

Dear Fellow Shareholder,

The New America High Income Fund (the “Fund”) is invested in an economy that suffered greatly in the second half of 2007 and continues to suffer. Our investment advisor, T. Rowe Price Associates, Inc., is managing our portfolio in very troubled markets and despite careful investing by them, the portfolio has declined in value. In addition, increases in the cost of the Fund’s leverage have reduced the Fund’s income.

In the second half of 2007 most of the major fixed-income markets experienced a significant decrease in liquidity, leading to increased volatility and investors demanding an increased risk premium. The phrases “sub-prime mortgage tsunami” and “credit crunch” have become part of the public lexicon as the values applied to securitized assets and the related debt unraveled. The realization of these problems led to a flight to quality. Although the Fund does not invest in sub-prime mortgages, collateralized debt obligations or similar instruments, the crisis in the markets for those instruments spread to other markets around the world, resulting in significant adverse effects on the Fund’s portfolio and its leverage.

In past shareholder reports, we have highlighted the importance of the Fund’s leverage in supporting the common stock dividend. The leverage is in the form of an Auction Term Stock (the “ATP”). The dividend rate the Fund must pay on the ATP resets monthly through an auction procedure. Historically, the rate on the Fund’s ATP has generally floated around one month LIBOR (the London Interbank Offered Rate), a widely used money market reference rate.

In late summer 2007, as the consequences of the sub-prime mortgage collapse spread, demand for auction rate securities like the Fund’s ATP fell sharply, resulting in a higher dividend rate for the ATP. Beginning in August the rate set in the auctions rose sharply to as high as 200 basis points above LIBOR, increasing the Fund’s costs, and thereby decreasing its net income. Investor demand for auction rate securities has continued to decline in 2008. Under the terms of the ATP negotiated by management, the maximum dividend rate currently payable on the ATP is 150% of AA-rated 30 day commercial paper rate. The maximum rate applies only in the event of an auction failure. To date, the Fund has had one auction failure and the dividend rate was set at 4.527%. Even at the current maximum dividend rate, there is a positive spread between the cost of the ATP and the earnings on the portfolio, which contributes to the common stock dividend.

The Fund raised \$33 million in a rights offering that was completed in September 2007, which reduced the portfolio’s leverage ratio. The Fund had planned to issue additional shares of ATP following the rights offering in order to restore the portfolio’s leverage ratio. However, when the rights offering was completed, issuing additional shares of ATP was not possible because the auction rate securities market essentially closed to new issuance in the fourth quarter as a consequence of the unexpected ripple effect of the sub-prime mortgage collapse on the asset-backed securities market, which occurred after the commencement of the rights offering. The resulting reduction in the portfolio’s leverage ratio is a second factor lowering the Fund’s income. Nonetheless, given the continuing volatility of the markets in which the Fund invests, the reduction in the Fund’s leverage ratio should have the beneficial effect of reducing the volatility of the Fund’s net asset value per share (the “NAV”).

We reported in the June 30, 2007 shareholder letter that the leverage and a related interest rate swap contributed approximately 22% of the Fund’s income during the first half of 2007. Due to the events described above, currently the contribution of the leverage and interest rate swap has fallen to approximately 14% of the Fund’s income.

Performance Update

The Fund's NAV was \$1.94 and the market price for the Fund's shares on the New York Stock Exchange closed at \$1.71 on December 31, 2007, representing a market price discount of 11.9% from NAV. According to Lipper, a nationally recognized source of mutual fund data, as of December 31, 2007, market price discounts on leveraged high yield funds ranged from 0% to 15.5%.

	<u>Total Returns for the Periods Ending December 31, 2007</u>	
	<u>1 Year</u>	<u>3 Years Cumulative</u>
New America High Income Fund (Stock Price and Dividends)*	-16.34%	5.29%
New America High Income Fund (NAV and Dividends)	-0.16%	18.07%
Lipper Closed-End Fund Leveraged High Yield Average (NAV and Dividends)	-6.91%	9.94%
Credit Suisse High Yield Index	2.65%	17.48%
Citigroup 10 Year Treasury Index	9.77%	13.56%

Sources: Credit Suisse, Citigroup, Lipper, The New America High Income Fund, Inc.
Past performance is no guarantee of future results. Total return assumes the reinvestment of dividends.

