

HIGH INCOME OPPORTUNITY FUND INC  
Form N-CSRS  
June 09, 2005

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 **811-7920**

**High Income Opportunity Fund Inc.**  
(Exact name of registrant as specified in charter)

125 Broad Street, New York, NY 10004  
(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.  
Smith Barney Fund Management LLC  
300 First Stamford Place  
Stamford, CT 06902  
(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 451-2010

Date of fiscal year end: **September 30**  
Date of reporting period: **March 31, 2005**

ITEM 1. REPORT TO STOCKHOLDERS.

The **Semi-Annual** Report to Stockholders is filed herewith.

---





**WHAT'S INSIDE**

<b><u>Letter from the Chairman</u></b>	1
<b><u>Fund at a Glance</u></b>	6
<b><u>Schedule of Investments</u></b>	7
<b><u>Statement of Assets and Liabilities</u></b>	24
<b><u>Statement of Operations</u></b>	25
<b><u>Statements of Changes in Net Assets</u></b>	26
<b><u>Financial Highlights</u></b>	27
<b><u>Notes to Financial Statements</u></b>	28
<b><u>Financial Data</u></b>	33
<b><u>Additional Shareholder Information</u></b>	34
<b><u>Dividend Reinvestment Plan</u></b>	35

---

**LETTER FROM THE CHAIRMAN**

**R. JAY GERKEN, CFA**

*Chairman, President and  
Chief Executive Officer*

**Dear Shareholder,**

Despite rising interest rates, continued high oil prices, geopolitical concerns and uncertainties surrounding the U.S. Presidential election, the U.S. economy continued to expand during the period. Following a robust 4.0% gain in the third quarter of 2004, gross domestic product (GDP) growth was 3.8% in the fourth quarter. On April 28, after the reporting period ended, the first quarter 2005 GDP growth estimate came in at 3.1%.

Given the overall strength of the economy, the Federal Reserve Board (Fed) continued to raise interest rates over the period in an attempt to ward off inflation. Following three rate hikes from June through September 2004, the Fed again increased its target for the federal funds rate<sup>iii</sup> by 0.25% increments four times during the reporting period. This brought the target for the federal funds rate to 2.75% by the end of March. The Fed raised its target rate by an additional 0.25% to 3.00% at its May meeting, after the Fund's reporting period.

Despite volatility at the end of the period, the U.S. high-yield bond market, as represented by the Citigroup High Yield Market Index,<sup>iv</sup> returned 3.18% for the six-month period, outperforming nearly all other fixed income asset classes.

**FUND PERFORMANCE AS OF MARCH 31, 2005**

**(unaudited)**

Price Per Share	30-Day SEC Yield	Six-Month Total Return
\$7.17 (NAV)	6.73%	2.76%
\$6.31 (Market Price)	7.66%	-3.61%

**All figures represent past performance and are not a guarantee of future results. The Fund's yields will vary.**

Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all dividends and/or capital gains distributions, if any, in additional shares. The SEC yield is a return figure often quoted by bond and other fixed-income mutual funds. This quotation is based on the most recent 30-day (or one-month) period covered by the Fund's filings with the SEC. The yield figure reflects the dividends and interest earned during the period after deduction of the Fund's

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

expenses for the period. These yields are as of March 31, 2005 and are subject to change.

*High Income Opportunity Fund Inc.*

**1**

---

### Performance Review

For the six months ended March 31, 2005, the High Income Opportunity Fund Inc. returned -3.61%, based on its New York Stock Exchange ( NYSE ) market price and 2.76% based on its net asset value ( NAV ) per share. In comparison, the Fund's unmanaged benchmark, the Citigroup High Yield Market Index, returned 3.18% for the same time frame. The Lipper High Current Yield Closed-End Funds Category Average<sup>v</sup> was 3.49%. Please note that Lipper performance returns are based on each fund's NAV per share.

During this six-month period, the Fund made distributions to shareholders totaling \$0.2850 per share, a portion of which may be a return of capital. The performance table shows the Fund's 30-day SEC yield as well as its six-month total return based on its NAV and market price as of March 31, 2005. **Past performance is no guarantee of future results. The Fund's yields will vary.**

### Information About Your Fund

As you may be aware, several issues in the mutual fund industry have recently come under the scrutiny of federal and state regulators. The Fund's Adviser and some of its affiliates have received requests for information from various government regulators regarding market timing, late trading, fees, and other mutual fund issues in connection with various investigations. The Fund has been informed that the Adviser and its affiliates are responding to those information requests, but are not in a position to predict the outcome of these requests and investigations.

Important information concerning the Fund and its Adviser with regard to recent regulatory developments is contained in the Additional Information note in the Notes to the Financial Statements included in this report.

### Looking for Additional Information?

The Fund is traded under the symbol HIO and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under symbol XHIOX. *Barron's* and *The Wall Street Journal's* Monday editions carry closed-end fund tables that will provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as [www.citigroupassetmanagement.com](http://www.citigroupassetmanagement.com).

