Station Casinos, Inc., Senior Subordinated Notes, 6.875%, 03/01/16 (g)	B1	567
600	Trump Entertainment ResortsHoldings, L.P., Senior Secured Notes, 8.50%, 06/01/15	Caa1	585
625	Wynn Las Vegas, LLC, Senior Secured Notes, 6.625%, 12/01/14 (g)	B2	606
			----- 20,275 -----
LEISURE, AMUSEMENT AND ENTERTAINMENT -- 3.00%			
800	AMF Bowling Worldwide, Inc. Senior Subordinated Notes, 10%, 03/01/10	B3	808
575	Equinox Holdings, Inc., Senior Notes, 9%, 12/15/09	B3	594
775	K2 Inc., Senior Notes, 7.375%, 07/01/14	Ba3	814
325	Six Flags Inc., Senior Notes, 8.875%, 02/01/10	Caa1	314

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175	Six Flags Inc., Senior Notes, 9.75%, 04/15/13	Caa1	165
800	Town Sports International, Inc., Senior Notes, 9.625%, 04/15/11	B2	820
1,450	Universal City Development Partners, Ltd., Senior Notes, 11.75%, 04/01/10	B2	1,664
\$ 225	Universal City Florida Holding Co., Senior Notes, 7.96%, 05/1/10	B3	\$ 234
650	Universal City Florida Holding Co., Senior Notes, 8.375%, 05/1/10	B3	678
			-----
			6,091
			-----
MACHINERY -- .38%			
747	JLG Industries, Inc., Senior Subordinated Notes, 8.375%, 06/15/12	B3	781
			-----
MINING, STEEL, IRON AND NON-PRECIOUS METALS -- 5.80%			
475	Aleris International, Inc., Senior Notes, 9%, 11/15/14	(e)	494
75	Algoma Steel Inc., Secured Notes, 11%, 12/31/09	(e)	82
825	Alpha Natural Resources, LLC, Senior Notes, 10%, 06/01/12 (g)	B3	908
450	Century Aluminum Company, Senior Notes, 7.50%, 08/15/14	B1	448
1,525	Earle M. Jorgensen Company, Senior Secured Notes, 9.75%, 06/01/12	B2	1,636
825	Foundation PA Coal Company, Senior Notes, 7.25%, 08/01/14	B1	866
750	Gerdau Ameristeel Corporation, Senior Notes, 10.375%, 07/15/11	Ba3	817
675	James River Coal Company, Senior Notes, 9.375%, 06/1/12	B3	692
725	Luscar Coal Ltd., Senior Notes, 9.75%, 10/15/11	Ba3	794
675	Massey Energy Company, Senior Notes, 6.625%, 11/15/10	Ba3	697
500	Neenah Foundry Company, Senior Secured Notes, 11%, 09/30/10 (g)	B2	541
825	Novelis, Inc., Senior Notes, 7.25%, 02/15/15 (g)	B1	827
2,000	Peabody Energy Corporation, Senior Notes, 6.875%, 03/15/13	Ba3	2,130
850	Valmont Industries, Inc., Senior Subordinated Notes, 6.875%, 05/01/14	Ba3	856
			-----
			11,788
			-----
OIL AND GAS -- 12.14%			
2,500	AmeriGas Partners, L.P., Senior Notes, 7.25%, 05/20/15 (g)	B2	2,575

