

HIGH YIELD INCOME FUND INC  
Form N-CSRS  
May 03, 2004

**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 811-05296

**High Yield Income Fund, Inc.**

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(Exact name of registrant as specified in charter)

**Gateway Center 3,**  
**100 Mulberry Street,**  
**Newark, New Jersey 07102**

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(Address of principal executive offices)

**Marguerite E. H. Morrison**

**Gateway Center 3,**

**100 Mulberry Street,**

**Newark, New Jersey 07102**

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(Name and address of agent for service)

Registrant's telephone number, including area code: 973-367-7525

Date of fiscal year end: 8/31/2004

Date of reporting period: 2/29/2004

Item 1      Reports to Stockholders   [ INSERT REPORT ]

## YOUR FUND S PERFORMANCE

February 29, 2004

### FUND S PERFORMANCE As of 2/29/04

|   | Total Return<br>6 Months | Total Return<br>12 Months | NAV<br>2/29/04 | Market Price<br>2/29/04 |
|---|--------------------------|---------------------------|----------------|-------------------------|
| High Yield<br>Income Fund <sup>1</sup>                            | 13.50%                   | 31.89%                    | \$5.64         | \$6.03                  |
| Lehman Brothers U.S.<br>Corporate High Yield Index <sup>2</sup>   | 10.60                    | 25.33                     | N/A            | N/A                     |
| Lipper Closed-End<br>High Current Yield Funds<br>Avg <sup>3</sup> | 15.36                    | 37.10                     | N/A            | N/A                     |

1. Source: Prudential Investments LLC. Total return of the Fund represents the change in net asset value from the beginning of the period (9/1/03) through the end (2/29/04), and assumes the reinvestment of dividends and distributions. Shares of the Fund are traded on the New York Stock Exchange, Inc. using the symbol HYI. Past performance is not indicative of future results.

2. Source: Lipper Inc. The Lehman Brothers U.S. Corporate High Yield Index is an unmanaged index of fixed-rate, noninvestment-grade debt securities with at least one year remaining to maturity.

3. Source: Lipper Inc. These are the average returns of 27 funds in the Closed-End High Current Yield category for 6 months and 12 months.

### YIELD AND DIVIDEND As of 2/29/04

| Total Monthly Dividends<br>Paid per Share<br>6 Months | Yield at Market Price |
|---|-----------------------|
| \$0.32  | 5.22%                 |

The Fund s primary investment objective is to maximize current income to shareholders. As a secondary investment objective, the Fund will seek capital appreciation, but only when consistent with its primary objective. The Fund will seek to achieve its objectives by investing primarily in corporate bonds rated below investment grade by independent rating agencies. Bonds rated below investment grade are commonly known as junk bonds and are subject to greater risk of default and higher volatility than investment-grade bonds. Furthermore, these bonds tend to be less liquid than higher-quality bonds. The Fund is diversified, and we carefully research companies to find those with attractive yields and improving credit quality.



## Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description   | Moody s<br>Rating<br>(Unaudited) | Interest<br>Rate | Maturity<br>Date   | Principal<br>Amount<br>(000) | Value<br>(Note 1) |
|---|----------------------------------|------------------|--------------------|------------------------------|-------------------|
| <b>LONG-TERM INVESTMENTS 134.9%</b>                                   |                                  |                  |                    |                              |                   |
| <b>CORPORATE BONDS 129.9%</b>   |                                  |                  |                    |                              |                   |
| <b>Aerospace / Defense 2.4%</b>                                       |                                  |                  |                    |                              |                   |
| Alliant Techsystems, Inc., Sr. Sub. Notes                             | B2                               | 8.50%            | 5/15/11            | \$ 200(a)                    | \$ 222,000        |
| BE Aerospace, Inc., Sr. Sub. Notes, Ser. B                            | Caa3                             | 8.875            | 5/1/11             | 225                          | 219,938           |
| Dunlop Standard Aerospace Holdings PLC, Sr. Notes<br>(United Kingdom) | B3                               | 11.875           | 5/15/09            | 150(d)                       | 160,500           |
| Esterline Technologies Corp., Sr. Sub. Notes                          | B1                               | 7.75             | 6/15/13            | 300(a)                       | 321,000           |
| K & F Industries, Inc., Sr. Sub. Notes, Ser. B                        | B3                               | 9.25             | 10/15/07           | 274                          | 282,905           |
| L-3 Communications Corp., Sr. Sub. Notes                              | Ba3                              | 7.625            | 6/15/12            | 300(a)                       | 333,000           |
|   |                                  |                  |                    |                              | <u>1,539,343</u>  |
| <b>Airlines 1.1%</b>  |                                  |                  |                    |                              |                   |
| AMR Corp.,<br>Deb.<br>Notes, Ser. B                                   | Caa2<br>NR                       | 10.00<br>10.40   | 4/15/21<br>3/10/11 | 125(a)<br>100(a)             | 103,750<br>86,000 |
| Delta Air Lines, Inc.,<br>Notes                                       | Caa2                             | 7.90             | 12/15/09           | 50(a)                        | 36,750            |
| Notes   | Caa2                             | 8.30             | 12/15/29           | 435(a)                       | 270,788           |
| Sr. Notes   | CCC(f)                           | 10.00            | 8/15/08            | 75(a)                        | 61,500            |
| Northwest Airlines, Inc.,<br>Gtd. Notes                               | Caa1                             | 9.875            | 3/15/07            | 50                           | 46,250            |
| Notes   | Caa1                             | 8.875            | 6/1/06             | 100                          | 93,000            |
|   |                                  |                  |                    |                              | <u>698,038</u>    |
| <b>Automotive 1.3%</b>  |                                  |                  |                    |                              |                   |
| ArvinMeritor, Inc., Notes   | Ba1                              | 8.75             | 3/1/12             | 425                          | 476,000           |
| Goodyear Tire & Rubber Co., Notes                                     | B3                               | 7.857            | 8/15/11            | 125(a)                       | 106,250           |
| Standyne Automotive Corp., Sr. Sub. Notes, Ser. B                     | B3                               | 10.25            | 12/15/07           | 65(a)                        | 66,300            |
| TRW Automotive, Inc., Sr. Notes                                       | B1                               | 9.375            | 2/15/13            | 175(a)                       | 199,500           |
|   |                                  |                  |                    |                              | <u>848,050</u>    |
| <b>Building Materials &amp; Components 3.0%</b>                       |                                  |                  |                    |                              |                   |
| Ainsworth Lumber Co. Ltd., Sr. Notes (Canada)                         | B1                               | 6.75             | 3/15/14            | 250(d)                       | 250,000           |
| American Standard, Inc., Sr. Unsec d. Gtd. Notes                      | Ba2                              | 7.375            | 4/15/05            | 275                          | 288,750           |
| Beazer Homes USA, Inc., Sr. Notes                                     | Ba2                              | 8.625            | 5/15/11            | 110(a)                       | 122,100           |
| D.R. Horton, Inc., Notes  | Ba1                              | 8.00             | 2/1/09             | 375(a)                       | 425,625           |
| Erico International Corp., Sr. Sub. Notes                             | B3                               | 8.875            | 3/1/12             | 200                          | 208,000           |
| KB HOME, Sr. Sub. Notes   | Ba2                              | 8.625            | 12/15/08           | 160                          | 179,600           |

See Notes to Financial Statements.



## Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description  | Moody's Rating<br>(Unaudited) | Interest Rate | Maturity Date | Principal Amount<br>(000) | Value<br>(Note 1) |
|--|-------------------------------|---------------|---------------|---------------------------|-------------------|
| <b>Building Materials &amp; Components (cont d)</b>                                  |                               |               |               |                           |                   |
| Nortek Holdings, Inc., Sr. Notes, Zero Coupon (until 11/1/2007)                      | Caa1                          | Zero          | 5/15/11       | \$ 225(a)                 | \$ 165,937        |
| Nortek, Inc., Sr. Sub. Notes, Ser. B   | B3                            | 9.875         | 6/15/11       | 280(a)                    | 312,200           |
|  |                               |               |               |                           | 1,952,212         |
| <b>Business Services 2.7%</b>  |                               |               |               |                           |                   |
| Dex Media East LLC, Sr. Sub. Notes   | Caa1                          | 12.125        | 11/15/12      | 325(a)                    | 384,312           |
| Dex Media West LLC, Sr. Sub. Notes   | Caa1                          | 9.875         | 8/15/13       | 625(a)                    | 701,562           |
| Dex Media, Inc., Notes   | Caa2                          | 8.00          | 11/15/13      | 165(a)                    | 165,000           |
| Iron Mountain, Inc., Sr. Notes   | B2                            | 8.625         | 4/1/13        | 175(a)                    | 190,313           |
| Moore North American Finance, Inc., Sr. Notes  | Baa1                          | 7.875         | 1/15/11       | 80                        | 91,200            |
| R.H. Donnelley Finance Corp., Sr. Sub. Notes   | B2                            | 10.875        | 12/15/12      | 200(a)                    | 238,000           |
|  |                               |               |               |                           | 1,770,387         |
| <b>Cable 7.4%</b>  |                               |               |               |                           |                   |
| Callahan Nordrhein-Westfalen, Sr. Disc. Notes, Zero Coupon (until 7/15/05) (Germany) | NR                            | Zero          | 7/15/10       | 500(a)(b)(d)              | 15,000            |
| Charter Communications Holdings II, Sr. Notes  | Caa1                          | 10.25         | 9/15/10       | 200                       | 208,000           |
| Charter Communications Holdings LLC, Sr. Disc. Notes, Zero Coupon (until 5/15/06)    | Ca                            | Zero          | 5/15/11       | 500(a)                    | 327,500           |
| Sr. Notes  | Ca                            | 8.625         | 4/1/09        | 300                       | 249,750           |
| Sr. Notes  | Ca                            | 10.75         | 10/1/09       | 100                       | 88,000            |
| Sr. Notes  | Ca                            | 9.625         | 11/15/09      | 250                       | 213,125           |
| Sr. Notes  | Ca                            | 10.25         | 1/15/10       | 400                       | 347,000           |
| Sr. Notes  | Ca                            | 11.125        | 1/15/11       | 400                       | 355,000           |
| Sr. Notes  | Ca                            | 10.00         | 5/15/11       | 600                       | 507,000           |
| Comcast UK Cable Corp., Sr. Disc. Deb. (United Kingdom)                              | Caa2                          | 11.20         | 11/15/07      | 575(a)(d)                 | 578,594           |
| CSC Holdings, Inc., Debs.  | B1                            | 7.625         | 7/15/18       | 200                       | 220,000           |
| Sr. Sub. Debs.   | B2                            | 9.875         | 2/15/13       | 125(a)                    | 129,844           |
| DirectTV Holdings LLC, Sr. Notes   | B1                            | 8.375         | 3/15/13       | 225(a)                    | 255,937           |
| EchoStar DBS Corp., Sr. Notes  | Ba3                           | 10.375        | 10/1/07       | 740(a)                    | 809,375           |
| Sr. Notes  | Ba3                           | 9.125         | 1/15/09       | 192(a)                    | 217,440           |
| General Cable Corp., Sr. Notes   | B2                            | 9.50          | 11/15/10      | 300(a)                    | 331,500           |
|  |                               |               |               |                           | 4,853,065         |
| <b>Chemicals 7.1%</b>  |                               |               |               |                           |                   |
| Equistar Chemicals Funding LP, Notes   | B+(f)                         | 6.50          | 2/15/06       | 140(a)                    | 142,100           |
| Sr. Notes  | B2                            | 10.625        | 5/1/11        | 200(a)                    | 217,000           |