The Fund's ratio of total expenses to average net assets applicable to common stock was 1.34% for the year ended December 31, 2007. The Fund's ratio of total expense to average net assets applicable to common and preferred stock was .84% for the year ended December 31, 2007. The Fund's total returns based upon NAV and dividends in the above table reflect returns after accounting for Fund expenses.

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

We have no way to know how long this period of economic uncertainty will last. The market price of the Fund's shares and the NAV may continue to be more volatile than in earlier periods. The flight to safety has depressed the value of the portfolio holdings which is more fully discussed in the investment advisor's letter below. In addition, the risk premium demanded by investors has risen substantially which has resulted in a greater discount in the market price of the Fund's shares compared with the NAV.

During this time of economic uncertainty, we anticipate that the contribution of the leverage and interest rate swap will continue to be lower than it has been historically. As a result, the Fund cannot continue to support a monthly common stock dividend of \$.0175 per share, which the Fund has paid since February 2003. Consequently, beginning in March 2008, the Fund's monthly dividend will be reduced to \$.013 per common share.

Below, the Fund's investment advisor, T. Rowe Price Associates, Inc., reviews the performance of the high yield bond market in 2007, its strategy to protect the Fund's investments in the current environment and its outlook going forward.

High Yield Market Update

The high yield market struggled through the second half of 2007 and posted disappointing results for the full year, with the Credit Suisse High Yield Index (the "Index") showing a gain for the asset class of 2.65%. The second round of the current credit crisis began in November and quickly wiped out the positive momentum generated in

September and October. While high yield bonds generally posted small gains in December, the high yield asset class significantly lagged U.S. Treasury bonds, and its spreads, a measure of relative yield versus Treasuries, widened significantly during the fourth quarter. By year end, investors were concluding that Wall Street's problems were spreading to Main Street, and that the American economy was in danger of slipping into recession. Securities issued by companies in the housing, retailing and financial services sectors were punished most severely.

The dramatic widening in yield spreads between the high yield asset class and U.S. Treasuries suggests that the market anticipates default rates in the high yield market will spike up sharply in 2008. While we remain dedicated to maintaining close scrutiny of the corporate health and well being of the Fund's investments from a credit risk perspective, we are equally concerned about the current challenges in this asset class relating to the depth of the market. The damage inflicted on broker dealers from excessive financial engineering in 2007 has left fewer investment banks willing to make markets in trading many fixed income securities, including high yield bonds. Trading volumes in our market dropped significantly in December as the major Wall Street firms absorbed billions in losses on sub prime mortgage structured products.

Strategy Update

We believe our emphasis on defensive sector positioning should help the portfolio to withstand a serious consumer-led slowdown in the U.S. economy. For the past year, we have emphasized less economically sensitive industries such as energy, utilities, healthcare and services. Conversely, we have underweighted cyclical sectors that are currently experiencing fundamental stress. Exposure to lower rated CCC securities is also conservative, particularly in the more aggressive leveraged buyout deals and we have at times moved up the capital structure in seniority to a company's loans, in an effort to increase safety without large sacrifices in yield. The high yield market is also fortunate to have a limited number of financial services companies other than Ford Credit and GMAC. Even though at present we believe these two companies will remain solvent and have compelling absolute yields, we have kept our exposures modest in light of the current environment.

We participated in three noteworthy private equity deals priced during the fourth quarter. Texas Utilities, First Data and Nuveen Investments all received careful scrutiny by our analysts, and were deemed outstanding long term investment opportunities. All three companies generate predictable steady operating cash flows and enjoy strong competitive positions within their respective markets. More importantly, securities in each company were priced to reflect difficult market conditions, with double digit yields for each bond. We are gratified that these three purchases were resilient during the fourth quarter and generated positive returns when the overall market direction was negative. We plan to continue this opportunistic approach to new issues during the first quarter of 2008, even though we expect the market to be volatile for the foreseeable future. Our biggest disappointments include the purchases of bank debt and bonds in two LBOs, Spanish language media broadcaster Univision and multi-restaurant chain operator Outback Steakhouse. At the time of the deal for Outback which closed in June, equity holders protested loudly that they did not receive adequate compensation in the buyout. Now, just a few months later, the bank debt and bonds for both deals have declined dramatically. While the price action in these names has been painful and we are disappointed that the bank debt in particular did not offer greater downside protection, our analysis continues to support the view that these are fundamentally sound investments.