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			
\$ 450	Chesapeake Energy Corporation, Senior Notes, 6.375%, 06/15/15 (g)	Ba3	\$ 460
1,425	Chesapeake Energy Corporation, Senior Notes, 6.625%, 01/15/16 (g)	Ba3	1,471
175	Chesapeake Energy Corporation, Senior Notes, 7%, 08/15/14	Ba3	186
125	Compton Petroleum Corporation, Senior Notes, 9.90%, 05/15/09	B2	131
750	Denbury Resources, Inc., Senior Subordinated Notes, 7.50%, 04/01/13	B2	780
325	Dresser-Rand Group Inc., Senior Subordinated Notes, 7.375%, 11/01/14 (g)	B3	338
400	El Paso Production Holding Co., Senior Notes 7.75%, 06/01/13	B3	428
150	Encore Acquisition Company, Senior Subordinated Notes, 8.375%, 06/15/12	B2	163
1,725	Ferrellgas Partners L.P., Senior Notes, 8.75%, 06/15/12	B2	1,725
200	Grant Prideco, Inc., Senior Notes 9%, 12/15/09	Ba3	219
1,050	Hanover Equipment Trust, Senior Secured Notes, 8.75%, 09/01/11	B2	1,110
800	Inergy, L.P., Senior Notes, 6.875%, 12/15/14 (g)	B1	782
650	Magnum Hunter Resources, Inc., Senior Notes, 9.60%, 03/15/12	B2	722
200	Northwest Pipeline Corporation, Senior Notes, 8.125%, 03/01/10	Ba2	217
625	Ocean Rig Norway AS, Senior Secured Notes, 8.375%, 07/01/13 (g)	B3	634
130	Parker Drilling Company, Senior Notes, 10.125%, 11/15/09	B2	137
1,025	Petroleum Geo-Services ASA, Senior Notes, 10%, 11/05/10	Ba3	1,151
950	Petroleum Helicopters, Inc., Senior Notes, 9.375%, 05/01/09	B1	1,002
775	Plains Exploration & Production Co., L.P., Senior Subordinated Notes, 8.75%, 07/01/12	Ba3	841
\$ 600	Pride International, Inc., Senior Notes, 7.375%, 07/15/14	Ba2	\$ 656
225	Range Resources Corporation, Senior Subordinated 6.375%, 03/15/15	B3	224
500	Range Resources Corporation, Senior Subordinated Notes, 7.375%, 07/15/13	B3	532

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375	Southern Natural Gas Company, Senior Notes, 8.875%, 03/15/10	B1	412
1,100	Stone Energy Corporation, Senior Subordinated Notes, 8.25%, 12/15/11	B2	1,155
500	Swift Energy Company, Senior Notes, 7.625%, 07/15/11	B1	516
925	Universal Compression, Inc., Senior Notes, 7.25%, 05/15/10	Ba3	964
675	Whiting Petroleum Corporation, Senior Subordinated Notes, 7.25%, 05/1/13	B2	692
175	Williams Companies, Inc., Senior Notes, 7.625%, 07/15/19	B1	197
3,725	Williams Companies, Inc., Senior Notes, 8.125%, 03/15/12	B1	4,265
			-----
			24,685
			-----
PERSONAL, FOOD AND MISCELLANEOUS SERVICES -- 2.12%			
650	El Pollo Loco, Inc., Senior Secured Notes, 9.25%, 12/15/09	B2	692
608	FTD, Inc., Senior Subordinated Notes, 7.75%, 02/15/14	B3	593
700	Landry's Restaurants, Inc., Senior Notes, 7.50%, 12/15/14	B2	679
850	O'Charleys, Inc., Senior Subordinated Notes, 9%, 11/01/13	Ba3	918
250	Perkins Family Restaurants, L.P., Senior Notes, 10.125%, 12/15/07	B1	251
150	Real Mex Restaurants, Inc., Senior Notes, 10.00%, 04/01/10	B2	158
1,125	Worldspan, L.P., Senior Notes, 9.518%, 02/15/11(g)	B3	1,015
			-----
			4,306
			-----

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		
PERSONAL NON-DURABLE CONSUMER PRODUCTS -- 1.84%		
\$ 1,050	American Achievement Corporation, Senior Subordinated Notes, 8.25%, 04/01/12	B3 \$ 1,061
575	Chattem, Inc., Senior Subordinated Notes, 7%, 03/01/14	B2 592
325	Church & Dwight Company, Inc., Senior Subordinated Notes,	