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(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description   | Moody's<br>Rating<br>(Unaudited) | Interest<br>Rate | Maturity<br>Date | Principal<br>Amount<br>(000) | Value<br>(Note 1) |
|---|----------------------------------|------------------|------------------|------------------------------|-------------------|
| <b>Chemicals (cont'd)</b>                                 |                                  |                  |                  |                              |                   |
| Hercules, Inc., Deb.                                      | Ba1                              | 6.60%            | 8/1/27           | \$ 325(a)                    | \$ 329,875        |
| Huntsman Advanced Materials LLC, Sec'd Notes              | B2                               | 11.00            | 7/15/10          | 115(a)                       | 129,375           |
| Huntsman ICI Chemicals LLC, Sr. Sub. Notes                | Caa1                             | 10.125           | 7/1/09           | 305(a)                       | 311,100           |
| Huntsman LLC, Sr. Sec'd Notes                             | B2                               | 11.625           | 10/15/10         | 440(a)                       | 459,800           |
| IMC Global, Inc.,<br>Gtd. Notes, Ser. B                   | B1                               | 11.25            | 6/1/11           | 230(a)                       | 272,550           |
| Notes, Ser. B   | B1                               | 10.875           | 6/1/08           | 100(a)                       | 120,000           |
| ISP Chemco, Inc., Notes, Ser. B                           | B2                               | 10.25            | 7/1/11           | 285(a)                       | 322,050           |
| Lyondell Chemical Co., Sec'd, Ser. B                      | B1                               | 9.875            | 5/1/07           | 650                          | 674,375           |
| Nalco Co., Sr. Sub. Notes                                 | Caa1                             | 8.875            | 11/15/13         | 375(a)                       | 393,750           |
| OM Group, Inc., Sr. Sub. Notes                            | Caa1                             | 9.25             | 12/15/11         | 720(a)                       | 757,800           |
| Rhodia SA, Sr. Sub. Notes                                 | Caa1                             | 8.875            | 6/1/11           | 100(a)                       | 89,500            |
| Rockwood Specialties, Inc., Sr. Sub. Notes                | B3                               | 10.625           | 5/15/11          | 120(a)                       | 133,200           |
| Westlake Chemical Corp., Sr. Notes                        | Ba3                              | 8.75             | 7/15/11          | 225(a)                       | 245,250           |
|   |                                  |                  |                  |                              | 4,597,725         |
| <b>Containers 4.5%</b>                                    |                                  |                  |                  |                              |                   |
| Anchor Glass Container Corp., Sr. Sec'd Notes             | B2                               | 11.00            | 2/15/13          | 150(a)                       | 174,000           |
| Berry Plastics Corp., Sr. Sub. Notes                      | B3                               | 10.75            | 7/15/12          | 275(a)                       | 319,000           |
| Graham Packaging Holdings Co., Sr. Disc. Notes, Ser.<br>B | Caa2                             | 10.75            | 1/15/09          | 650                          | 669,500           |
| Greif Bros. Corp., Sr. Sub. Notes                         | B2                               | 8.875            | 8/1/12           | 300                          | 327,000           |
| Norampac, Inc., Sr. Notes (Canada)                        | Ba2                              | 6.75             | 6/1/13           | 200(a)(d)                    | 211,000           |
| Owens-Brockway Glass Container,<br>Gtd. Sr. Sec'd Notes   | B2                               | 7.75             | 5/15/11          | 450(a)                       | 477,000           |
| Sr. Sec'd Notes   | B2                               | 8.75             | 11/15/12         | 80(a)                        | 87,800            |
| Portola Packaging, Inc., Sr. Notes                        | B2                               | 8.25             | 2/1/12           | 275                          | 283,250           |
| Silgan Holdings, Inc., Sr. Sub. Notes                     | B1                               | 6.75             | 11/15/13         | 125                          | 127,500           |
| Solo Cup Co., Sr. Sub. Notes                              | B3                               | 8.50             | 2/15/14          | 250                          | 261,562           |
|   |                                  |                  |                  |                              | 2,937,612         |
| <b>Diversified Manufacturing Operations 4.0%</b>          |                                  |                  |                  |                              |                   |
| AMSTED Industries, Inc., Sr. Notes                        | B3                               | 10.25            | 10/15/11         | 175(a)                       | 197,750           |
| Bombardier, Inc., Sr. Sub. Notes (Canada)                 | B3                               | 8.375            | 12/15/13         | 325(d)                       | 338,000           |
| Invensys PLC, Sr. Notes (United Kingdom)                  | B3                               | 9.875            | 3/15/11          | 325(d)                       | 325,000           |
| Koppers, Inc., Sr. Sec'd Notes                            | B2                               | 9.875            | 10/15/13         | 250(a)                       | 277,500           |
| Noteco, Ltd. (United Kingdom)                             | NR                               | 6.18             | 6/22/25          | EUR 28(d)                    | 42,089            |
| Rayovac Corp., Sr. Sub. Notes                             | B3                               | 8.50             | 10/1/13          | \$ 275                       | 293,563           |
| Sensus Metering Systems, Inc., Sr. Sub. Notes             | Caa1                             | 8.625            | 12/15/13         | 250(a)                       | 254,063           |
| SPX Corp., Sr. Notes                                      | Ba3                              | 7.50             | 1/1/13           | 325                          | 346,937           |
| TransDigm, Inc., Sr. Sub. Notes                           | B3                               | 8.375            | 7/15/11          | 325                          | 342,875           |

See Notes to Financial Statements.



## Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description  | Moody's Rating<br>(Unaudited) | Interest Rate | Maturity Date | Principal Amount<br>(000) | Value<br>(Note 1) |
|--|-------------------------------|---------------|---------------|---------------------------|-------------------|
| <b>Diversified Manufacturing Operations (cont d)</b>       |                               |               |               |                           |                   |
| Tyco Int'l. Group S.A.,<br>Gtd. Notes (Luxembourg)         | Ba2                           | 6.125%        | 11/1/08       | \$ 50(d)                  | \$ 53,945         |
| Gtd. Notes (Luxembourg)                                    | Ba2                           | 6.75          | 2/15/11       | 100(d)                    | 110,463           |
|  |                               |               |               |                           | 2,582,185         |
| <b>Education 0.3%</b>                                      |                               |               |               |                           |                   |
| Kindercare Learning Center, Inc., Sr. Sub. Notes, Ser. B   | B3                            | 9.50          | 2/15/09       | 208                       | 211,293           |
| <b>Electric Utilities 9.2%</b>                             |                               |               |               |                           |                   |
| AES Corp.,<br>Sr. Notes                                    | B3                            | 9.50          | 6/1/09        | 75(a)                     | 81,750            |
| Sr. Notes  | B3                            | 9.375         | 9/15/10       | 700                       | 764,750           |
| Sr. Sec'd. Notes   | B2                            | 8.75          | 5/15/13       | 400                       | 439,000           |
| AES Eastern Energy LP, Pass-Through Cert., Ser 99-A        | Ba1                           | 9.00          | 1/2/17        | 219(a)                    | 252,398           |
| Aquila, Inc.,<br>Sr. Notes                                 | Caa1                          | 7.625         | 11/15/09      | 125(a)                    | 120,000           |
| Sr. Notes  | Caa1                          | 7.95          | 2/1/11        | 325(a)                    | 344,500           |
| Calpine Corp.,<br>Sr. Notes                                | Caa1                          | 8.50          | 2/15/11       | 790                       | 604,350           |
| Sr. Sec'd. Notes   | B(f)                          | 8.75          | 7/15/13       | 200                       | 184,000           |
| Cogentrix Energy, Inc., Sr. Notes, Ser. B                  | Ba3                           | 8.75          | 10/15/08      | 145(a)                    | 158,412           |
| Edison Mission Energy, Sr. Notes                           | B2                            | 7.73          | 6/15/09       | 275(a)                    | 264,000           |
| Empresa Nacional de Electricidad, Notes (Chile)            | Ba2                           | 8.35          | 8/1/13        | 670(a)(d)                 | 760,530           |
| Homer City Funding LLC, Gtd. Notes                         | Ba2                           | 8.137         | 10/1/19       | 150(a)                    | 165,000           |
| Midland Funding Corp.,<br>Deb., Ser. A                     | Ba3                           | 11.75         | 7/23/05       | 302(a)                    | 323,596           |
| Deb., Ser. B   | Ba3                           | 13.25         | 7/23/06       | 305(a)                    | 344,650           |
| Midwest Generation LLC, Pass-thru Certs., Ser. A           | B2                            | 8.30          | 7/2/09        | 100(a)                    | 106,000           |
| Mirant Americas Generation LLC, Sr. Notes                  | D(f)                          | 7.20          | 10/1/08       | 60(b)                     | 48,300            |
| Mirant Corp., Sr. Notes                                    | NR                            | 7.40          | 7/15/04       | 75(b)                     | 46,500            |
| Mission Energy Holding Co., Sr. Sec'd. Notes               | Caa2                          | 13.50         | 7/15/08       | 70                        | 72,625            |
| Orion Power Holdings, Inc., Sr. Notes                      | B2                            | 12.00         | 5/1/10        | 370(a)                    | 451,400           |
| TECO Energy, Inc., Sr. Notes                               | Ba2                           | 7.50          | 6/15/10       | 400(a)                    | 430,500           |
|  |                               |               |               |                           | 5,962,261         |
| <b>Electronic Components 1.9%</b>                          |                               |               |               |                           |                   |
| Amkor Technology, Inc., Sr. Sub. Notes                     | B3                            | 10.50         | 5/1/09        | 225                       | 237,938           |
| Communications & Power Industries, Sr. Sub. Notes          | B3                            | 8.00          | 2/1/12        | 200                       | 203,000           |
| Fairchild Semiconductor Corp., Sr. Sub. Notes              | B2                            | 10.50         | 2/1/09        | 500(a)                    | 555,000           |
| Flextronics International Ltd., Sr. Sub. Notes (Singapore) | Ba2                           | 6.50          | 5/15/13       | 145(d)                    | 150,256           |