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

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-735-6507, Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the Fund's current net asset value, market price, and other information.

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you continue to meet your financial goals.

Sincerely,

R. Jay Gerken, CFA  
Chairman, President and Chief Executive Officer

*May 3, 2005*

*High Income Opportunity Fund Inc.*

**3**

---



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

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

**RISKS:** The Fund invests in high-yield bonds, which are subject to additional risks such as the increased risk of default and greater volatility because of the lower credit quality of the issues. Fixed income investments are subject to interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund's share price. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. In addition, it may invest in foreign securities, which are subject to certain risks of overseas investing, including currency fluctuations and changes in political and economic conditions, which could result in significant fluctuations.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- i Gross domestic product is a market value of goods and services produced by labor and property in a given country.
- ii The Federal Reserve Board is responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- iii The federal funds rate is the interest rate that banks with excess reserves at a Federal Reserve district bank charge other banks that need overnight loans.
- iv The Citigroup High Yield Market Index is a broad-based unmanaged index of high yield securities.
- v Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the 6-month period ended March 31, 2005, including the reinvestment of dividends and capital gains distributions, if any, calculated among the 8 funds in the Fund's Lipper category, and excluding sales charges.

**Take Advantage of the Fund's Dividend Reinvestment Plan!**

As an investor in the Fund, you can participate in its Dividend Reinvestment Plan ( Plan ), a convenient, simple and efficient way to reinvest your dividends and capital gains distributions, if any, in additional shares of the Fund. Below is a short summary of how the Plan works.

**Plan Summary**

If you are a Plan participant who has not elected to receive your dividends in the form of a cash payment, then your dividend and capital gain distributions will be reinvested automatically in additional shares of the Fund.

The number of common stock shares in the Fund you will receive in lieu of a cash dividend is determined in the following manner. If the market price of the common stock is equal to or exceeds the net asset value ( NAV ) per share on the determination date, you will be issued shares by the Fund at a price reflecting the NAV, or 95% of the market price, whichever is greater.

If the market price is less than the NAV at the time of valuation (the close of business on the determination date), PFPC Inc. ( Plan Agent ) will buy common stock for your account in the open market.

If the Plan Agent begins to purchase additional shares in the open market and the market price of the shares subsequently rises above the NAV previously determined before the purchases are completed, the Plan Agent will attempt to terminate purchases and have the Fund issue the remaining dividend or distribution in shares at the greater of the previously determined NAV or 95% of the market price. In that case, the number of Fund shares you receive will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares.

A more complete description of the current Plan appears in the section of this report beginning on page 34. To find out more detailed information about the Plan and about how you can participate, please call the Plan Agent at 1-800-331-1710.

*High Income Opportunity Fund Inc.*

5

**Fund** at a Glance (unaudited)

**Investment Breakdown**

## Schedule of Investments (unaudited)

March 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
<b>CORPORATE BONDS AND NOTES 91.1%</b>			
<b>CONSUMER DISCRETIONARY 25.7%</b>			
<b>Cable &amp; Media 8.1%</b>			
\$ 525,000	BB+	Avista Corp., Sr. Notes, 9.750% due 6/1/08	\$ 600,711
		Charter Communications Holdings LLC, Sr. Discount Notes:	
8,655,000	CCC-	Step bond to yield 11.702% due 1/15/10	7,464,938
2,735,000	CCC-	Step bond to yield 11.662% due 1/15/11	2,201,675
3,880,000	CCC-	Step bond to yield 17.391% due 5/15/11	2,696,600
		CSC Holdings Inc.:	
2,425,000	BB-	Sr. Debentures, 7.625% due 7/15/18	2,534,125
		Sr. Notes:	
1,025,000	BB-	7.875% due 12/15/07	1,071,125
		Series B:	
1,200,000	BB-	8.125% due 7/15/09	1,272,000
700,000	BB-	7.625% due 4/1/11	731,500
1,955,000	B+	Sr. Sub. Debentures, 10.500% due 5/15/16	2,160,275
2,375,000	BB-	DirecTV Holdings LLC, Sr. Notes, 8.375% due 3/15/13	2,582,813
		Echostar DBS Corp.:	
3,150,000	BB-	Guaranteed Notes, 6.625% due 10/1/14 (b)	3,059,438
1,979,000	BB-	Sr. Notes, 9.125% due 1/15/09	2,122,478
2,630,000	B-	Insight Communications Co., Inc., Sr. Discount Notes, step bond to yield 13.766% due 2/15/11	2,630,000
650,000	B+	Insight Midwest L.P./Insight Capital Inc., Sr. Notes, 10.500% due 11/1/10	698,750
3,075,000	B	Mediacom Broadband LLC, Sr. Notes, 11.000% due 7/15/13	3,305,625
75,000	B	Mediacom LLC/Mediacom Capital Corp., Sr. Notes, 9.500% due 1/15/13	75,188
4,500,000	B+	Rogers CableSystems, Ltd., Guaranteed Notes, 11.000% due 12/1/15	4,927,500
2,575,000	BBB+	Time Warner Inc., Guaranteed Notes, 6.625% due 5/15/29	2,713,785
			42,848,526
<b>Casinos &amp; Gaming 5.2%</b>			
2,170,000	B+	Ameristar Casinos Inc., Guaranteed Notes, 10.750% due 2/15/09	2,381,575
		Caesars Entertainment Inc., Sr. Sub. Notes:	
1,300,000	BB-	9.375% due 2/15/07	1,386,125
1,325,000	BB-	8.875% due 9/15/08	1,455,844
2,545,000	BB-	8.125% due 5/15/11	2,831,312
1,845,000	B-	Global Cash Access LLC/Global Cash Finance Corp., Sr. Sub. Notes, 8.750% due 3/15/12	1,964,925
2,625,000	B-	Herbst Gaming Inc., Sr. Sub. Notes, 7.000% due 11/15/14 (b)	2,625,000