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	6%, 12/15/12	Ba3	328
1,675	Rayovac Corporation, Senior Subordinated Notes, 8.50%, 10/01/13	B3	1,750
			-----
			3,731
			-----
PERSONAL TRANSPORTATION -- .39%			
800	CHC Helicopter Corporation, Senior Subordinated Notes, 7.375%, 05/01/14	B2	798
			-----
PRINTING AND PUBLISHING -- 8.77%			
450	Advanstar Communications Inc., Senior Notes, 10.75%, 08/15/10	B3	492
425	Advanstar Communications Inc., Senior Subordinated Notes, 12%, 02/15/11	Caa2	453
675	Advanstar Inc., Senior Discount Debentures, 15%, 10/15/11 (b)	(e)	668
850	Affinity Group Inc., Senior Subordinated Notes, 9%, 02/15/12	B3	852
350	Affinity Group Inc., Senior Subordinated Notes, 10.875%, 02/15/12	Caa1	336
1,878	CanWest Media, Inc., Senior Subordinated Notes, 8%, 09/15/12	B2	1,981
950	CanWest Media, Inc., Senior Subordinated Notes, 10.625%, 05/15/11	B2	1,040
635	Conveo Corporation, Senior Notes, 9.625%, 03/15/12	B1	689
1,137	Dex Media East LLC, Senior Subordinated Notes, 12.125%, 11/15/12	B2	1,362
825	Dex Media West LLC, Senior Notes, 8.50%, 08/15/10	B1	903
\$ 1,685	Dex Media West LLC, Senior Subordinated Notes, 9.875%, 08/15/13	B2	\$ 1,929
475	Haight's Cross Communications Operating Company, Senior Notes, 11.75%, 08/15/11	Caa1	520
600	Houghton Mifflin Company, Senior Notes, 8.25%, 02/01/11	B3	621
475	Houghton Mifflin Company, Senior Subordinated Notes, 9.875%, 02/01/13	Caa1	511
950	Jostens Intermediate Holding Corp., Senior Subordinated Notes, 7.625%, 10/1/12	B3	931
225	MediaNews Group, Inc., Senior Subordinated Notes, 6.375%, 04/1/14	B2	215
400	MediaNews Group, Inc., Senior Subordinated Notes, 6.875%, 10/1/13	B2	398
675	Morris Publishing Group, LLC, Senior Subordinated Notes, 7%, 08/01/13	Ba3	658

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2,095	R.H. Donnelley Inc., Senior Subordinated Notes, 10.875%, 12/15/12	B2	2,441
350	Vertis, Inc., Senior Notes, 10.875%, 06/15/09	Caa1	333
475	Vertis, Inc., Senior Secured Notes, 9.75%, 04/01/09	B3	494
			-----
			17,827
			-----
RETAIL STORES -- 3.16%			
525	Alimentation Couche-Tard, Inc., Senior Subordinated Notes, 7.50%, 12/15/13	Ba3	555
618	Amazon.com, Inc., Convertible Subordinated Notes, 4.75%, 02/01/09	B3	592
525	Gregg Appliances, Inc., Senior Notes, 9%, 02/01/13 (g)	B2	494
975	Jean Coutu Group, Inc., Senior Notes, 7.625%, 08/01/12	B2	1,007
1,000	Jean Coutu Group, Inc., Senior Subordinated Notes, 8.50%, 08/01/14	B3	983

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			
\$ 1,150	Leslie's Poolmart, Inc., Senior Notes, 7.75%, 02/01/13	B2	\$ 1,162
800	Movie Gallery, Inc., Senior Notes, 11%, 05/01/12 (g)	B2	840
850	Nebraska Book Company, Inc., Senior Subordinated Notes, 8.625%, 03/15/12	Caa1	793
			-----
			6,426
			-----
TELECOMMUNICATIONS -- 17.73%			
1,872	Alamosa (Delaware), Inc., Senior Notes, 11%, 07/31/10	Caa1	2,106
800	American Tower Corporation, Senior Notes, 7.125%, 10/15/12	B3	842
125	American Tower Corporation, Senior Notes, 7.50%, 05/01/12	B3	133
150	American Tower Corporation, Senior Subordinated Notes, 7.25%, 12/01/11	B2	158
1,050	AT&T Corporation, Senior Notes, 9.05%, 11/15/11	Ba1	1,210
1,000	Call-Net Enterprises Inc., Senior		