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## Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description                                       | Moody's Rating<br>(Unaudited) | Interest Rate | Maturity Date | Principal Amount<br>(000) | Value<br>(Note 1) |
|---|-------------------------------|---------------|---------------|---------------------------|-------------------|
| <b>Electronic Components (cont d)</b>             |                               |               |               |                           |                   |
| ON Semiconductor Corp., Gtd. Notes                | Caa1                          | 12.00%        | 5/15/08       | \$ 100(a)                 | \$ 119,500        |
|   |                               |               |               |                           | 1,265,694         |
| <b>Energy 2.6%</b>                                |                               |               |               |                           |                   |
| Allegheny Energy Supply Co., LLC, Notes           | B3                            | 8.75          | 4/15/12       | 400                       | 396,000           |
| Arch Western Finance LLC, Sr. Notes               | Ba2                           | 6.75          | 7/1/13        | 200                       | 211,000           |
| El Paso Corp., Sr. Notes                          | Caa1                          | 7.00          | 5/15/11       | 365(a)                    | 317,550           |
| Gemstone Investors Ltd.                           | Caa1                          | 7.71          | 10/31/04      | 75(a)                     | 75,000            |
| NRG Energy, Inc., Sr. Sec d. Notes                | B2                            | 8.00          | 12/15/13      | 420(a)                    | 433,650           |
| Reliant Resources, Inc., Sr. Sec d. Notes         | B1                            | 9.50          | 7/15/13       | 225                       | 244,125           |
|   |                               |               |               |                           | 1,677,325         |
| <b>Environmental Services 2.4%</b>                |                               |               |               |                           |                   |
| Allied Waste North America, Inc.,<br>Sec d. Notes | Ba3                           | 5.75          | 2/15/11       | 450                       | 436,500           |
| Sec d. Notes                                      | Ba3                           | 6.125         | 2/15/14       | 250                       | 241,875           |
| Sr. Notes   | Ba3                           | 8.50          | 12/1/08       | 135(a)                    | 150,525           |
| Sr. Notes, Ser. B                                 | B2                            | 10.00         | 8/1/09        | 245(a)                    | 263,069           |
| Browning Ferris Industries, Inc.                  | Ba3                           | 7.40          | 9/15/35       | 500(a)                    | 477,500           |
|   |                               |               |               |                           | 1,569,469         |
| <b>Financial Services 0.5%</b>                    |                               |               |               |                           |                   |
| Sovereign Bancorp, Inc., Sr. Notes                | Baa3                          | 10.50         | 11/15/06      | 165                       | 197,250           |
| Western Financial Bank, F.S.B., Sr. Sub. Deb.     | B1                            | 8.875         | 8/1/07        | 125(a)                    | 127,813           |
|   |                               |               |               |                           | 325,063           |
| <b>Foods 2.1%</b>                                 |                               |               |               |                           |                   |
| Agrilink Foods, Inc., Sr. Sub. Notes              | B3                            | 11.875        | 11/1/08       | 21(a)                     | 22,260            |
| Del Monte Corp., Sr. Sub. Notes                   | B2                            | 8.625         | 12/15/12      | 250(a)                    | 276,250           |
| Dole Foods Co., Inc.,<br>Gtd. Notes               | B2                            | 7.25          | 6/15/10       | 225(a)                    | 229,500           |
| Sr. Notes   | B2                            | 8.625         | 5/1/09        | 150(a)                    | 161,250           |
| Sr. Notes   | B2                            | 8.875         | 3/15/11       | 115(a)                    | 123,337           |
| Dominos, Inc., Sr. Sub. Notes                     | B3                            | 8.25          | 7/1/11        | 100                       | 107,500           |
| Merisant Co., Gtd. Notes                          | B3                            | 9.50          | 7/15/13       | 140(a)                    | 142,800           |
| National Beef Packing Co. LLC, Sr. Notes          | B2                            | 10.50         | 8/1/11        | 100(a)                    | 105,500           |
| Smithfield Foods, Inc.,<br>Notes                  | Ba2                           | 7.75          | 5/15/13       | 200(a)                    | 215,000           |
| Sr. Notes, Ser. B                                 | Ba2                           | 8.00          | 10/15/09      | 15                        | 16,369            |
|   |                               |               |               |                           | 1,399,766         |

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## Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description  | Moody's Rating<br>(Unaudited) | Interest Rate | Maturity Date | Principal Amount<br>(000) | Value<br>(Note 1) |
|--|-------------------------------|---------------|---------------|---------------------------|-------------------|
| <b>Funeral Services 0.4%</b>                         |                               |               |               |                           |                   |
| Service Corp. International, Sr. Notes               | B1                            | 6.00%         | 12/15/05      | \$ 235(a)                 | \$ 240,875        |
| <b>Gaming 5.0%</b>                                   |                               |               |               |                           |                   |
| American Casino & Entertainment, Sec d. Notes        | B2                            | 7.85          | 2/1/12        | 205                       | 205,000           |
| Argosy Gaming Co., Sr. Sub. Notes                    | B2                            | 9.00          | 9/1/11        | 75(a)                     | 83,625            |
| Aztar Corp., Sr. Sub. Notes                          | Ba3                           | 8.875         | 5/15/07       | 150(a)                    | 155,250           |
| Boyd Gaming Corp., Sr. Sub. Notes                    | B1                            | 8.75          | 4/15/12       | 200(a)                    | 221,000           |
| Coast Hotels & Casinos, Inc., Sr. Sub. Notes         | B2                            | 9.50          | 4/1/09        | 200(a)                    | 210,500           |
| Isle of Capri Casinos, Inc.,<br>Sr. Sub. Notes       | B2                            | 9.00          | 3/15/12       | 110(a)                    | 122,375           |
| Sr. Sub. Notes                                       | B2                            | 7.00          | 3/1/14        | 25                        | 25,000            |
| Mandalay Resort Group, Sr. Notes                     | Ba2                           | 9.50          | 8/1/08        | 250(a)                    | 294,375           |
| Mohegan Tribal Gaming Authority,<br>Sr. Sub. Notes   | Ba3                           | 6.375         | 7/15/09       | 150                       | 156,750           |
| Sr. Sub. Notes                                       | Ba3                           | 8.00          | 4/1/12        | 100                       | 109,500           |
| Park Place Entertainment Corp.,<br>Sr. Notes         | Ba1                           | 7.50          | 9/1/09        | 610(a)                    | 680,150           |
| Sr. Sub. Notes                                       | Ba2                           | 8.125         | 5/15/11       | 85                        | 96,050            |
| Venetian Casino Resort LLC, Second Mtge.             | B3                            | 11.00         | 6/15/10       | 440                       | 506,000           |
| Wynn Las Vegas LLC, Second Mtge.                     | B3                            | 12.00         | 11/1/10       | 350                       | 420,000           |
|  |                               |               |               |                           | 3,285,575         |
| <b>Gas Pipelines 4.7%</b>                            |                               |               |               |                           |                   |
| Dynegy Holdings, Inc.,<br>Deb.                       | Caa2                          | 7.125         | 5/15/18       | 50                        | 40,875            |
| Deb.   | Caa2                          | 7.625         | 10/15/26      | 75                        | 61,688            |
| Sec d. Notes   | B3                            | 10.125        | 7/15/13       | 180                       | 200,700           |
| Sr. Notes  | Caa2                          | 6.875         | 4/1/11        | 75                        | 65,437            |
| Sr. Notes  | Caa2                          | 8.75          | 2/15/12       | 325                       | 310,375           |
| El Paso Production Holding Co., Sr. Notes            | B3                            | 7.75          | 6/1/13        | 260                       | 244,400           |
| GulfTerra Energy Partnership LP, Sr. Notes           | Ba3                           | 6.25          | 6/1/10        | 225(a)                    | 236,812           |
| Leviathan Gas Pipeline Corp., Sr. Sub. Notes, Ser. B | B1                            | 10.375        | 6/1/09        | 300(a)                    | 315,750           |
| Plains All American Pipeline, Notes                  | Ba1                           | 7.75          | 10/15/12      | 45                        | 52,763            |
| Southern Natural Gas Co., Sr. Notes                  | B1                            | 8.875         | 3/15/10       | 250(a)                    | 275,000           |
| Tennessee Gas Pipeline Co.,<br>Deb.                  | B1                            | 7.00          | 3/15/27       | 215(a)                    | 223,062           |
| Deb.   | B1                            | 7.00          | 10/15/28      | 25(a)                     | 23,375            |
| Deb.   | B1                            | 7.625         | 4/1/37        | 295(a)                    | 289,100           |
| TransMontaigne, Inc., Sr. Sub. Notes                 | B3                            | 9.125         | 6/1/10        | 150(a)                    | 160,500           |

See Notes to Financial Statements.



## Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description   | Moody's<br>Rating<br>(Unaudited) | Interest<br>Rate | Maturity<br>Date | Principal<br>Amount<br>(000) | Value<br>(Note 1) |
|---|----------------------------------|------------------|------------------|------------------------------|-------------------|
| <b>Gas Pipelines (cont d)</b>                       |                                  |                  |                  |                              |                   |
| Williams Cos., Inc.,<br>Notes                       | B3                               | 7.125%           | 9/1/11           | \$ 200(a)                    | \$ 208,000        |
| Notes   | B3                               | 8.125            | 3/15/12          | 300(a)                       | 327,000           |
|   |                                  |                  |                  |                              | 3,034,837         |
| <b>Health Care 10.0%</b>                            |                                  |                  |                  |                              |                   |
| Alliance Imaging, Inc., Sr. Sub. Notes              | B3                               | 10.375           | 4/15/11          | 200(a)                       | 201,500           |
| Concentra Operating Corp.,<br>Sr. Sub. Notes        | B3                               | 13.00            | 8/15/09          | 125(a)                       | 138,125           |
| Sr. Sub. Notes                                      | B3                               | 9.50             | 8/15/10          | 175                          | 192,500           |
| Coventry Health Care, Inc., Sr. Notes               | Ba3                              | 8.125            | 2/15/12          | 250(a)                       | 278,750           |
| HCA, Inc.,<br>Deb.                                  | Ba1                              | 8.36             | 4/15/24          | 100(a)                       | 116,952           |
| Deb.  | Ba1                              | 7.50             | 11/15/95         | 575(a)                       | 595,527           |
| Notes   | Ba1                              | 7.69             | 6/15/25          | 500(a)                       | 550,194           |
| HEALTHSOUTH Corp.,<br>Sr. Notes                     | NR                               | 6.875            | 6/15/05          | 100(a)                       | 98,500            |
| Sr. Notes   | NR                               | 8.50             | 2/1/08           | 75                           | 74,063            |
| Inverness Medical Innovations, Inc., Sr. Sub. Notes | Caa1                             | 8.75             | 2/15/12          | 275                          | 280,500           |
| Magellan Health Services, Inc., Sr. Notes           | B3                               | 9.375            | 11/15/08         | 381                          | 405,638           |
| Mariner Health Care, Inc., Sr. Sub. Notes           | B3                               | 8.25             | 12/15/13         | 400(a)                       | 408,000           |
| Medco Health Solutions, Inc., Sr. Notes             | Ba1                              | 7.25             | 8/15/13          | 200(a)                       | 224,577           |
| MedQuest, Inc., Gtd. Notes, Ser. B                  | B3                               | 11.875           | 8/15/12          | 275(a)                       | 312,125           |
| NeighborCare, Inc., Sr. Sub. Notes                  | Ba3                              | 6.875            | 11/15/13         | 300(a)                       | 312,000           |
| Quintiles Transnational Corp., Sr. Sub. Notes       | B3                               | 10.00            | 10/1/13          | 275(a)                       | 294,938           |
| Res-Care, Inc., Sr. Notes                           | B2                               | 10.625           | 11/15/08         | 250(a)                       | 265,000           |
| Select Medical Corp.,<br>Sr. Sub. Notes             | B2                               | 9.50             | 6/15/09          | 160(a)                       | 176,000           |
| Sr. Sub. Notes                                      | B2                               | 7.50             | 8/1/13           | 110(a)                       | 119,350           |
| Senior Housing Properties Trust, Sr. Notes          | Ba2                              | 8.625            | 1/15/12          | 175(a)                       | 196,000           |
| Tenet Healthcare Corp.,<br>Sr. Notes                | B3                               | 5.375            | 11/15/06         | 125(a)                       | 118,750           |
| Sr. Notes   | B3                               | 6.375            | 12/1/11          | 75(a)                        | 66,563            |
| Sr. Notes   | B3                               | 6.50             | 6/1/12           | 300(a)                       | 264,750           |
| Triad Hospitals Holdings, Inc., Sr. Notes, Ser. B   | B1                               | 8.75             | 5/1/09           | 310(a)                       | 339,450           |
| Ventas Realty LP,<br>Sr. Notes                      | Ba3                              | 8.75             | 5/1/09           | 280                          | 312,900           |
| Sr. Notes   | Ba3                              | 9.00             | 5/1/12           | 145                          | 164,937           |
|   |                                  |                  |                  |                              | 6,507,589         |

See Notes to Financial Statements.

## Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description  | Moody's Rating<br>(Unaudited) | Interest Rate | Maturity Date | Principal Amount<br>(000) | Value<br>(Note 1) |
|--|-------------------------------|---------------|---------------|---------------------------|-------------------|
| <b>Industrials 1.8%</b>                              |                               |               |               |                           |                   |
| Coinmach Corp., Sr. Notes                            | B2                            | 9.00%         | 2/1/10        | \$ 305(a)                 | \$ 325,588        |
| Manitowoc Co., Inc., Sr. Sub. Notes                  | B2                            | 10.50         | 8/1/12        | 325(a)                    | 371,312           |
| Motors & Gears, Inc., Sr. Notes, Ser. D              | Caa1                          | 10.75         | 11/15/06      | 250(a)                    | 217,500           |
| United Rentals North America, Inc., Sr. Sub. Notes   | B2                            | 7.75          | 11/15/13      | 275(a)                    | 272,938           |
|  |                               |               |               |                           | 1,187,338         |
| <b>Leisure 2.0%</b>                                  |                               |               |               |                           |                   |
| Gaylord Entertainment Co., Sr. Notes                 | B3                            | 8.00          | 11/15/13      | 145                       | 153,519           |
| Regal Cinemas, Inc., Sr. Sub. Notes                  | B2                            | 9.375         | 2/1/12        | 200(a)                    | 225,500           |
| Royal Caribbean Cruises Ltd.,<br>Sr. Notes (Liberia) | Ba2                           | 8.125         | 7/28/04       | 70(a)(d)                  | 71,575            |
| Sr. Notes (Liberia)                                  | Ba2                           | 8.00          | 5/15/10       | 350(a)(d)                 | 391,125           |
| Sr. Notes (Liberia)                                  | Ba2                           | 6.875         | 12/1/13       | 25(d)                     | 25,937            |
| Six Flags, Inc., Sr. Notes                           | B2                            | 9.625         | 6/1/14        | 175(a)                    | 184,625           |
| Vail Resorts, Inc., Sr. Sub. Notes                   | B2                            | 6.75          | 2/15/14       | 225                       | 223,875           |
|  |                               |               |               |                           | 1,276,156         |
| <b>Lodging 8.4%</b>                                  |                               |               |               |                           |                   |
| Extended Stay America, Inc., Sr. Sub. Notes          | B2                            | 9.875         | 6/15/11       | 175(a)                    | 193,375           |
| Felcor Suites LP, Gtd. Notes                         | B1                            | 7.625         | 10/1/07       | 125(a)                    | 129,063           |
| Felcore Lodging LP,<br>Sr. Notes                     | B1                            | 9.50          | 9/15/08       | 570(a)                    | 604,200           |
| Sr. Notes  | B1                            | 9.00          | 6/1/11        | 150(a)                    | 158,250           |
| Hilton Hotels Corp., Notes                           | Ba1                           | 7.625         | 12/1/12       | 200                       | 226,500           |
| HMH Properties, Inc., Sr. Notes, Ser. B              | Ba3                           | 7.875         | 8/1/08        | 560                       | 579,600           |
| Host Marriott LP,<br>Gtd. Notes, Ser. E              | Ba3                           | 8.375         | 2/15/06       | 700(a)                    | 745,500           |
| Sr. Notes  | Ba3                           | 9.50          | 1/15/07       | 275(a)                    | 304,562           |
| ITT Corp.,<br>Notes                                  | Ba1                           | 6.75          | 11/15/05      | 90                        | 94,275            |
| Notes  | Ba1                           | 7.375         | 11/15/15      | 150(a)                    | 159,750           |
| Kerzner International Ltd., Sr. Sub. Notes (Bahamas) | B2                            | 8.875         | 8/15/11       | 540(a)(d)                 | 596,700           |
| La Quinta Inns, Inc., Sr. Notes                      | Ba3                           | 7.40          | 9/15/05       | 300(a)                    | 312,375           |
| La Quinta Properties, Inc., Sr. Notes                | Ba3                           | 8.875         | 3/15/11       | 100                       | 111,875           |
| MGM MIRAGE, Sr. Sub. Notes                           | Ba2                           | 9.75          | 6/1/07        | 480(a)                    | 552,000           |
| Starwood Hotels & Resorts Worldwide, Inc.,<br>Notes  | Ba1                           | 7.375         | 5/1/07        | 570(a)                    | 617,025           |
| Notes  | Ba1                           | 7.875         | 5/1/12        | 70(a)                     | 78,050            |
|  |                               |               |               |                           | 5,463,100         |

See Notes to Financial Statements.



## Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description  | Moody's Rating<br>(Unaudited) | Interest Rate | Maturity Date | Principal Amount<br>(000) | Value<br>(Note 1) |
|--|-------------------------------|---------------|---------------|---------------------------|-------------------|
| <b>Machinery 1.7%</b>  |                               |               |               |                           |                   |
| Case New Holland, Inc., Sr. Notes  | Ba3                           | 9.25%         | 8/1/11        | \$ 225(a)                 | \$ 253,125        |
| Rexnord Corp., Sr. Sub. Notes  | B3                            | 10.125        | 12/15/12      | 225                       | 250,875           |
| Terex Corp.,<br>Sr. Sub. Notes   | B3                            | 9.25          | 7/15/11       | 50(a)                     | 56,000            |
| Sr. Sub. Notes   | B3                            | 7.375         | 1/15/14       | 150(a)                    | 158,250           |
| Sr. Sub. Notes, Ser. B   | B3                            | 10.375        | 4/1/11        | 240(a)                    | 271,200           |
| Thermadyne Holdings Corp., Sec d. Notes  | Caa1                          | 9.25          | 2/1/14        | 150                       | 153,000           |
|  |                               |               |               |                           | 1,142,450         |
| <b>Media 5.4%</b>  |                               |               |               |                           |                   |
| Alliance Atlantis Commerce, Inc., Sr. Sub. Notes<br>(Canada)                   | B1                            | 13.00         | 12/15/09      | 325(a)(d)                 | 365,625           |
| American Media Operations, Inc., Ser. B  | B2                            | 10.25         | 5/1/09        | 50                        | 52,250            |
| CanWest Media, Inc.,<br>Sr. Notes (Canada)                                     | B1                            | 7.625         | 4/15/13       | 75(a)(d)                  | 81,750            |
| Sr. Sub. Notes (Canada)  | B2                            | 10.625        | 5/15/11       | 225(a)(d)                 | 255,937           |
| Granite Broadcasting Corp., Sr. Sec d. Notes                                   | B3                            | 9.75          | 12/1/10       | 250                       | 245,625           |
| Gray Television, Inc., Sr. Sub. Notes  | B2                            | 9.25          | 12/15/11      | 275(a)                    | 305,937           |
| Quebecor Media, Inc., Sr. Disc. Notes, Zero Coupon<br>(until 7/15/06) (Canada) | B2                            | Zero          | 7/15/11       | 400(a)(d)                 | 358,000           |
| Sinclair Broadcast Group, Inc.,<br>Gtd. Notes                                  | B2                            | 8.00          | 3/15/12       | 225(a)                    | 241,875           |
| Sr. Sub. Notes   | B2                            | 8.75          | 12/15/11      | 200(a)                    | 219,500           |
| Sun Media Corp., Gtd. Notes (Canada)   | Ba3                           | 7.625         | 2/15/13       | 400(a)(d)                 | 433,000           |
| Susquehanna Media Co., Sr. Sub. Notes  | B1                            | 7.375         | 4/15/13       | 300(a)                    | 318,375           |
| Vertis, Inc.,<br>Sec d. Notes  | B2                            | 9.75          | 4/1/09        | 300                       | 319,500           |
| Sr. Note, Ser. B   | B3                            | 10.875        | 6/15/09       | 150                       | 152,250           |
| Vivendi Universal SA, Sr. Notes  | B1                            | 6.25          | 7/15/08       | 175                       | 187,688           |
|  |                               |               |               |                           | 3,537,312         |
| <b>Metals 2.9%</b>   |                               |               |               |                           |                   |
| AK Steel Corp.,<br>Gtd. Notes  | B3                            | 7.875         | 2/15/09       | 150(a)                    | 132,750           |
| Sr. Notes  | B3                            | 7.75          | 6/15/12       | 635(a)                    | 546,100           |
| Century Aluminum Co., First Mtge. Notes  | B1                            | 11.75         | 4/15/08       | 185(a)                    | 208,125           |
| Joy Global, Inc., Sr. Sub. Notes, Ser. B                                       | B1                            | 8.75          | 3/15/12       | 350(a)                    | 392,000           |
| Russel Metals, Inc., Sr. Notes (Canada)  | Ba3                           | 6.375         | 3/1/14        | 325(d)                    | 329,875           |
| Sheffield Steel Corp., Sr. Sec d. Notes  | NR                            | 10.00         | 4/30/07       | 71                        | 46,100            |
| Steel Dynamics, Inc., Sr. Notes  | B1                            | 9.50          | 3/15/09       | 100(a)                    | 111,500           |
| UCAR Finance, Inc.   | B2                            | 10.25         | 2/15/12       | 100(a)                    | 114,000           |
|  |                               |               |               |                           | 1,880,450         |

See Notes to Financial Statements.



## Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description  | Moody's<br>Rating<br>(Unaudited) | Interest<br>Rate | Maturity<br>Date | Principal<br>Amount<br>(000) | Value<br>(Note 1) |
|--|----------------------------------|------------------|------------------|------------------------------|-------------------|
| <b>Oil &amp; Gas Exploration / Production 6.8%</b>       |                                  |                  |                  |                              |                   |
| AmeriGas Partners & Eagle, Sr. Notes                     | B2                               | 8.875%           | 5/20/11          | \$ 175(a)                    | \$ 193,375        |
| Chesapeake Energy Corp., Sr. Notes                       | Ba3                              | 6.875            | 1/15/16          | 200                          | 206,750           |
| Ferrellgas Partners LP, Sr. Notes                        | B2                               | 8.75             | 6/15/12          | 100(a)                       | 111,000           |
| Forest Oil Corp., Sr. Notes                              | Ba3                              | 8.00             | 6/15/08          | 100(a)                       | 109,000           |
| Hanover Compressor Co., Sr. Notes                        | B3                               | 8.625            | 12/15/10         | 125(a)                       | 131,250           |
| Hanover Equipment Trust,<br>Sec d. Notes, Ser. A         | B2                               | 8.50             | 9/1/08           | 105(a)                       | 111,300           |
| Sec d. Notes, Ser. B                                     | B2                               | 8.75             | 9/1/11           | 150(a)                       | 161,250           |
| Houston Exploration Co., Sr. Sub. Notes                  | B2                               | 7.00             | 6/15/13          | 100(a)                       | 105,000           |
| Magnum Hunter Resources, Inc., Sr. Notes                 | B2                               | 9.60             | 3/15/12          | 155(a)                       | 172,825           |
| Newfield Exploration Co., Sr. Sub. Notes                 | Ba3                              | 8.375            | 8/15/12          | 100                          | 111,500           |
| Paramount Resources Ltd., Sr. Notes (Canada)             | B2                               | 7.875            | 11/1/10          | 150(a)(d)                    | 150,000           |
| Parker Drilling Co.,<br>Sr. Notes                        | B2                               | 9.625            | 10/1/13          | 450                          | 490,500           |
| Sr. Notes, Ser. B  | B2                               | 10.125           | 11/15/09         | 500(a)                       | 545,000           |
| Premcor Refining Group, Inc.,<br>Sr. Notes               | Ba3                              | 9.50             | 2/1/13           | 235(a)                       | 273,775           |
| Sr. Sub. Notes   | B2                               | 7.75             | 2/1/12           | 125                          | 135,625           |
| Pride International, Inc., Sr. Notes                     | Ba2                              | 9.375            | 5/1/07           | 75(a)                        | 76,969            |
| Stone Energy Corp., Sr. Sub. Notes                       | B2                               | 8.25             | 12/15/11         | 440(a)                       | 484,000           |
| Tesoro Petroleum Corp., Sec d. Notes                     | Ba3                              | 8.00             | 4/15/08          | 30(a)                        | 32,400            |
| Vintage Petroleum, Inc., Sr. Notes                       | Ba3                              | 8.25             | 5/1/12           | 750(a)                       | 828,750           |
|  |                                  |                  |                  |                              | 4,430,269         |
| <b>Paper &amp; Packaging 3.1%</b>                        |                                  |                  |                  |                              |                   |
| Cascades, Inc., Sr. Notes (Canada)                       | Ba1                              | 7.25             | 2/15/13          | 250(a)(d)                    | 261,250           |
| Georgia-Pacific Corp.,<br>Deb. Notes                     | Ba3                              | 8.625            | 4/30/25          | 40(a)                        | 40,800            |
| Notes  | Ba3                              | 7.75             | 11/15/29         | 300(a)                       | 294,000           |
| Notes  | Ba3                              | 8.875            | 5/15/31          | 450(a)                       | 486,000           |
| Sr. Notes  | Ba2                              | 9.375            | 2/1/13           | 150(a)                       | 172,875           |
| Millar Western Forest Products, Ltd., Sr. Notes (Canada) | B3                               | 7.75             | 11/15/13         | 275(a)(d)                    | 289,438           |
| Stone Container Finance Co., Sr. Sub. Notes (Canada)     | B2                               | 11.50            | 8/15/06          | 295(a)(d)                    | 306,431           |
| Tembec Industries, Inc., Sr. Notes (Canada)              | Ba3                              | 7.75             | 3/15/12          | 165(a)(d)                    | 157,575           |
|  |                                  |                  |                  |                              | 2,008,369         |
| <b>Printing &amp; Publishing 0.9%</b>                    |                                  |                  |                  |                              |                   |
| American Color Graphics, Inc., Sr. Sec d. Notes          | B3                               | 10.00            | 6/15/10          | 230(a)                       | 204,700           |
| Medianews Group, Inc., Sr. Sub. Notes                    | B2                               | 6.875            | 10/1/13          | 200(a)                       | 206,000           |
| Morris Publishing Group LLC, Sr. Sub. Notes              | Ba3                              | 7.00             | 8/1/13           | 100                          | 102,125           |

See Notes to Financial Statements.



## Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description                                    | Moody's<br>Rating<br>(Unaudited) | Interest<br>Rate | Maturity<br>Date | Principal<br>Amount<br>(000) | Value<br>(Note 1) |
|--|----------------------------------|------------------|------------------|------------------------------|-------------------|
| <b>Printing &amp; Publishing (cont d)</b>      |                                  |                  |                  |                              |                   |
| Reader's Digest Association, Inc., Sr. Notes   | Ba3                              | 6.50%            | 3/1/11           | \$ 100                       | \$ 100,000        |
|  |                                  |                  |                  |                              | 612,825           |
| <b>Real Estate 0.6%</b>                        |                                  |                  |                  |                              |                   |
| Intrawest Corp., Sr. Notes (Canada)            | B1                               | 10.50            | 2/1/10           | 385(a)(d)                    | 423,500           |
| <b>Restaurants 2.2%</b>                        |                                  |                  |                  |                              |                   |
| Carrols Corp., Sr. Sub. Notes                  | B3                               | 9.50             | 12/1/08          | 250(a)                       | 251,250           |
| Yum! Brands, Inc.,<br>Sr. Notes                | Baa3                             | 7.45             | 5/15/05          | 525(a)                       | 559,125           |
| Sr. Notes                                      | Baa3                             | 8.875            | 4/15/11          | 500(a)                       | 617,500           |
|  |                                  |                  |                  |                              | 1,427,875         |
| <b>Retail 5.0%</b>                             |                                  |                  |                  |                              |                   |
| Asbury Automotive Group, Inc., Sr. Sub. Notes  | B3                               | 8.00             | 3/15/14          | 100(a)                       | 100,250           |
| AutoNation, Inc., Sr. Notes                    | Ba2                              | 9.00             | 8/1/08           | 50(a)                        | 57,750            |
| CSK Auto, Inc., Sr. Sub. Notes                 | B2                               | 7.00             | 1/15/14          | 225                          | 225,000           |
| Dillard's, Inc., Notes                         | B2                               | 6.43             | 8/1/04           | 45(a)                        | 45,225            |
| General Nutrition Center, Inc., Sr. Sub. Notes | B3                               | 8.50             | 12/1/10          | 150(a)                       | 156,188           |
| Group 1 Automotive, Inc., Sr. Sub. Notes       | B1                               | 8.25             | 8/15/13          | 300(a)                       | 330,000           |
| J.C. Penney Co., Inc.,<br>Deb.                 | Ba3                              | 7.125            | 11/15/23         | 175(a)                       | 189,437           |
| Deb.   | Ba3                              | 7.40             | 4/1/37           | 610(a)                       | 675,575           |
| Rite Aid Corp.,<br>Deb.                        | Caa1                             | 6.875            | 8/15/13          | 250(a)                       | 237,500           |
| Deb.   | Caa1                             | 7.70             | 2/15/27          | 195(a)                       | 184,275           |
| Sr. Sec'd. Notes                               | B2                               | 8.125            | 5/1/10           | 425(a)                       | 456,875           |
| Saks, Inc.,<br>Gtd. Notes                      | Ba3                              | 7.00             | 12/1/13          | 115(a)                       | 119,887           |
| Sr. Notes                                      | Ba3                              | 7.375            | 2/15/19          | 235(a)                       | 238,525           |
| Sonic Automotive, Inc., Sr. Sub. Notes         | B2                               | 8.625            | 8/15/13          | 250(a)                       | 263,750           |
|  |                                  |                  |                  |                              | 3,280,237         |
| <b>Supermarkets 2.3%</b>                       |                                  |                  |                  |                              |                   |
| Ahold Finance USA, Inc., Notes                 | B1                               | 8.25             | 7/15/10          | 75(a)                        | 82,125            |
| Delhaize America, Inc., Notes                  | Ba1                              | 8.125            | 4/15/11          | 445(a)                       | 512,863           |
| Pantry, Inc.,<br>Sr. Sub. Notes                | B3                               | 10.25            | 10/15/07         | 325(a)                       | 336,105           |
| Sr. Sub. Notes                                 | B3                               | 7.75             | 2/15/14          | 175                          | 177,625           |
| Pathmark Stores, Inc., Sr. Sub. Notes          | B(f)                             | 8.75             | 2/1/12           | 300(a)                       | 312,000           |

See Notes to Financial Statements.





## Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description  | Moody's Rating<br>(Unaudited) | Interest Rate | Maturity Date | Principal Amount<br>(000) | Value<br>(Note 1) |
|--|-------------------------------|---------------|---------------|---------------------------|-------------------|
| <b>Supermarkets (cont d)</b>   |                               |               |               |                           |                   |
| Winn-Dixie Stores, Inc., Sr. Notes                                   | B1                            | 8.875%        | 4/1/08        | \$ 60(a)                  | \$ 52,350         |
|  |                               |               |               |                           | 1,473,068         |
| <b>Technology 0.7%</b>   |                               |               |               |                           |                   |
| Xerox Capital (Europe) PLC, Notes (United Kingdom)<br>Xerox Corp.,   | B1                            | 5.875         | 5/15/04       | 200(a)(d)                 | 201,500           |
| Sr. Notes  | B1                            | 9.75          | 1/15/09       | 120(a)                    | 139,800           |
| Sr. Notes  | B1                            | 7.125         | 6/15/10       | 100                       | 106,000           |
|  |                               |               |               |                           | 447,300           |
| <b>Telecommunications 12.0%</b>                                      |                               |               |               |                           |                   |
| Alamosa Delaware, Inc., Sr. Notes                                    | Caa1                          | 8.50          | 1/31/12       | 225(a)                    | 214,875           |
| American Cellular Corp., Sr. Notes, Ser. B                           | B2                            | 10.00         | 8/1/11        | 285                       | 286,425           |
| Centennial Communications Corp., Sr. Notes                           | Caa1                          | 8.125         | 2/1/14        | 225                       | 211,500           |
| Cincinnati Bell, Inc., Sr. Sub. Notes                                | B3                            | 8.375         | 1/15/14       | 400                       | 421,000           |
| Crown Castle International Corp.,<br>Sr. Notes                       | B3                            | 10.75         | 8/1/11        | 215(a)                    | 240,800           |
| Sr. Notes  | B3                            | 7.50          | 12/1/13       | 325                       | 325,813           |
| Dobson Communications Corp.,<br>Sr. Notes                            | B3                            | 10.875        | 7/1/10        | 105(a)                    | 100,275           |
| Sr. Notes  | B3                            | 8.875         | 10/1/13       | 45                        | 38,700            |
| Eircom Funding, Sr. Sub. Notes                                       | B1                            | 8.25          | 8/15/13       | 300(a)                    | 333,000           |
| Lucent Technologies, Inc.,<br>Deb.                                   | Caa1                          | 6.45          | 3/15/29       | 645(a)                    | 527,288           |
| Notes  | Caa1                          | 5.50          | 11/15/08      | 300(a)                    | 288,750           |
| Nextel Communications, Inc.,<br>Sr. Notes                            | B2                            | 9.375         | 11/15/09      | 813(a)                    | 883,121           |
| Sr. Notes  | B2                            | 7.375         | 8/1/15        | 700(a)                    | 754,250           |
| Nextel Partners, Inc., Sr. Notes                                     | Caa1                          | 8.125         | 7/1/11        | 375                       | 395,625           |
| Qwest Services Corp., Notes  | Caa1                          | 13.50         | 12/15/10      | 1,477                     | 1,731,782         |
| Rogers Wireless, Inc.,<br>Sr. Sec. Notes (Canada)                    | Ba3                           | 9.625         | 5/1/11        | 125(a)(d)                 | 152,500           |
| Sr. Sec. Notes (Canada)  | Ba3                           | 6.375         | 3/1/14        | 225(d)                    | 226,688           |
| SBA Communications Corp., Sr. Notes, Zero Coupon<br>(until 12/01/07) | Caa1                          | Zero          | 12/15/11      | 275                       | 189,750           |
| Telewest Communications PLC, Deb. (United Kingdom)                   | Ca                            | 11.00         | 10/1/07       | 200(b)(d)                 | 133,000           |
| Telus Corp., Notes (Canada)  | Ba1                           | 8.00          | 6/1/11        | 110(d)                    | 131,357           |
| Triton PCS, Inc., Gtd. Sr. Notes                                     | B2                            | 8.50          | 6/1/13        | 190(a)                    | 209,000           |
|  |                               |               |               |                           | 7,795,499         |

See Notes to Financial Statements.



## Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description  | Moody's<br>Rating<br>(Unaudited) | Interest<br>Rate | Maturity<br>Date | Principal<br>Amount<br>(000) | Value<br>(Note 1) |
|--|----------------------------------|------------------|------------------|------------------------------|-------------------|
| <b>Tobacco 0.6%</b>  |                                  |                  |                  |                              |                   |
| DIMON, Inc., Sr. Notes, Ser. B                             | Ba3                              | 9.625%           | 10/15/11         | \$ 80(a)                     | \$ 84,400         |
| North Atlantic Trading Co., Inc., Sr. Notes                | B2                               | 9.25             | 3/1/12           | 300                          | 304,500           |
|  |                                  |                  |                  |                              | 388,900           |
| <b>Transportation 0.9%</b>                                 |                                  |                  |                  |                              |                   |
| Offshore Logistics, Inc., Sr. Notes                        | Ba2                              | 6.125            | 6/15/13          | 275(a)                       | 266,750           |
| Stena AB,<br>Sr. Notes (Sweden)                            | Ba3                              | 9.625            | 12/1/12          | 100(d)                       | 111,500           |
| Sr. Notes (Sweden)   | Ba3                              | 7.50             | 11/1/13          | 175(d)                       | 180,250           |
|  |                                  |                  |                  |                              | 558,500           |
| Total corporate bonds (cost \$79,409,957)                  |                                  |                  |                  |                              | 84,591,512        |
| <b>ASSET BACKED SECURITIES 0.7%</b>                        |                                  |                  |                  |                              |                   |
| Continental Airlines, Inc.,<br>Pass-thru Certs., Ser. 01-1 | Ba1                              | 7.373            | 12/15/15         | 96(a)                        | 89,044            |
| Pass-thru Certs., Ser. 96-C                                | B3                               | 9.50             | 10/15/13         | 126(a)                       | 109,992           |
| Pass-thru Certs., Ser. 981-B                               | Ba2                              | 6.748            | 3/15/17          | 99(a)                        | 88,165            |
| Pass-thru Certs., Ser. 991-B                               | Ba2                              | 6.795            | 2/2/20           | 166(a)                       | 150,698           |
| Total asset backed securities (cost \$387,481)             |                                  |                  |                  |                              | 437,899           |
| <b>CONVERTIBLE BONDS 1.1%</b>                              |                                  |                  |                  |                              |                   |
| Nortel Networks Corp. (Canada)                             | B3                               | 4.25             | 9/1/08           | 135(a)(d)                    | 146,644           |
| Solectron Corp.  | B1                               | Zero             | 11/20/20         | 300(a)                       | 174,750           |
| Tyco Int'l. Group S.A.,<br>Sr. Notes (Luxembourg)          | Ba2                              | 2.75             | 1/15/18          | 200(a)(d)                    | 269,500           |
| Sr. Notes (Luxembourg)                                     | Ba2                              | 3.125            | 1/15/23          | 100(d)                       | 145,125           |
| Total convertible bonds (cost \$574,006)                   |                                  |                  |                  |                              | 736,019           |

See Notes to Financial Statements.

## Portfolio of Investments as of February 29, 2004

(Unaudited)

## THE HIGH YIELD INCOME FUND, INC.

| Description   | Shares       | Value<br>(Note 1) |
|---|--------------|-------------------|
| <b>COMMON STOCKS 1.3%</b>                               |              |                   |
| Gentek, Inc.  | 707(c)       | \$ 26,706         |
| IMPSAT Fiber Networks, Inc.                             | 2,330(c)     | 16,310            |
| NTL, Inc.   | 2,738(c)     | 187,717           |
| PSF Group Holdings, Inc., Class A                       | 279(c)(e)    | 418,860           |
| Sheffield Steel Corp.                                   | 10,579(c)(e) | 42,316            |
| Star Gas Partners, LP                                   | 308          | 7,657             |
| Stelllex Aerostructures, Inc.                           | 107(c)(e)    | 0                 |
| UnitedGlobalCom, Inc., Class A                          | 14,226(c)    | 135,004           |
| Walter Industries, Inc.                                 | 320          | 3,645             |
| Total common stocks<br>(cost \$1,464,744)               |              | 838,215           |
| <b>PREFERRED STOCKS 1.8%</b>                            |              |                   |
| CSC Holdings, Inc., 11.125%,<br>Payment in Kind         | 4,158        | 438,669           |
| McLeodUSA, Inc., Ser. A                                 | 1,868(c)     | 16,186            |
| Paxson Communications Corp.,<br>14.25%, Payment in Kind | 50           | 472,500           |
| Primedia, Inc., Ser. D, 10.00%                          | 2,335        | 219,490           |
| Total preferred stocks<br>(cost \$1,356,107)            |              | 1,146,845         |

| Description                                       | Warrants        | Value<br>(Note 1) |
|---|-----------------|-------------------|
| <b>WARRANTS(c) 0.1%</b>                           |                 |                   |
| Gentek, Inc., expiring 10/31/06 (Canada)          | 1,346(d)        | \$ 2,524          |
| Gentek, Inc., expiring 10/31/08 (Canada)          | 710(d)          | 2,166             |
| Gentek, Inc., expiring 10/31/10 (Canada)          | 347(d)          | 1,405             |
| Intelcom Group, Inc., expiring 9/15/05 (Canada)   | 9,900(d)        | 99                |
| McLeodUSA, Inc.,<br>expiring 4/16/07              | 4,141           | 2,733             |
| Telus Corp., expiring 9/15/05 (Canada)            | CAD 4,049(d)(e) | 30,813            |
| Viasystems Group, Inc., expiring 1/31/10 (Canada) | \$ 10,871(e)    | 1                 |
| XM Satellite Radio, Inc., expiring 3/03/10        | 150             | 2                 |
| Total warrants(c)                                 |                 |                   |

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(cost \$280,384)

39,743

Total long-term investments

(cost \$83,472,679)

87,790,233

See Notes to Financial Statements.

Portfolio of Investments as of February 29, 2004

(Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

| Description  | Moody's<br>Rating<br>(Unaudited) | Interest<br>Rate | Maturity<br>Date | Principal<br>Amount<br>(000) | Value<br>(Note 1)    |
|--|----------------------------------|------------------|------------------|------------------------------|----------------------|
| <b>SHORT-TERM INVESTMENTS 0.5%</b>                     |                                  |                  |                  |                              |                      |
| <b>CORPORATE BONDS 0.5%</b>                            |                                  |                  |                  |                              |                      |
| <b>Electric Utilities 0.1%</b>                         |                                  |                  |                  |                              |                      |
| Cogentrix Energy, Inc., Sr. Notes                      | Ba3                              | 8.10%            | 3/15/04          | \$ 60(a)                     | \$ 60,160            |
| <b>Gas Pipelines 0.4%</b>                              |                                  |                  |                  |                              |                      |
| Williams Cos., Inc., Notes                             | B3                               | 9.25             | 3/15/04          | 305(a)                       | 305,406              |
| Total short-term investments (cost \$371,043)          |                                  |                  |                  |                              | 365,566              |
| <b>Total Investments 135.4%</b><br>(cost \$83,843,722) |                                  |                  |                  |                              | 88,155,799           |
| Liabilities in excess of other assets (35.4%)          |                                  |                  |                  |                              | (23,061,242)         |
| <b>Net Assets 100.0%</b>                               |                                  |                  |                  |                              | <b>\$ 65,094,557</b> |

(a) Total or partial principal amount segregated as collateral for line of credit. Aggregate value of segregated securities \$58,623,585; (Note 6).

(b) Issuer in default on interest payment, non-income producing security.

(c) Non-income producing securities.

(d) US \$ Denominated Bonds-Foreign Issuers.

(e) Fair-valued security value is determined by the Valuation Committee or Board of Directors in consultation with the investment adviser.

(f) Standard and Poor's Rating.

NR Not rated by Moody's or Standard & Poor's.

See Notes to Financial Statements.

**THE HIGH YIELD INCOME FUND, INC.**

**Statement of Assets and Liabilities (Unaudited)**

|  | <b>February 29, 2004</b> |
|--|--------------------------|
| <b>Assets</b>  |                          |
| Investments, at value (cost \$83,843,722)  | \$ 88,155,799            |
| Foreign currency, at value (cost \$5,995)  | 6,268                    |
| Interest and dividend receivable   | 1,729,234                |
| Receivable for investments sold  | 1,469,981                |
| Other assets   | 1,481                    |
|  | <hr/>                    |
| Total assets   | 91,362,763               |
|  | <hr/>                    |
| <b>Liabilities</b>   |                          |
| Loan payable (Note 5)  | 25,000,000               |
| Payable for investments purchased  | 1,065,966                |
| Deferred directors' fees   | 65,433                   |
| Accrued expenses   | 46,999                   |
| Management fee payable   | 36,402                   |
| Loan interest payable  | 32,448                   |
| Payable to custodian   | 20,777                   |
| Dividends payable  | 181                      |
|  | <hr/>                    |
| Total liabilities  | 26,268,206               |
|  | <hr/>                    |
| <b>Net Assets</b>  |                          |
|  | \$ 65,094,557            |
|  | <hr/>                    |
| Net assets were comprised of:  |                          |
| Common stock, at par   | \$ 115,505               |
| Paid-in capital in excess of par   | 89,717,624               |
|  | <hr/>                    |
|  | 89,833,129               |
| Distributions in excess of net investment income   | (159,710)                |
| Accumulated net realized loss on investments   | (28,889,893)             |
| Net unrealized appreciation on investments and foreign currencies  | 4,311,031                |
|  | <hr/>                    |
| Net assets, February 29, 2004  | \$ 65,094,557            |
|  | <hr/>                    |
| Net asset value and redemption price per share (\$65,094,557 ÷ 11,550,516 shares of common stock issued and outstanding) | \$5.64                   |

**THE HIGH YIELD INCOME FUND, INC.**

**Statement of Operations (Unaudited)**



|   | <b>Six Months<br/>Ended<br/>February 29, 2004</b> |
|---|---|
| <b>Net Investment Income</b>  |   |
| Income  |   |
| Interest  | \$ 3,645,676                                      |
| <b>Expenses</b>   |   |
| Management fee  | 223,105   |
| Custodian's fees and expenses   | 101,000   |
| Reports to shareholders   | 22,000  |
| Transfer agent's fees and expenses  | 22,000  |
| Legal fees and expenses   | 21,000  |
| Registration fees   | 17,000  |
| Audit fee   | 15,000  |
| Directors' fees and expenses  | 7,000   |
| Miscellaneous   | 4,815   |
| Total operating expenses  | 432,920   |
| Loan interest expense (Note 5)  | 255,466   |
| Total expenses  | 688,386   |
| Net investment income   | 2,957,290   |
| <b>Realized and Unrealized<br/>Gain (Loss) on Investments and Foreign Currency Transactions</b> |   |
| Net realized gain on:   |   |
| Investments transactions  | 2,005,580   |
| Foreign currency transactions   | 284   |
|   | 2,005,864   |
| Net change in net unrealized appreciation (depreciation) on:                                    |   |
| Investments   | 3,126,585   |
| Foreign currencies  | (1,046)   |
|   | 3,125,539   |
| Net gain on investments and foreign currencies  | 5,131,403   |
| <b>Net Increase in Net Assets<br/>Resulting from Operations</b>                                 | <b>\$ 8,088,693</b>                               |

See Notes to Financial Statements.