See Notes to Financial Statements.

High Income Opportunity Fund Inc.

7

## Schedule of Investments (unaudited) (continued)

March 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
<b>Casinos &amp; Gaming 5.2% (continued)</b>			
\$ 2,175,000	B	Kerzner International Ltd., Guaranteed Notes, 8.875% due 8/15/11	\$ 2,343,562
2,150,000	B	Las Vegas Sands Corp., Sr. Notes, 6.375% due 2/15/15 (b)	2,050,563
700,000	BB-	Mandalay Resort Group, Sr. Sub.: Debentures, 7.625% due 7/15/13	738,500
1,725,000	BB-	Notes, Series B, 10.250% due 8/1/07	1,884,563
MGM MIRAGE:			
Guaranteed Notes:			
875,000	BB-	9.750% due 6/1/07	945,000
2,050,000	BB-	8.375% due 2/1/11	2,224,250
2,100,000	BB+	Sr. Notes, 6.750% due 9/1/12	2,126,250
1,400,000	B+	Mohegan Tribal Gaming Authority, Sr. Sub. Notes, 6.875% due 2/15/15 (b)	1,393,000
125,000	B+	Scientific Games Corp., Sr. Sub. Notes, 6.250% due 12/15/12 (b)	125,000
800,000	B+	Station Casinos, Inc., Sr. Sub. Notes, 6.875% due 3/1/16	805,000
			27,280,469
<b>Home Builders 1.7%</b>			
D.R. Horton Inc.:			
1,140,000	BB+	Guaranteed Notes, 8.000% due 2/1/09	1,231,323
910,000	BB-	Sr. Sub. Notes, 9.375% due 3/15/11	989,735
1,350,000	BB-	KB HOME, Sr. Sub. Notes, 9.500% due 2/15/11	1,436,503
1,490,000	BBB-	Lennar Corp., Guaranteed Notes, Series B, 9.950% due 5/1/10	1,564,160
650,000	BBB-	Ryland Group, Inc., Sr. Notes, 9.750% due 9/1/10	687,149
1,715,000	BB-	Schuler Homes Inc., Guaranteed Notes, 10.500% due 7/15/11	1,905,315
875,000	B+	Standard Pacific Corp., Sr. Sub. Notes, 9.250% due 4/15/12	993,125
			8,807,310
<b>International Cable 1.1%</b>			
400,000	B-	NTL Cable Plc, Sr. Notes, 8.750% due 4/15/14 (b)	433,000
5,500,000	B	UPC Broadband, Guaranteed Notes, 5.752% due 3/15/12	5,565,695
			5,998,695
<b>Leisure 1.0%</b>			
846,000	CCC+	AMC Entertainment Inc., Sr. Sub. Notes, 9.500% due 2/1/11	871,380
3,725,000	B-	Cinemark, Inc., Sr. Discount Notes, step bond to yield 9.393% due 3/15/14	2,663,375
250,000	CCC+	LCE Acquisition Corp., Guaranteed Notes, 9.000% due 8/1/14 (b)	250,000

See Notes to Financial Statements.