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	Secured Notes		
	10.625%, 12/31/08	B3	1,075
875	Centennial Communications Corp., Senior Notes, 8.125%, 02/01/14	B3	930
350	Centennial Communications Corp., Senior Notes, 10.125%, 06/15/13	B3	395
1,025	Eircom Funding plc, Senior Subordinated Notes, 8.25%, 08/15/13	B1	1,112
425	Horizon PCS, Inc., Senior Notes, 11.375%, 07/15/12	B2	474
275	Inmarsat Finance, plc, Senior Notes, 7.625%, 06/30/12	B2	291
1,425	Intelsat, Ltd., Senior Notes, 7.805%, 01/15/12 (g)	B2	1,450
950	IPC Information Systems, Inc., Senior Subordinated Notes, 11.50%, 12/15/09	B3	1,024
450	iPCS Escrow Company, Senior Notes, 11.50%, 05/01/12	B3	505
850	Leucadia National Corporation, Senior Notes, 7%, 08/15/13	Ba2	853
975	MCI, Inc., Senior Notes, 7.688%, 05/01/09	B2	1,014
\$ 3,075	NEXTEL Communications, Inc., Senior Notes, 6.875%, 10/31/13	Ba3	\$ 3,290
2,875	NEXTEL Communications, Inc., Senior Notes, 7.375%, 08/01/15	Ba3	3,105
725	Nextel Partners, Inc., Senior Notes, 8.125%, 07/01/11	Ba3	788
924	PanAmSat Corporation, Senior Notes, 9%, 08/15/14	B1	1,007
100	PanAmSat Holdco, Senior Discount Notes, 10.375%, 11/01/14 (b)	B3	69
750	Primus Telecommunications Holding, Inc., Senior Notes, 8%, 01/15/14	Caa1	398
125	Primus Telecommunications Holding, Inc., Senior Notes, 12.75%, 10/15/09	Caa3	52
700	Qwest Communications International, Inc., Senior Notes, 7.50%, 02/15/14 (g)	B3	658
825	Qwest Corporation 6.671%, 06/15/13 (g)	Ba3	842
2,197	Qwest Services Corp., Senior Subordinated Notes, 13.50%, 12/15/10	Caa1	2,538
375	Rogers Wireless Inc., Senior Secured Notes, 7.50%, 03/15/15	Ba3	407
2,400	Rogers Wireless Inc., Senior Secured Notes, 8%, 12/15/12	B2	2,580
1,000	Rogers Wireless Inc., Senior Secured Notes, 9.625%, 05/01/11	Ba3	1,175
875	Time Warner Telecom, Inc., Senior Notes, 10.125%, 02/01/11	B3	877
875	Time Warner Telecom, LLC, Senior Notes, 9.75%, 07/15/08	B3	879
1,025	TSI Telecommunications Services, Inc., Senior Subordinated Notes, 12.75%, 02/01/09	B2	1,122

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800	UbiquiTel Operating Co., Senior Notes, 9.875%, 03/01/11	Caa1	870
625	US LEC Corporation, Senior Notes, 11.89%, 10/01/09	B3	633
1,050	US Unwired Inc., Senior Secured Notes, 10%, 06/15/12	Caa1	1,166
			-----
			36,028
			-----

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			
TEXTILES AND LEATHER -- .46%			
\$ 100	Interface, Inc., Senior Subordinated Notes, 9.50%, 02/01/14	Caa3	\$ 101
850	Rafaella Apparel Group, Inc., Senior Secured, 11.25%, 06/15/11(g)	B2	822
			-----
			923
			-----
UTILITIES -- 8.18%			
350	The AES Corporation, Senior Notes, 7.75%, 03/01/14	B1	379
725	The AES Corporation, Senior Notes, 9.375%, 09/15/10	B1	819
1,700	The AES Corporation, Senior Secured Notes, 9%, 05/15/15 (g)	Ba3	1,904
1,050	Allegheny Energy Supply Company, LLC, Senior Notes, 8.25%, 04/15/12 (g)	Ba3	1,168
1,125	Midwest Generation, LLC, Senior Secured Notes, 8.75%, 05/01/34	B1	1,260
2,372	NRG Energy, Inc., Senior Secured Notes, 8%, 12/15/13 (g)	B1	2,502
1,650	Orion Power Holdings, Inc., Senior Notes, 12%, 05/01/10	B2	1,976
700	Roseton-Danskammer 2001, Senior Secured Notes, 7.27%, 11/08/10	Caa2	697
1,775	Sierra Pacific Resources, Senior Notes, 8.625%, 03/15/14	B2	1,959
1,500	TECO Energy, Inc., Senior Notes, 7%, 05/01/12	Ba2	1,616
1,650	Texas Genco LLC, Senior Notes, 6.875%, 12/15/14 (g)	B1	1,737
600	Utilicorp Canada Financial Corporation, Senior Notes, 7.75%, 06/15/11	B2	618
			-----
			16,635
			-----