**THE HIGH YIELD INCOME FUND, INC.**

**Statement of Cash Flows (Unaudited)**

|  | <b>Six Months<br/>Ended<br/>February 29,<br/>2004</b> |
|--|---|
| <b>Increase (Decrease) in Cash</b>   |   |
| Cash flows provided from (used in) operating activities:                       |   |
| Interest and dividends received (excluding discount and premium amortization.) | \$ 3,482,553  |
| Operating expenses paid  | (506,554)   |
| Loan interest paid   | (346,168)   |
| Maturities of short-term portfolio investments, net                            | (49,566)  |
| Purchases of long-term portfolio investments                                   | (44,567,423)  |
| Proceeds from disposition of long-term portfolio investments                   | 44,912,928  |
| Prepaid expenses   | (456)   |
|  | <hr/>   |
| Net cash provided from operating activities                                    | 2,925,314   |
|  | <hr/>   |
| Cash flows provided from (used in) financing activities:                       |   |
| Cash dividends paid (excluding reinvestment of dividends of \$192,365)         | (3,440,262)   |
| Payable to custodian for temporary overdraft                                   | 20,777  |
| Additional borrowing   | 500,000   |
| Net cash used in financing activities  | (2,919,485)   |
|  | <hr/>   |
| Net increase in cash   | 5,829   |
| Cash at beginning of year  | 439   |
|  | <hr/>   |
| Cash at end of period (at current value)                                       | 6,268   |
|  | <hr/>   |

**Reconciliation of Net Increase in Net Assets  
to Net Cash Provided from (used in)  
Operating Activities**

|  |              |
|--|--------------|
| Net increase in net assets resulting from operations     | \$ 8,088,693 |
|  | <hr/>        |
| Decrease in investments                                  | 344,694      |
| Net realized gain on investment transactions             | (2,005,864)  |
| Net change in net unrealized appreciation on investments | (3,125,539)  |
| Decrease in interest and dividends receivable            | 180          |
| Increase in receivable for investments sold              | (1,278,024)  |
| Increase in prepaid expenses and other assets            | (456)        |
| Increase in payable for investments purchased            | 1,065,966    |
| Decrease in accrued expenses and other liabilities       | (164,336)    |
|  | <hr/>        |
| Total adjustments  | (5,163,379)  |
|  | <hr/>        |
| Net cash provided from operating activities              | \$ 2,925,314 |
|  | <hr/>        |

**THE HIGH YIELD INCOME FUND, INC.**

**Statement of Changes in Net Assets (Unaudited)**

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| <b>Increase (Decrease)<br/>in Net Assets</b>                                    | <b>Six Months<br/>Ended<br/>February 29,<br/>2004</b> | <b>Year<br/>Ended<br/>August 31,<br/>2003</b> |
|---|---|---|
| <b>Operations</b>   |   |   |
| Net investment income   | \$ 2,957,290  | \$ 6,037,503                                  |
| Net realized gain (loss) on investment and foreign currency transactions        | 2,005,864   | (1,353,682)                                   |
| Net change in net unrealized appreciation on investments and foreign currencies | 3,125,539   | 9,768,007                                     |
| Net increase in net assets resulting from operations                            | 8,088,693   | 14,451,828                                    |
| Dividends paid to shareholders from net investment income                       | (3,473,060)   | (6,199,416)                                   |
| Distributions in excess of net investment income                                | (159,710)   |   |
| Net asset value of shares issued to shareholders in reinvestment of dividends   | 192,365   | 388,051                                       |
| Total increase  | 4,648,288   | 8,640,463                                     |
| <b>Net Assets</b>   |   |   |
| Beginning of period   | 60,446,269  | 51,805,806                                    |
| End of period(a)  | \$ 65,094,557   | \$ 60,446,269                                 |
| (a) Includes undistributed net investment income of                             | \$  | \$ 515,770                                    |

See Notes to Financial Statements.

**Notes to Financial Statements**

**THE HIGH YIELD INCOME FUND,  
INC.**

The High Yield Income Fund, Inc. (the Fund) was organized in Maryland on August 21, 1987 as a diversified, closed-end management investment company. The Fund's primary investment objective is to maximize current income to shareholders through investment in a diversified portfolio of high-yield, fixed-income securities rated in the medium to lower categories by recognized rating services, or non-rated securities of comparable quality. As a secondary investment objective, the Fund will seek capital appreciation, but only when consistent with its primary objective. The ability of issuers of debt securities held by the Fund to meet their obligations may be affected by economic or political developments in a specific industry or region.

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**Note 1. Accounting Policies**

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

*Security Valuation:* Portfolio securities that are actively traded in the over-the-counter market, including listed securities for which the primary market is believed to be over-the-counter, are valued at prices provided by principal market makers and pricing agents. Any security for which the primary market is on an exchange is valued at the last sales price on such exchange on the day of valuation or, if there was no sale on such day, the last bid price quoted on such day. Securities issued in private placements are valued at the bid price or the mean between the bid and asked prices, if available, provided by principal market makers. Any security for which a reliable market quotation is unavailable is valued at fair value as determined in good faith by or under the direction of the Fund's Board of Directors.

Short-term securities which mature in more than 60 days are valued at current market quotations. Short-term securities which mature in 60 days or less are valued at amortized cost.

In connection with transactions in repurchase agreements with U.S. financial institutions, it is the Fund's policy that its custodian or designated subcustodians, as the case may be under triparty repurchase agreements, take possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction including accrued interest. If the seller defaults and the value of the collateral declines, or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited. The Fund's custodian will maintain, in a segregated account of the Fund, cash, U.S. Government securities, equity securities or other liquid, unencumbered assets marked to market daily, having a value equal to or greater than the Fund's purchase commitments with respect to certain investments.

The Fund may invest up to 20% of its total assets in securities which are not readily marketable, including those which are restricted as to disposition under securities law (restricted securities).

*Cash Flow Information:* The Fund invests in securities and distributes dividends from net investment income which are paid in cash or are reinvested at the discretion of shareholders. These activities are reported in the Statement of Changes in Net Assets and additional information on cash receipts and cash payments is presented in the Statement of Cash Flows.

Accounting practices that do not affect reporting activities on a cash basis include carrying investments at value, accruing income on PIK (payment-in-kind) securities and accreting market discounts and amortizing premiums on debt obligations.

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*Foreign Currency Translation:* The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars on the following basis:

(i) market value of investment securities, other assets and liabilities at the current rates of exchange.

(ii) purchases and sales of investment securities, income and expenses at the rates of exchange prevailing on the respective dates of such transactions.

Although the net assets of the Fund are presented at the foreign exchange rates and market values at the close of the period, the Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of the securities held at the end of the period. Similarly, the Fund does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of long-term debt securities sold during the period. Accordingly, such realized foreign currency gains or losses are included in the reported net realized gains or losses on investment transactions.

Net realized gains or losses on foreign currency transactions represent net foreign exchange gains or losses from sales and maturities of short-term securities and forward currency contracts, disposition of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of interest, discount and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid. Net currency gains or losses resulting from the valuing of foreign currency denominated assets (excluding investments) and liabilities at year-end exchange rates are reflected as a component of net unrealized appreciation or depreciation on investments and foreign currencies.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. companies as a result of, among other factors, the possibility of political or economic instability and the level of governmental supervision and regulation of foreign securities markets.

**Notes to Financial Statements**

**THE HIGH YIELD INCOME FUND,  
INC.**

*Security Transactions and Investment Income:* Security transactions are recorded on the trade date. Realized and unrealized gains (losses) from securities transactions are calculated on the identified cost basis. Interest income, which is comprised of stated coupon rate, original issue discount, market discount and premium, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Expenses are recorded on the accrual basis.

*Taxes:* For federal income tax purposes, it is the Fund's policy to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable net income and capital gains, if any, to its shareholders. Therefore, no federal income tax provision is required.

*Dividends and Distributions:* The Fund expects to pay dividends of net investment income monthly and makes distributions of net realized capital and currency gains, if any, annually. Dividends and distributions to shareholders, which are determined in accordance with federal income tax regulations and which may differ from generally accepted accounting principles, are recorded on the ex-dividend date. Permanent book/tax differences relating to income and gains are reclassified amongst undistributed net investment income, accumulated net realized gain or loss and paid-in capital in excess of par, as appropriate.

*Estimates:* The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

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**Note 2. Agreements**

The Fund has a management agreement with Prudential Investments LLC ( PI ). Pursuant to this agreement, PI has responsibility for all investment advisory services and supervises the subadviser's performance of such services. PI has entered into a subadvisory agreement with Prudential Investment Management, Inc. ( PIM ). PIM furnishes investment advisory services in connection with the management of the Fund. PI pays for the services of PIM, the compensation of officers and employees of the Fund, occupancy and certain clerical and bookkeeping costs of the Fund. The Fund bears all other costs and expenses.

The management fee paid to PI is computed weekly and payable monthly, at an annual rate of .70 of 1% of the average weekly net assets of the Fund.

PI and PIM are indirect, wholly-owned subsidiaries of Prudential Financial, Inc. ( The Prudential ).

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**Note 3. Portfolio Securities**

Purchases and sales of investment securities, other than short-term investments, for the six months ended February 29, 2004 aggregated \$44,567,423 and \$44,912,928, respectively.

**Note 4. Tax Information**

The United States federal income tax basis of the Fund's investments and the net unrealized depreciation as of February 29, 2004, were as follows:

| Tax Basis of<br>Investments | Appreciation | Depreciation  | Net<br>Unrealized<br>Appreciation |
|-----------------------------|--------------|---------------|-----------------------------------|
| \$84,490,621                | \$5,979,376  | \$(2,314,198) | \$3,665,178                       |

The difference between book basis and tax basis was attributable to deferred losses on wash sales and differences in the treatment of premium and market discount amortization for book and tax purposes.

For the six months ended February 24, 2004 and the year ended August 31, 2003, the tax character of the total dividends paid, as reflected on the Statement of Changes in Net Assets, of \$3,632,770 and \$6,199,416 respectively, was ordinary income.

For federal income tax purposes, the Fund has a capital loss carryforward as of August 31, 2003 of approximately \$29,314,600, of which \$5,569,500 expires in 2004, \$1,361,400 expires in 2007, \$3,336,700 expires in 2008, \$5,010,500 expires in 2009, \$6,960,200 expires in 2010 and \$7,076,300 expires in 2011. Accordingly, no capital gains distribution is expected to be paid to shareholders until net realized gains have been realized in excess of such amounts. During the year ended August 31, 2003 the fund had approximately \$263,000 of capital loss carryforward expire. In addition, the fund elected to treat net capital losses of approximately \$868,800 incurred in the period November 1, 2003 through August 31, 2004, as having accrued in the current fiscal year.

**Note 5. Borrowings**

The Fund has approved a \$25,000,000 uncommitted line of credit with State Street Bank & Trust Co. Interest on any such borrowings outstanding fluctuates daily, at one percentage point over the Federal Funds rate.