## Schedule of Investments (unaudited) (continued)

March 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
<b>Leisure 1.0% (continued)</b>			
		Six Flags Inc., Sr. Notes:	
\$ 900,000	CCC	9.750% due 4/15/13	\$ 843,750
675,000	CCC	9.625% due 6/1/14	626,062
			5,254,567
<b>Lodging 1.9%</b>			
		Hilton Hotels Corp.:	
275,000	BBB-	Notes, 7.625% due 12/1/12	314,423
1,360,000	BBB-	Sr. Notes, 7.950% due 4/15/07	1,452,328
		Host Marriott L.P.:	
2,920,000	B+	Guaranteed Notes, Series I, 9.500% due 1/15/07	3,095,200
1,300,000	B+	Sr. Notes, 6.375% due 3/15/15 (b)	1,248,000
2,550,000	CCC+	MeriStar Hospitality Operating Partnership, L.P./ MeriStar Hospitality Finance Corp., Guaranteed Notes, 10.500% due 6/15/09	2,741,250
1,250,000	BB+	Starwood Hotels & Resorts Worldwide Inc., Guaranteed Notes, 7.875% due 5/1/12	1,371,875
			10,223,076
<b>Publishing &amp; Printing 2.0%</b>			
175,000	B	Cadmus Communications Corp., Sr. Sub. Notes, 8.375% due 6/15/14	183,750
3,925,176	B-	Canwest Media Inc., Sr. Sub. Notes, 8.000% due 9/15/12 (b)	4,150,873
		Dex Media Inc., Discount Notes:	
3,000,000	B	Step bond to yield 8.372% due 11/15/13	2,295,000
1,250,000	B	Step bond to yield 9.161% due 11/15/13	956,250
2,300,000	B-	Houghton Mifflin Co., Sr. Discount Notes, step bond to yield 11.232% due 10/15/13	1,610,000
625,000	CCC+	Vertis Inc., Secured Notes, 9.750% due 4/1/09	656,250
601,000	BB-	Yell Finance B.V., Sr. Discount Notes, step bond to yield 12.263% due 8/1/11	601,000
			10,453,123
<b>Radio 0.5%</b>			
375,000	B-	NextMedia Operating Inc., Guaranteed Notes, 10.750% due 7/1/11	411,094
1,235,000	B-	Radio One, Inc., Guaranteed Notes, Series B, 8.875% due 7/1/11	1,327,625
850,000	CCC+	Spanish Broadcasting Systems, Guaranteed Notes, 9.625% due 11/1/09	892,500
			2,631,219
<b>Restaurants 1.0%</b>			
1,775,000	CCC+	Buffets, Inc., Sr. Sub. Notes, 11.250% due 7/15/10	1,881,500
1,350,000	B-	Carrols Corp., Sr. Sub. Notes, 9.000% due 1/15/13 (b)	1,397,250

**See Notes to Financial Statements.**

*High Income Opportunity Fund Inc.*

**9**

---



## Schedule of Investments (unaudited) (continued)

March 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
<b>Restaurants 1.0% (continued)</b>			
\$ 1,150,000	B-	Friendly Ice Cream Corp., Sr. Notes, 8.375% due 6/15/12	\$ 1,098,250
1,000,000	B	VICORP Restaurants, Inc., Sr. Notes, 10.500% due 4/15/11	1,025,000
			5,402,000
<b>Retail 2.1%</b>			
800,000	B-	Equinox Holdings Inc., Sr. Notes, 9.000% due 12/15/09	844,000
1,800,000	BBB-	The Gap Inc., Notes, 10.300% due 12/15/08	2,103,750
2,325,000	BB+	J.C. Penney Co. Inc., Notes: 8.000% due 3/1/10	2,336,625
2,177,000	BB+	9.000% due 8/1/12	2,274,965
897,000	Aa3*	Pennzoil-Quaker State Co., Guaranteed Notes, 10.000% due 11/1/08	971,632
1,819,000	BB	Saks Inc., Guaranteed Notes, 9.875% due 10/1/11	1,973,615
825,000	BB	Toys R Us, Notes, 7.375% due 10/15/18	693,000
			11,197,587
<b>Television Other 0.2%</b>			
665,000	CCC-	Paxson Communications Corp., Guaranteed Notes: 10.750% due 7/15/08	663,337
420,000	CCC-	Step bond to yield 12.309% due 1/15/09	392,700
			1,056,037
<b>Textile/Apparel 0.9%</b>			
2,000,000	B-	Interface, Inc., Sr. Notes, 10.375% due 2/1/10	2,250,000
1,925,000	B-	Levi Strauss & Co., Sr. Notes, 7.730% due 4/1/12 (b)	1,900,938
777,000	B+	The William Carter Co., Guaranteed Notes, Series B, 10.875% due 8/15/11	862,470
			5,013,408
<b>TOTAL CONSUMER DISCRETIONARY</b>			<b>136,166,017</b>
<b>CONSUMER STAPLES 6.1%</b>			
<b>Consumer Products 3.2%</b>			
1,220,000	BBB-	American Greetings Corp., Notes, 6.100% due 8/1/28	1,277,950
1,950,000	B	Hines Nurseries Inc., Guaranteed Notes, 10.250% due 10/1/11	2,115,750
2,550,000	CCC	Home Interiors & Gifts Inc., Guaranteed Notes, 10.125% due 6/1/08	2,116,500
1,750,000	CCC-	Icon Health & Fitness, Inc., Guaranteed Notes, 11.250% due 4/1/12	1,233,750
1,150,000	CCC+	Leiner Health Products Inc., Sr. Sub. Notes, 11.000% due 6/1/12	1,242,000
2,150,000	B	Playtex Products, Inc., Secured Notes, 8.000% due 3/1/11	2,327,375
225,000	B-	Riddell Bell Holdings Inc., Sr. Sub. Notes, 8.375% due 10/1/12 (b)	231,750