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TOTAL CORPORATE DEBT SECURITIES  
(Total cost of \$316,406) 319,836

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SHARES

---

PREFERRED STOCK -- .54% (d)		
BANKING -- 0.00%		
57,935 WestFed Holdings, Inc., Cumulative, Series A, Preferred Stock, 15.50% (a) (c)	(e)	--
<hr style="width: 100%; border-top: 1px dashed black;"/>		
BROADCASTING AND ENTERTAINMENT -- .16%		
300 Spanish Broadcasting, System, Inc., Series B, Preferred Stock, 10.75%	Caa1	321
<hr style="width: 100%; border-top: 1px dashed black;"/>		

SHARES	MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
<hr style="width: 100%; border-top: 1px dashed black;"/>		
MINING, STEEL, IRON, NON-PRECIOUS METALS -- 0.00%		
18,000 Weirton Steel Corporation, Series C Preferred Stock (a) (c)	(e)	\$ --
<hr style="width: 100%; border-top: 1px dashed black;"/>		
UTILITIES -- .38%		
700 NRG Energy, Inc., Convertible Preferred Stock, 4%, (g)	B3	770
<hr style="width: 100%; border-top: 1px dashed black;"/>		
TOTAL PREFERRED STOCK (Total cost of \$6,341)		1,091
<hr style="width: 100%; border-top: 1px dashed black;"/>		
COMMON STOCK AND WARRANTS -- 0.00% (d)		
27,474 WestFed Holdings, Inc., Common Stock (a) (c)		--
10,052 WKI Holding Company, Inc., Common Stock (c) (f)		--
<hr style="width: 100%; border-top: 1px dashed black;"/>		
TOTAL COMMON STOCK AND WARRANTS (Total cost of \$2,295)		--
<hr style="width: 100%; border-top: 1px dashed black;"/>		

PRINCIPAL  
AMOUNT

---

SHORT-TERM INVESTMENTS -- .81% (d)		
\$ 1,000 Nordea North America, Inc., Commercial Paper, Due 07/20/05 Discount of 3.16%	P-1	998
658 Sysco Corporation, Commercial Paper, Due 07/01/05, Discount of 3.35%	P-1	658
<hr style="width: 100%; border-top: 1px dashed black;"/>		
TOTAL SHORT-TERM INVESTMENTS (Total cost of \$1,656)		1,656

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TOTAL INVESTMENTS	-----
(Total cost of \$326,698)	\$ 322,583
	=====

- (a) Denotes issuer is in bankruptcy proceedings. Income is not being accrued.
- (b) Securities are step interest bonds. Interest on these bonds accrues based on the effective interest method which results in a constant rate of interest being recognized.
- (c) Security is valued at fair value using methods determined by the Board of Directors. The total value of these securities at June 30, 2005 was \$0.
- (d) Percentages indicated are based on total net assets to common shareholders of \$203,265.
- (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. Unless otherwise noted, 144A Securities are deemed to be liquid. See Note 1(a) of the Notes to Financial Statements for valuation policy. Total market value of Rule 144A securities amounted to \$55,158 as of June 30, 2005.

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

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The New America High Income Fund, Inc.