Outlook

The high yield market is under pressure with some evidence of deteriorating corporate fundamentals, poor investor psychology and concerns over the balance sheet health at some broker dealers, among other factors, weighing on prices. When assessing how much more the market will correct, it is important to note that high yield bond spreads are, on average, north of 600 basis points which should help to compensate investors for an increase in the default rate from its recent historically low level. We believe we have positioned the portfolio away from the most consumer dependent industries where we see the greatest risk for bankruptcies. We will continue to take a cautious approach to investing in both new issues and other opportunities we uncover.

Thank you for your continued interest in the Fund.

Sincerely,



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



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



Ellen E. Terry
Vice President
The New America High Income Fund, Inc.



Paul Karpers
Vice President
T. Rowe Price Associates, Inc.

The views expressed in this update are as of the date of this letter. These views and any portfolio holdings discussed in the update are subject to change at any time based on market or other conditions. The Fund and the Adviser disclaim any duty to update these views, which may not be relied upon as investment advice. In addition, references to specific companies' securities should not be regarded as investment recommendations.

The New America High Income Fund, Inc.

Industry Summary December 31, 2007	As a Percent of Total Investments	Moody's Investors Service Ratings December 31, 2007 (Unaudited)	As a Percent of Total Investments
Telecommunications	10.36%	Short Term Prime-1	<u>3.61%</u>
Oil and Gas	9.91%	Baa3	<u>1.44%</u>
Utilities	9.06%	Ba1	3.98%
Broadcasting and Entertainment	8.68%	Ba2	6.07%
Healthcare, Education and Childcare	6.71%	Ba3	<u>17.54%</u>
Electronics	6.29%	Total Ba	<u>27.59%</u>
Mining, Steel, Iron and Non-Precious Metals	5.53%	B1	13.44%
Containers, Packaging and Glass	4.62%	B2	16.13%
Printing and Publishing	4.46%	B3	<u>23.67%</u>
Hotels, Motels, Inns and Gaming	3.59%	Total B	<u>53.24%</u>
Retail Stores	3.41%	Caa1	10.62%
Automobile	3.29%	Caa2	1.35%
Personal, Food and Miscellaneous Services	3.15%	Caa3	<u>0.37%</u>
Diversified/Conglomerate Service	2.99%	Total Caa	<u>12.34%</u>
Finance	2.36%	Unrated	<u>1.36%</u>
Building and Real Estate	1.94%	Equity	<u>0.42%</u>
Chemicals, Plastics and Rubber	1.78%	Total Investments	<u>100.00%</u>
Aerospace and Defense	1.08%		
Personal Non-Durable Consumer Products	1.03%		
Diversified/Conglomerate Manufacturing	1.02%		
Insurance	0.99%		
Beverage, Food and Tobacco	0.92%		
Ecological	0.89%		
Cargo Transport	0.73%		
Leisure, Amusement and Entertainment	0.60%		
Textiles and Leather	0.36%		
Machinery	0.33%		
Personal Transportation	0.26%		
Furnishings, Housewares, Durable Consumer Products	0.05%		
Short-Term Investments	<u>3.61%</u>		
Total Investments	<u>100.00%</u>		