**See Notes to Financial Statements.**

**10**

*2005 Semi-Annual Report*

---

## Schedule of Investments (unaudited) (continued)

March 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
<b>Consumer Products 3.2% (continued)</b>			
\$ 2,550,000	B-	Sealy Mattress Co., Sr. Sub. Notes, 8.250% due 6/15/14	\$ 2,671,125
3,350,000	B-	Simmons Bedding Co., Sr. Discount Notes, step bond to yield 10.002% due 12/15/14 (b)	2,110,500
1,395,000	B	Sola International Inc., Notes, 6.875% due 3/15/08	1,507,034
			16,833,734
<b>Food Processing/Beverages/Tobacco 1.6%</b>			
875,000	B+	Cott Beverages USA Inc., Guaranteed Notes, 8.000% due 12/15/11	929,688
995,000	BB-	Dean Foods Co., Sr. Notes, 6.900% due 10/15/17	1,004,950
1,125,000	B	Del Monte Corp., Sr. Sub. Notes, 8.625% due 12/15/12	1,223,438
		Doane Pet Care Co.:	
2,575,000	CCC+	Guaranteed Notes, 10.750% due 3/1/10	2,742,375
175,000	CCC+	Sr. Sub. Notes, 9.750% due 5/15/07	172,375
2,675,000	B-	Pinnacle Foods Holding Corp., Sr. Sub. Notes, 8.250% due 12/1/13 (b)	2,300,500
			8,373,326
<b>Retail Food &amp; Drug 0.9%</b>			
1,250,000	B	Jean Coutu Group Inc., Sr. Sub. Notes, 8.500% due 8/1/14	1,220,313
		Rite Aid Corp.:	
75,000	B-	Guaranteed Notes, 11.250% due 7/1/08	80,250
1,845,000	B-	Notes, 7.125% due 1/15/07	1,854,225
1,630,000	B-	Sr. Notes, 7.625% due 4/15/05	1,632,037
			4,786,825
<b>Supermarkets 0.4%</b>			
		Ahold Lease USA, Inc., Guaranteed Pass-Through Certificates:	
1,327,823	BB	Series 01-A-1, step bond to yield 7.820% due 1/2/20	1,428,240
675,000	BB	Series 01-A-2, step bond to yield 8.620% due 1/2/25	744,609
			2,172,849
<b>TOTAL CONSUMER STAPLES</b>			<b>32,166,734</b>
<b>ENERGY 6.3%</b>			
<b>Drillers &amp; Service 0.6%</b>			
650,000	B-	Dresser-Rand Group Inc., Sr. Sub. Notes, 7.375% due 11/1/14 (b)	653,250
1,725,000	B	Hanover Compressor Co., Sr. Notes, 9.000% due 6/1/14	1,854,375
865,000	BB-	SESI, LLC, Guaranteed Notes, 8.875% due 5/15/11	927,712
			3,435,337
<b>Oil &amp; Gas 5.7%</b>			

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

4,500,000	B-	Dynegy Holdings Inc.: 2nd Priority Sr. Secured Notes, 8.020% due 7/15/08 (b)(c)	4,848,750
4,500,000	CCC+	Debentures, 7.625% due 10/15/26	3,493,125

**See Notes to Financial Statements.**

*High Income Opportunity Fund Inc.*

**11**

---

## Schedule of Investments (unaudited) (continued)

March 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
<b>Oil &amp; Gas 5.7% (continued)</b>			
\$ 750,000	CCC+	El Paso Corp., Sr. Medium-Term Notes: 7.800% due 8/1/31	\$ 708,750
6,275,000	CCC+	7.750% due 1/15/32	5,945,563
1,121,000	B+	Magnum Hunter Resource, Inc., Sr. Notes, 9.600% due 3/15/12	1,261,125
2,125,000	B+	Plains Exploration & Production Co., Sr. Sub. Notes, Series B, 8.750% due 7/1/12	2,326,875
520,000	BB	Pogo Producing Co., Sr. Sub. Notes, Series B, 8.250% due 4/15/11	556,400
700,000	B	Swift Energy Co., Sr. Sub. Notes, 9.375% due 5/1/12	763,000
1,210,000	BB-	Vintage Petroleum Inc.: Sr. Notes, 8.250% due 5/1/12	1,315,875
1,600,000	B	Sr. Sub. Notes, 7.875% due 5/15/11	1,704,000
1,825,000	B+	The Williams Cos., Inc., Notes: 7.625% due 7/15/19	1,984,687
2,950,000	B+	7.875% due 9/1/21	3,230,250
1,550,000	B+	8.750% due 3/15/32	1,848,375
			29,986,775
		<b>TOTAL ENERGY</b>	<b>33,422,112</b>
<b>FINANCIALS 6.2%</b>			
<b>Financial &amp; Leasing 6.2%</b>			
425,000	BB-	Ahold Finance USA, Inc., Notes, 8.250% due 7/15/10	468,562
9,956,016	D	Airplanes Pass-Through Trust, Corporate Asset-Backed Securities, Guaranteed Notes, Series D, 10.875% due 3/15/12 (d)	0
975,000	B-	Borden U.S. Finance Corp./Nova Scotia Finance ULC, Secured Notes, 9.000% due 7/15/14 (b)	1,057,875
683,000	B	Dex Media East LLC/Dex Media East Finance Co., Guaranteed Notes, 12.125% due 11/15/12	812,770
1,416,000	B	Dex Media West LLC/Dex Media Finance Co., Sr. Sub. Notes, Series B, 9.875% due 8/15/13	1,585,920
450,000	BBB-	Ford Motor Credit Co., Notes, 7.875% due 6/15/10	458,620
1,725,000	BBB-	Sr. Notes, 7.250% due 10/25/11	1,704,460
3,400,000	BBB-	General Motors Acceptance Corp.: Bonds, 8.000% due 11/1/31	2,968,288
1,275,000	BBB-	Notes: 6.875% due 8/28/12	1,137,600
2,325,000	BBB-	6.750% due 12/1/14	2,011,732
1,680,000	BB	Markel Capital Trust I, Capital Securities, Guaranteed Notes, Series B, 8.710% due 1/1/46	1,798,842
2,250,000	B-	Nexstar Finance, Inc., Sr. Sub. Notes, 7.000% due 1/15/14	2,137,500