The average daily balance outstanding and the maximum face amount of borrowings outstanding at any month end for the six months ended February 29, 2004 was \$24,862,637 and \$25,000,000 respectively, at a weighted average interest rate of 2.03%.

**Note 6. Capital**

There are 200 million shares of \$.01 par value common stock authorized. Prudential owned 11,000 shares of common stock as of February 29, 2004.

During the six months ended February 29, 2004 and the year ended August 31, 2003 the Fund issued 33,983 and 80,566 shares, respectively, in connection with the reinvestment of dividends.

**Note 7. Dividends and Distributions**

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On March 1 and April 1, 2004 the Board of Directors of the Fund declared dividends of \$.0425 per share payable on March 31 and April 30, 2004 respectively, to shareholders of record on March 15 and April 15, 2004, respectively.



## Financial Highlights (Unaudited)

THE HIGH YIELD INCOME FUND,  
INC.

|  | Six Months<br>Ended<br>February 29, | Year Ended August 31, |           |           |           |           |
|--|-------------------------------------|-----------------------|-----------|-----------|-----------|-----------|
|  | 2004                                | 2003                  | 2002*     | 2001      | 2000      | 1999      |
| <b>PER SHARE OPERATING PERFORMANCE:</b>                          |                                     |                       |           |           |           |           |
| Net asset value, beginning of period(a)                          | \$ 5.25                             | \$ 4.53               | \$ 5.42   | \$ 6.07   | \$ 6.62   | \$ 6.91   |
| Net investment income  | .26                                 | .52                   | .57       | .62       | .63       | .71       |
| Net realized and unrealized gain (loss) on investments           | .45                                 | .74                   | (.90)     | (.67)     | (.52)     | (.28)     |
| Total from investment operations                                 | .71                                 | 1.26                  | (.33)     | (.05)     | .11       | .43       |
| Dividends paid to shareholders from net investment income        | (.26)                               | (.54)                 | (.56)     | (.60)     | (.64)     | (.72)     |
| Distributions to shareholders in excess of net investment income | (.06)                               |                       |           |           | (c)       |           |
| Return of capital distributions                                  |                                     |                       |           |           | (.02)     |           |
| Total dividends and distributions                                | (.32)                               | (.54)                 | (.56)     | (.60)     | (.66)     | (.72)     |
| Net asset value, at end of period(a)                             | \$ 5.64                             | \$ 5.25               | \$ 4.53   | \$ 5.42   | \$ 6.07   | \$ 6.62   |
| Market price per share, end of period(a)                         | \$ 6.03                             | \$ 5.23               | \$ 4.67   | \$ 5.95   | \$ 5.69   | \$ 6.81   |
| <b>TOTAL INVESTMENT RETURN(b)</b>                                | 21.85%                              | 24.52%                | (12.52)%  | 16.68%    | (5.98)%   | 18.55%    |
| <b>RATIOS/SUPPLEMENTAL DATA:</b>                                 |                                     |                       |           |           |           |           |
| Net assets, end of period (000)                                  | \$ 65,095                           | \$ 60,446             | \$ 51,806 | \$ 61,519 | \$ 68,660 | \$ 74,861 |
| Average net assets (000)   | \$ 63,884                           | \$ 55,261             | \$ 56,741 | \$ 64,140 | \$ 71,239 | \$ 77,389 |
| Ratio to average net assets:                                     |                                     |                       |           |           |           |           |
| Expenses, before loan interest                                   | 1.36%(d)                            | 1.44%                 | 1.31%     | 1.23%     | 1.16%     | 1.12%     |
| Total expenses   | 2.17%(d)                            | 2.38%                 | 2.33%     | 3.11%     | 2.95%     | 2.69%     |
| Net investment income  | 9.31%(d)                            | 10.93%                | 11.15%    | 11.00%    | 10.01%    | 10.36%    |
| Portfolio turnover rate  | 52%(e)                              | 118%                  | 133%      | 81%       | 88%       | 85%       |
| Asset coverage   | 360%                                | 347%                  | 349%      | 424%      | 427%      | 474%      |
| Total debt outstanding at period-end (000)                       | \$ 25,000                           | \$ 24,500             | \$ 21,000 | \$ 19,000 | \$ 21,000 | \$ 20,000 |

(a) NAV and market value are published in *The Wall Street Journal* each Monday.

(b) Total investment return is calculated assuming a purchase of common stock at the current market price on the first day and a sale at the closing market price on the last day of each period reported. Dividends are assumed, for the purpose of this calculation, to be reinvested at prices obtainable under the Fund's dividend reinvestment plan. This amount does not reflect brokerage commissions. Total investment return for periods less than a full year are not annualized.

(c) Less than \$.005 per share.

(d) Annualized.

(e) Not annualized.

\* Effective September 1, 2001 the fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began accreting market discount and amortization premiums on debt securities. The effect of this change for the year ended August 31, 2002 was to decrease net investment income per share by \$0.02 and increase net realized and unrealized gain (loss) per share by \$0.02 and decrease the ratio of net investment income from 11.40% to 11.15%. Per share amounts and ratios for the years prior to August 31, 2002 have not been restated to reflect this change in presentation.

See Notes to Financial Statements.

**Supplemental Proxy Information (Unaudited)**

**THE HIGH YIELD INCOME FUND,  
INC.**

A Special Meeting of Shareholders was held on December 4, 2003, and adjourned to January 6, 2004 and further adjourned to January 27, 2004. At such meetings the shareholders approved the following proposals:

1)\* To approve the election of six (6) directors to the Board of Directors, as follows:

| <u>Trustee</u>          | <u>Votes For</u> | <u>Votes Against</u> | <u>Votes Withheld</u> | <u>Alternatives</u> |
|-------------------------|------------------|----------------------|-----------------------|---------------------|
| David E. A. Carson      | 9,971,086        |                      | 439,767               |                     |
| Robert E. La Blanc      | 9,952,695        |                      | 458,158               |                     |
| Douglas H. McCorkindale | 9,979,993        |                      | 430,859               |                     |
| Robin B. Smith          | 9,972,593        |                      | 438,260               |                     |
| Stephen Stoneburn       | 9,983,007        |                      | 427,846               |                     |
| Clay T. Whitehead       | 9,988,756        |                      | 422,097               |                     |

2)\* To approve proposed Charter Amendments relating to:

(a) Fund s Authorized Stock

| <u>Votes For</u> | <u>Votes Against</u> | <u>Abstain</u> | <u>No Vote</u> |
|------------------|----------------------|----------------|----------------|
| 5,956,899        | 706,599              | 248,412        | 3,498,943      |

(b) Supermajority Voting Provisions

| <u>For</u> | <u>Against</u> | <u>Abstain</u> | <u>No Vote</u> |
|------------|----------------|----------------|----------------|
| 5,975,839  | 679,067        | 257,003        | 3,498,944      |

3)\*\* To approve proposed Charter Amendments relating to:

(a) Number of Directors

| <u>For</u> | <u>Against</u> | <u>Abstain</u> | <u>No Vote</u> |
|------------|----------------|----------------|----------------|
| 8,086,153  | 808,031        | 394,706        | 1,524,872      |

(b) Future Charter Amendments

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| <b>For</b> | <b>Against</b> | <b>Abstain</b> | <b>No Vote</b> |
|------------|----------------|----------------|----------------|
| 8,075,743  | 831,471        | 381,675        | 1,524,872      |

\* Approved at the December 4, 2003 meeting.

\*\* Approved at the January 27, 2004 meeting.

**Other Information (Unaudited)**

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A description of the policies and procedures that the Fund used to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling toll-free (800) 451-6788 or by accessing the Commission's website at [www.sec.gov](http://www.sec.gov).

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# The High Yield Income Fund, Inc.

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## Semiannual Report February 29, 2004

### Directors

Delayne Dedrick Gold

Robert F. Gunia

Robert E. La Blanc

Douglas H. McCorkindale

Thomas T. Mooney

David R. Odenath, Jr.

Richard A. Redeker

Judy A. Rice

Robin B. Smith

Stephen Stoneburn

Louis A. Weil, III

### Officers

Judy A. Rice, *President*

Robert F. Gunia, *Vice President*

Grace C. Torres, *Treasurer and Principal Financial and Accounting Officer*

Deborah A. Docs, *Secretary*

Marguerite E.H. Morrison, *Chief Legal Officer and Assistant Secretary*

Maryann Ryan, *Anti-Money Laundering Compliance Officer*

Lee D. Augsburger, *Chief Compliance Officer*

### Manager

Prudential Investments LLC

Gateway Center Three

100 Mulberry Street

Newark, NJ 07102-4077

**Investment Adviser**

Prudential Investment Management, Inc.

Gateway Center Two

Newark, NJ 07102

**Custodian**

State Street Bank and Trust Company

One Heritage Drive

North Quincy, MA 02171

**Transfer Agent**

Equiserve, Inc.

PO Box 43011

Providence, RI 02940-3011

**Independent Auditors**

PricewaterhouseCoopers LLP

1177 Avenue of the Americas

New York, NY 10036

**Legal Counsel**

Shearman & Sterling LLP

599 Lexington Avenue

New York, NY 10022

This report is for stockholder information. This is not a prospectus intended for use in the purchase or sale of fund shares.

The High Yield Income Fund, Inc.

Gateway Center Three

100 Mulberry Street

Newark, NJ 07102-4077

Toll free (800) 451-6788

The views expressed in this report and information about the Fund's holdings are for the period covered by this report and are subject to change thereafter.

The accompanying financial statements as of February 29, 2004 were not audited and, accordingly, no auditor's opinion is expressed on them.

The Prudential Insurance Company of America

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751 Broad Street Newark, NJ 07102

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Ed. 04/2004

- Item 2 Code of Ethics Not required as this is not an annual filing.
- Item 3 Audit Committee Financial Expert Not applicable with semi-annual filing.
- Item 4 Principal Accountant Fees and Services Not applicable with semi-annual filing.
- Item 5 Audit Committee of Listed Registrants Not applicable.
- Item 6 Schedule of Investments The schedule is 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 this filing.
- Item 8 Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers Not applicable.
- Item 9 Submission of Matters to a Vote of Security Holders: None.
- Item 10 Controls and Procedures
- (a) It is the conclusion of the registrant's principal executive officer and principal financial officer that the effectiveness of the registrant's current disclosure controls and procedures (such disclosure controls and procedures having been evaluated within 90 days of the date of this filing) provide reasonable assurance that the information required to be disclosed by the registrant has been recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms and that the information required to be disclosed by the registrant has been accumulated and communicated to the registrant's principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.
  - (b) There have been no significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.
- Item 11 Exhibits
- (a) Code of Ethics Not applicable with semi-annual filing.
  - (b) Certifications pursuant to Section 302 and 906 of the Sarbanes-Oxley Act Attached hereto



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) The High Yield Income Fund, Inc.

By (Signature and Title)\* /s/ Marguerite E.H. Morrison

Marguerite E.H. Morrison

Assistant Secretary

Date April 27, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)\* /s/ Judy A. Rice

Judy A. Rice

President and Principal Executive Officer

Date April 27, 2004

By (Signature and Title)\* /s/ Grace C. Torres

Grace C. Torres

Treasurer and Principal Financial Officer

Date April 27, 2004

\* Print the name and title of each signing officer under his or her signature.