## STATEMENT OF ASSETS AND LIABILITIES JUNE 30, 2005 (UNAUDITED)

ASSETS: (Dollars in thousands, except per share amounts)	
INVESTMENTS IN SECURITIES, at value (Identified cost of \$326,698 see Schedule of Investments and Notes 1 and 2)	\$ 322,583
INTEREST RATE SWAP, at fair value (Note 6)	1,286
CASH	3,802
RECEIVABLES:	
Investment securities sold	2,643
Interest and dividends	6,240
PREPAID EXPENSES	106
Total assets	----- \$ 336,660 -----
LIABILITIES:	
PAYABLES:	
Investment securities purchased	\$ 2,814
Dividend on common stock	178
Dividend on preferred stock	147
Swap settlement payable	57
ACCRUED EXPENSES (Note 3)	199
Total liabilities	----- \$ 3,395 -----
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	

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(Notes 4 and 5)	\$ 130,000
	-----
NET ASSETS	\$ 203,265
	=====
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	382,030
UNDISTRIBUTED NET INVESTMENT	
INCOME (Note 2)	963
ACCUMULATED NET REALIZED LOSS FROM	
SECURITIES TRANSACTIONS (Note 2)	(177,838)
NET UNREALIZED DEPRECIATION ON	
INVESTMENTS AND INTEREST RATE SWAPS	(2,829)
	-----
NET ASSETS APPLICABLE TO COMMON STOCK (Equivalent to \$2.17 per share, based on 93,868,118 shares outstanding)	\$ 203,265
	=====

STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED  
JUNE 30, 2005 (UNAUDITED)

INVESTMENT INCOME: (Note 1) (Dollars in thousands)	
Interest income	\$ 12,770
Other income	545
Dividend income	22
	-----
Total investment income	\$ 13,337
	-----
EXPENSES:	
Cost of leverage:	
Preferred and auction (Note 5)	\$ 165
	-----
Total cost of leverage	\$ 165
	-----
Professional services:	
Management (Note 3)	\$ 576
Custodian and transfer agent	116
Legal (Note 8)	72
Audit	33
	-----
Total professional services	\$ 797
	-----
Administrative:	
General administrative	\$ 232
Directors	110
NYSE	45
Shareholder communications	27
Miscellaneous	22
Shareholder meeting	19
	-----
Total administrative	\$ 455
	-----
Total expenses	\$ 1,417
	-----
Net investment income	\$ 11,920

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REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT ACTIVITIES:	-----
Realized gain on investments, net	\$ 1,926
Net swap settlement disbursements (Note 6)	\$ (646)
Change in net unrealized depreciation on investments	\$ (12,370)
Change in unrealized appreciation on interest rate swap agreement	363
Total change in net unrealized depreciation on investments and interest rate swap	\$ (12,007)
Net loss on investments and interest rate swap	\$ (10,727)
COST OF PREFERRED LEVERAGE	-----
Distributions to preferred stockholders	\$ (1,880)
Net decrease in net assets resulting from operations	\$ (687)
	=====

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

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### STATEMENTS OF CHANGES IN NET ASSETS

FROM OPERATIONS: (Dollars in thousands, except per share amounts)	
Net investment income	\$
Realized gain (loss) on investments, net	
Net swap settlement disbursements	
Change in net unrealized appreciation (depreciation) on investments and other financial instruments	
Distributions from net investment income related to preferred stock	
Dividends to preferred stockholders	
Net increase (decrease) in net assets resulting from operations	\$
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 (Note 9)	\$
Net asset value of 339,724 shares issued to common stockholders for reinvestment of dividends in 2004	
Increase in net assets resulting from fund share transactions	\$
DISTRIBUTIONS TO COMMON STOCKHOLDERS:	
From net investment income (\$.09 and \$.23 per share in 2005 and 2004, respectively)	\$

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Total net increase (decrease) in net assets	\$
NET ASSETS APPLICABLE TO COMMON STOCK:	
Beginning of period	\$
End of period (Including \$963 and \$(864) of undistributed net investment income at June 30, 2005 and December 31, 2004, respectively)	\$