See Notes to Financial Statements.

## Schedule of Investments (unaudited) (continued)

March 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
<b>Financial &amp; Leasing 6.2% (continued)</b>			
\$ 5,500,000	CCC-	Ocwen Capital Trust I, Capital Securities, Guaranteed Notes, 10.875% due 8/1/27	\$ 5,651,250
500,000	B+	R.H. Donnelley Finance Corp. I, Guaranteed Notes, 10.875% due 12/15/12 (b)	578,750
3,250,000	BBB-	Sprint Capital Corp., Guaranteed Notes: 6.875% due 11/15/28	3,489,882
5,550,000	BBB-	8.750% due 3/15/32	7,222,115
<b>TOTAL FINANCIALS</b>			<b>33,084,166</b>
<b>HEALTHCARE 3.6%</b>			
<b>Healthcare Equipment &amp; Supplies 3.6%</b>			
1,350,000	D	aaiPharma Inc., Guaranteed Notes, 11.000% due 4/1/10 (d)	668,250
2,450,000	B-	AmeriPath, Inc., Guaranteed Notes, 10.500% due 4/1/13	2,450,000
275,000	B	Athena Neurosciences Financial LLC, Guaranteed Notes, 7.250% due 2/21/08	231,688
1,350,000	B	Community Health Systems Inc., Sr. Sub. Notes, 6.500% due 12/15/12 (b)	1,323,000
1,773,624	BB+	Dade Behring Holdings Inc., Guaranteed Notes, 11.910% due 10/3/10	1,942,118
1,200,000	B	Davita Inc., Sr. Notes, 6.625% due 3/15/13 (b)	1,194,000
775,000	B	Extendicare Health Services Inc.: Guaranteed Notes, 9.500% due 7/1/10	851,531
1,000,000	B-	Sr. Sub. Notes, 6.875% due 5/1/14	992,500
1,150,000	BB+	HCA Inc., Notes, 6.375% due 1/15/15	1,147,288
2,675,000	B-	IASIS Healthcare LLC/IASIS Capital Corp., Sr. Sub. Notes, 8.750% due 6/15/14	2,802,063
1,375,000	CCC+	InSight Health Services Corp., Guaranteed Notes, Series B, 9.875% due 11/1/11	1,354,375
4,250,000	B	Tenet Healthcare Corp.: Notes, 7.375% due 2/1/13	4,026,875
75,000	B	Sr. Notes, 9.875% due 7/1/14	78,375
<b>TOTAL HEALTHCARE</b>			<b>19,062,063</b>
<b>INDUSTRIALS 25.1%</b>			
<b>Aerospace &amp; Defense 0.4%</b>			
650,000	BB-	Sequa Corp., Sr. Notes, 9.000% due 8/1/09	698,749
1,250,000	B	Titan Corp., Guaranteed Notes, 8.000% due 5/15/11	1,306,250
			2,004,999
<b>Airlines 0.7%</b>			
438,638	BB	Continental Airlines, Inc., Pass-Through Certificates: Series 00-2, Class C, 8.312% due 4/2/11	356,001
2,380,000	B	Series 01-2, Class D, 7.568% due 12/1/06	1,896,222

See Notes to Financial Statements.

High Income Opportunity Fund Inc.