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

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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 SIX MONTHS ENDED JUNE 30, 2005 (UNAUDITED)	2004	FOR THE YEARS ENDED 2003 (b)	2002
NET ASSET VALUE:				
Beginning of period	\$ 2.26	\$ 2.19	\$ 1.89	\$ 2.6
NET INVESTMENT INCOME	.13	.26	.26#	.3
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS	(.10)	.09	.34	(.7
DISTRIBUTIONS FROM NET INVESTMENT INCOME RELATED TO PREFERRED STOCK:	(.03)	(.05)	(.06)	(.0
TOTAL FROM INVESTMENT OPERATIONS	--	.30	.54	(.4
DISTRIBUTIONS TO COMMON SHAREHOLDERS:				
From net investment income	(.09)	(.23)	(.22)	(.2
TOTAL DISTRIBUTIONS	(.09)	(.23)	(.22)	(.2
Effect of rights offering and related expenses; and Auction Term Preferred Stock offering costs and sales load	--	--	(.02)	-
NET ASSET VALUE:				
End of period	\$ 2.17	\$ 2.26	\$ 2.19	\$ 1.8
PER SHARE MARKET VALUE:				
End of period	\$ 2.12	\$ 2.19	\$ 2.16	\$ 2.0
TOTAL INVESTMENT RETURN+	.79%	12.80%	19.23%	(12.9

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	FOR THE SIX MONTHS ENDED JUNE 30, 2005 (UNAUDITED)	2004	FOR THE YEARS ENDED 2003 (b)	2002
NET ASSETS, END OF PERIOD, APPLICABLE TO COMMON STOCK (a)	\$ 203,265	\$ 212,165	\$ 204,705	\$ 131,17
NET ASSETS, END OF PERIOD, APPLICABLE TO PREFERRED STOCK (a)	\$ 130,000	\$ 130,000	\$ 130,000	\$ 100,00
TOTAL NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK, END OF PERIOD (a)	\$ 333,265	\$ 342,165	\$ 334,705	\$ 231,17
EXPENSE RATIOS:				
Ratio of preferred and other leverage expenses to average net assets*	.16%**	.15%	.16%	.1
Ratio of operating expenses to average net assets*	1.22%**	1.27%	1.56%	1.4
RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS*	1.38%**	1.42%	1.72%	1.6
RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS*	11.61%**	12.02%	12.81%	16.4
RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK	.85%**	.87%	1.05%	.8
RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK	7.13%**	7.38%	7.79%	8.9
PORTFOLIO TURNOVER RATE	31.74%	70.90%	120.47%	82.4

(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.

\*\* 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



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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.

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The New America High Income Fund, Inc.

### INFORMATION REGARDING SENIOR SECURITIES

	JUNE 30, 2005 (UNAUDITED)	2004	2003	AS OF DECEMBER 2002
TOTAL AMOUNT OUTSTANDING:				
Preferred Stock	\$ 130,000,000	\$ 130,000,000	\$ 130,000,000	\$ 100,000,000
ASSET COVERAGE:				
Per Preferred Stock Share (1)	\$ 64,089	\$ 65,801	\$ 64,366	\$ 57,000
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 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, 2005 (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"

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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.

The Fund may focus its investments in certain industries, subjecting it to greater risk than a Fund that is more diversified. 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 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, for which market quotations are not readily available with a cost of approximately \$7,594,000 and a value of \$0, are valued in good faith at fair market value using methods determined by the Board of Directors.

(b) SECURITIES TRANSACTIONS AND NET INVESTMENT INCOME--Securities transactions are recorded on trade date. Realized gains or losses on sales of securities are calculated on the identified cost basis. 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. The Fund does not amortize market premiums or discounts for tax purposes. Dividend payments received in the form of additional securities are recorded on the ex-dividend date in an amount equal to the value of the security on such date.

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(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, 2005, the total cost of securities (including temporary cash investments) for federal income tax purposes was approximately \$328,358,000. Aggregate gross unrealized gain on securities in which there was an excess of value over tax cost was approximately \$7,150,000. Aggregate unrealized loss on securities in which there was an excess of tax cost over value was approximately \$12,925,000. Net unrealized loss on investments for tax purposes at June 30, 2005 was approximately \$5,775,000

At December 31, 2004, 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
21,821,000	December 31, 2008
67,043,000	December 31, 2009
45,239,000	December 31, 2010
7,387,000	December 31, 2011
125,000	December 31, 2012
\$ 177,196,000	

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 \$23,725,000 in 2004 was from ordinary income.

As of December 31, 2004, the components of distributable earnings on a tax basis were approximately:

Undistributed Net Investment Income	\$ 443,000
Undistributed Long-Term Gain	--
Unrealized Gain	\$ 8,001,000
Capital Losses Carry Forward and Post October Losses Deferred	\$ 179,118,000

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 market discount adjustments.

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

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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.

### (3) INVESTMENT ADVISORY AGREEMENT

T. Rowe Price Associates, Inc. (T. Rowe Price), the Fund's Investment Advisor, earned approximately \$576,000 in management fees during the six months

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ended June 30, 2005. 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, 2005, the fee payable to T. Rowe Price was approximately \$94,000, 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, 2005. 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 2.38% - 3.37% for the six months ended June 30, 2005. The average dividend rate as of June 30, 2005 was 3.26%.

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

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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 \$165,000 for service charges for the six months ended June 30, 2005. 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 National 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 2.33% to 3.15% for the six months ended

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June 30, 2005. The effective date, notional amount, maturity and fixed rate of the swap is as follows:

EFFECTIVE DATE	NOTIONAL CONTRACT AMOUNT	MATURITY	FIXED ANNUAL RATE
11/5/04	\$130 million	11/5/09	3.775%

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, 2005, the Fund's obligations under the swap agreements were more than the amount received from Fleet by approximately \$646,000 and such amount is included in the accompanying statement of operations.

The estimated fair value of the interest rate swap agreement at June 30, 2005 amounted to approximately \$1,286,000 of unrealized gain 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, 2005 were approximately:

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Cost of purchases	103,440,000
Proceeds of sales or maturities	102,633,000

### (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 \$60,000 for the six months ended June 30, 2005.

The Fund paid approximately \$142,000 during the six months ended June 30, 2005 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, offering expense of approximately \$817,000 was netted against the rights offering proceeds in 2003 and \$84,000 in 2004.

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## SUPPLEMENTAL INFORMATION

### AVAILABILITY OF PORTFOLIO HOLDINGS

The Fund provides a complete schedule of its portfolio holdings quarterly. The lists of holdings as of the end of the second and fourth quarters appear in the Fund's semi-annual and annual reports to shareholders, respectively. The schedules of portfolio holdings as of the end of the first and third quarters are filed with the Securities and Exchange Commission (the "SEC") on Form N-Q (the "Forms") within 60 days of the end of the first and third quarters. Shareholders can look up the Forms on the SEC's web site at [www.sec.gov](http://www.sec.gov). The Forms may also be reviewed and copied at the SEC's public reference room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's web site and their public reference room. In addition, the Forms may be reviewed on the Fund's web site at [www.newamerica-hyb.com](http://www.newamerica-hyb.com)

### COMPLIANCE CERTIFICATIONS

(Unaudited)

On May 18, 2005, your Fund submitted a CEO annual certification to the New York Stock Exchange (NYSE) on which the Fund's principal executive officer certified that he was not aware, as of that date, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures

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and internal control over financial reporting.

### 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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### DIRECTORS

Robert F. Birch  
Joseph L. Bower  
Richard E. Floor  
Bernard J. Korman  
Marguerite A. Piret

### DIRECTOR EMERITUS

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  
(617) 263-6400

### CUSTODIAN

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

### TRANSFER AGENT

Computershare Shareholder Services, Inc.  
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)

Computershare Shareholder Services, Inc.  
P.O. Box 43011  
Providence, RI 02940-3011

3709-SAR-05

- Item 2 - Code of Ethics - Not required in semi-annual filing.
- Item 3 - Audit Committee Financial Experts - Not required in a semi-annual filing.
- Item 4 - Principal Accountant Fees and Services - Not required in semi-annual filing.
- Item 5 - Audit Committee of Listed Registrant - Not required in semi-annual filing.
- Item 6 - Schedule of Investments - Included as part of the report to shareholders filed under Item 1 of this Form.
- Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies - Not required in semi-annual filing.
- Item 8 - Not required in semi-annual filing.
- Item 9 - Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers - Not applicable.
- Item 10 - Submission of Matters to a Vote of Security Holders - Not applicable.

ITEM 11. 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 12. EXHIBITS.

- (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.

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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

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Name: Robert F. Birch  
Title: President and Director  
Date: August 26, 2005

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

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Name: Robert F. Birch  
Title: President  
Date: August 26, 2005

By: /s/ Ellen E. Terry

-----  
Name: Ellen E. Terry  
Title: Treasurer  
Date: August 26, 2005

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