13



## Schedule of Investments (unaudited) (continued)

March 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
<b>Airlines 0.7% (continued)</b>			
		United Air Lines Inc., Pass-Through Certificates:	
\$ 962,968	NR	Series 00-1, Class B, 8.030% due 7/1/11 (d)	\$ 228,008
2,268,135	NR	Series 00-2, Class B, 7.811% due 10/1/09 (d)	808,828
		Series 01-1:	
460,000	NR	Class B, 6.932% due 9/1/11 (d)	200,953
1,045,000	NR	Class C, 6.831% due 9/1/08 (d)	133,336
			3,623,348
<b>Automotive 1.5%</b>			
695,000	B+	Arvin Capital I, Capital Securities, 9.500% due 2/1/27	726,275
1,925,000	BBB-	Dana Corp., Notes, 6.500% due 3/1/09	1,897,064
775,000	BBB-	Ford Motor Co., Notes, 7.450% due 7/16/31	702,948
		General Motors Corp.:	
1,800,000	BBB-	Debentures, 8.375% due 7/15/33	1,544,044
2,125,000	BBB-	Sr. Notes, 7.125% due 7/15/13	1,833,707
1,000,000	B-	Tenneco Automotive Inc., Sr. Secured 2nd Lien Notes, Series B, 10.250% due 7/15/13	1,120,000
276,000	BB-	TRW Automotive Inc., Sr. Sub. Notes, 11.000% due 2/15/13	310,500
			8,134,538
<b>Building Products 1.4%</b>			
		Associated Materials Inc.:	
435,000	B-	Guaranteed Notes, 9.750% due 4/15/12	469,799
4,950,000	B-	Sr. Discount Notes, step bond to yield 10.793% due 3/1/14	3,465,000
1,850,000	B-	Goodman Global Holding Co. Inc., Sr. Notes, 5.760% due 6/15/12 (b)	1,840,750
1,500,000	CCC+	THL Buildco Nortek Inc., Sr. Sub. Notes, 8.500% due 9/1/14	1,455,000
			7,230,549
<b>Business Services 1.9%</b>			
1,970,000	B-	Advanstar Communications Inc., Sr. Secured Notes, 9.220% due 8/15/08 (c)	2,048,800
2,250,000	B-	Allied Security Escrow Corp., Sr. Sub. Notes, 11.375% due 7/15/11 (b)	2,317,500
1,075,000	B-	Cenveo Corp., Sr. Sub. Notes, 7.875% due 12/1/13	964,812
		Iron Mountain Inc., Sr. Sub. Notes, 8.625% due 4/1/13	558,250
550,000	B	6.625% due 1/1/16	1,835,000
2,000,000	B	6.625% due 1/1/16	1,835,000
1,460,000	B+	Mail-Well I Corp., Sr. Notes, 9.625% due 3/15/12	1,562,200
1,125,000	CCC-	Muzak LLC/Muzak Finance Corp., Sr. Notes, 10.000% due 2/15/09	928,125
			10,214,687



See Notes to Financial Statements.

*2005 Semi-Annual Report*

---

## Schedule of Investments (unaudited) (continued)

March 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
<b>Capital Goods 0.2%</b>			
\$ 1,150,000	B	Terex Corp., Guaranteed Notes, Series B, 10.375% due 4/1/11	\$ 1,256,375
<b>Chemicals 5.0%</b>			
1,020,000	BB-	Airgas Inc., Guaranteed Notes, 9.125% due 10/1/11	1,114,350
1,700,000	CCC+	Aventine Renewable Energy Holdings Inc., Secured Notes, 9.010% due 12/15/11 (b)(c)	1,734,000
1,690,000	B-	BCP Caylux Holdings Luxembourg SCA, Sr. Sub. Notes, 9.625% due 6/15/14 (b)	1,935,050
2,400,000	B+	Equistar Chemicals L.P./Equistar Funding Corp., Sr. Notes, 10.625% due 5/1/11	2,706,000
700,000	BB+	FMC Corp., Medium-Term Notes, Series A, 6.750% due 5/5/05	703,500
870,000	B+	Huntsman International LLC, Guaranteed Notes, 9.875% due 3/1/09	943,950
1,750,000	BB-	ISP Chemco Inc., Guaranteed Notes, Series B, 10.250% due 7/1/11	1,903,125
1,715,000	B+	ISP Holdings Inc., Sr. Secured Notes, Series B, 10.625% due 12/15/09	1,843,625
4,150,000	B-	KI Holdings Inc., Sr. Discount Notes, step bond to yield 9.879% due 11/15/14 (b)	2,573,000
1,745,000	B+	Lyondell Chemical Co., Sr. Secured Notes: 11.125% due 7/15/12	2,015,475
450,000	B+	Series B, 9.875% due 5/1/07	463,500
700,000	BBB-	Methanex Corp., Sr. Notes, 8.750% due 8/15/12	812,000
655,000	B-	OM Group Inc., Guaranteed Notes, 9.250% due 12/15/11	677,925
2,025,000	CCC	Resolution Performance Products Inc., Sr. Sub. Notes, 13.500% due 11/15/10	2,197,125
250,000	CCC+	Rhodia S.A., Sr. Notes: 7.625% due 6/1/10 (b)	247,500
450,000	CCC+	10.250% due 6/1/10 (b)	492,750
2,750,000	CCC+	Sr. Sub. Notes, 8.875% due 6/1/11 (b)	2,688,125
170,000	B+	Terra Capital Inc., Guaranteed Sr. Notes, 12.875% due 10/15/08	202,300
943,000	BB-	Westlake Chemical Corp., Guaranteed Sr. Notes, 8.750% due 7/15/11	1,036,121
			26,289,421
<b>Consumer Products 0.8%</b>			
1,225,000	BB	Service Corp. International: Debentures, 7.875% due 2/1/13	1,267,875
1,365,000	BB	Notes: 6.875% due 10/1/07	1,388,887
1,715,000	BB	6.500% due 3/15/08	1,727,862
			4,384,624

See Notes to Financial Statements.

High Income Opportunity Fund Inc.

15



## Schedule of Investments (unaudited) (continued)

March 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
<b>Containers &amp; Packaging 2.8%</b>			
\$ 2,275,000	B-	Anchor Glass Container Corp., Sr. Secured Notes, 11.000% due 2/15/13	\$ 2,064,563
1,375,000	B-	Berry Plastics Corp., Guaranteed Notes, 10.750% due 7/15/12	1,557,188
3,420,000	BB-	Owens-Brockway Glass Container Inc., Guaranteed Notes, 8.875% due 2/15/09	3,667,950
1,975,000	B+	Plastipak Holdings Inc., Guaranteed Notes, 10.750% due 9/1/11	2,202,125
245,000	CCC+	Pliant Corp.: Guaranteed Notes, 13.000% due 6/1/10	208,250
1,100,000	CCC+	Sr. Secured 2nd Lien Notes, 11.125% due 9/1/09	1,105,500
725,000	CCC-	Radnor Holdings Corp., Sr. Notes, 11.000% due 3/15/10	540,125
1,550,000	BBB	Sealed Air Corp., Notes, 6.950% due 5/15/09 (b)	1,651,781
1,385,000	CCC-	Tekni-Plex Inc.: Guaranteed Notes, Series B, 12.750% due 6/15/10	1,163,400
1,000,000	CCC-	Sr. Secured Notes, 8.750% due 11/15/13 (b)	952,500
			15,113,382
<b>Industrial 1.6%</b>			
1,235,000	NR	Aqua-Chem Inc., Sr. Sub. Notes, 11.250% due 7/1/08	1,062,100
435,000	BB-	Case Credit Corp., Notes, 6.750% due 10/21/07	432,825
175,000	BB-	Case New Holland Inc., Sr. Notes, 9.250% due 8/1/11 (b)	187,250
1,975,000	B	FlowServe Corp., Sr. Sub. Notes, 12.250% due 8/15/10	2,157,688
1,600,000	B-	Invensys Plc, Sr. Notes, 9.875% due 3/15/11 (b)	1,636,000
690,000	B+	NMHG Holding Co., Guaranteed Notes, 10.000% due 5/15/09	746,925
625,000	B-	Rexnord Corp., Sr. Sub. Notes, 10.125% due 12/15/12	690,625
1,515,000	B-	Sensus Metering Systems Inc., Sr. Sub. Notes, 8.625% due 12/15/13	1,556,662
			8,470,075
<b>Industrial Services 1.3%</b>			
475,000	BB-	Allied Waste North America Inc., Series B: Guaranteed Notes, 9.250% due 9/1/12	510,625
2,000,000	B+	Sr. Notes: 7.375% due 4/15/14	1,820,000
25,000	BB-	7.250% due 3/15/15 (b)	23,875
2,580,000	BB-	Sr. Sub. Notes, 8.500% due 12/1/08	2,657,400
1,600,000	CCC+	Brand Services Inc., Sr. Notes, 12.000% due 10/15/12	1,784,000
			6,795,900
<b>Paper &amp; Forest Products 4.5%</b>			
2,250,000	BB-	Abitibi-Consolidated Inc., Debentures, 8.850% due 8/1/30	2,120,625
1,000,000	B+	Ainsworth Lumber Co. Ltd., Sr. Notes, 6.750% due 3/15/14	955,000

See Notes to Financial Statements.



## Schedule of Investments (unaudited) (continued)

March 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
<b>Paper &amp; Forest Products 4.5% (continued)</b>			
\$ 2,525,000	B+	Appleton Papers Inc., Sr. Sub. Notes, Series B 9.750% due 6/15/14	\$ 2,651,250
1,550,000	B-	Blue Ridge Paper Products Inc., Sr. Secured Notes, 9.500% due 12/15/08	1,557,750
3,000,000	BB	Bowater Inc., Debentures, 9.500% due 10/15/12	3,367,500
700,000	B	Buckeye Technologies Inc., Sr. Sub. Notes: 9.250% due 9/15/08	700,000
2,930,000	B	8.000% due 10/15/10	2,915,350
1,875,000	B-	JSG Funding Plc, Sr. Notes, 9.625% due 10/1/12	