Schedule of Investments — December 31, 2007 (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
CORPORATE DEBT SECURITIES — 138.18% (d)		
Aerospace and Defense — 1.71%		
\$ 1,625	GenCorp Inc., Senior Subordinated Notes, 9.50%, 08/15/13	B1 \$ 1,645
925	Hawker Beechcraft Acquisition Company LLC, Senior Notes, 8.50%, 04/01/15 (g)	B3 925
425	Hawker Beechcraft Acquisition Company LLC, Senior Notes, 8.875%, 4/01/15 (g)	B3 421
825	TransDigm Inc., Senior Subordinated Notes, 7.75%, 07/15/14	B3 837
		<u>3,828</u>
Automobile — 4.63%		
950	Accuride Corporation, Senior Subordinated Notes, 8.50%, 02/01/15	B3 770
1,075	Allison Transmission, Inc., Senior Notes, 11.25%, 11/01/15 (g)	Caa1 938
300	Cooper Standard Automotive Inc., Senior Subordinated Notes, 8.375%, 12/15/14	Caa1 237
425	General Motors Corporation, Senior Notes, 7.125%, 07/15/13	Caa1 364
275	General Motors Corporation, Senior Notes, 7.20%, 01/15/11	Caa1 250
1,300	General Motors Corporation, Senior Notes, 7.70%, 04/15/16	Caa1 1,089
960	Goodyear Tire & Rubber Company, Senior Notes, 8.625%, 12/01/11	Ba3 1,003
1,100	Goodyear Tire & Rubber Company, Senior Notes, 8.663%, 12/01/09	Ba3 1,104
525	KAR Holdings, Inc., Senior Notes, 8.911%, 05/01/14 (g)	B3 476
1,300	KAR Holdings, Inc., Senior Subordinated Notes, 10%, 05/01/15 (g)	Caa1 1,160

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
\$ 825	SPX Corporation, Senior Notes, 7.625%, 12/15/14 (g)	Ba2 \$ 844
1,075	Tenneco Inc., Senior Subordinated Notes, 8.625%, 11/15/14	B3 1,054
900	TRW Automotive Inc., Senior Notes, 7.25%, 03/15/17 (g)	Ba3 812
275	United Components, Inc., Senior Subordinated Notes, 9.375%, 06/15/13	Caa1 272
		<u>10,373</u>
Beverage, Food and Tobacco — 1.20%		
1,025	Del Monte Corporation, Senior Subordinated Notes, 8.625%, 12/15/12	B2 1,040
1,050	Reynolds American, Inc., Senior Secured Notes, 7.25%, 06/01/13	Ba1 1,124
475	Reynolds American, Inc., Senior Secured Notes, 7.625%, 06/01/16	Ba1 512
		<u>2,676</u>
Broadcasting and Entertainment — 11.81%		
1,650	Allbritton Communications Company, Senior Subordinated Notes, 7.75%, 12/15/12	B1 1,646
175	AMC Entertainment, Inc., Senior Subordinated Notes, 11%, 02/01/16	B2 184
400	Barrington Broadcasting Group LLC, Senior Subordinated Notes, 10.50%, 08/15/14	B3 413
450	Bonten Media Group, Inc., Senior Subordinated Notes, 9%, 06/01/15 (g)	Caa1 392
425	Canadian Satellite Radio, Senior Notes, 12.75%, 02/15/14	(e) 418
900	CCH I, LLC, Senior Notes, 11%, 10/01/15	Caa2 733
1,800	CCH II, LLC, Senior Notes, 10.25%, 09/15/10	Caa1 1,764

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

Principal Amount/Units		Moody's Rating (Unaudited)	Value (Note 1(a))
CORPORATE DEBT SECURITIES — continued			
\$ 1,275	Charter Communications, Senior Notes, 8%, 04/30/12 (g)	B2	\$ 1,230
3,000	Clear Channel Communications, Senior Notes, 6.25%, 03/15/11	Baa3	2,692
1,000	CSC Holdings, Inc., Senior Notes, 7.25%, 07/15/08	B2	1,004
1,303	DIRECTV Holdings LLC, Senior Notes, 8.375%, 03/15/13	Ba3	1,358
1,128	EchoStar DBS Corporation, Senior Notes, 6.625%, 10/01/14	Ba3	1,128
775	EchoStar DBS Corporation, Senior Notes, 7%, 10/01/13	Ba3	781
500	Intelsat Subsidiary Holding Co., Ltd., Senior Notes, 8.25%, 01/15/13	B2	504
475	Kabel Deutschland GmbH, Senior Notes, 10.625%, 07/01/14	B2	499
1,900	Lamar Media Corporation, Senior Subordinated Notes, 6.625%, 08/15/15	Ba3	1,852
350	Local TV Finance, LLC, Senior Notes, 9.25%, 06/15/15 (g)	Caa1	333
650	Mediacom Broadband LLC, Senior Notes, 8.50%, 10/15/15	B3	570
625	Nexstar Broadcasting, Inc., Senior Subordinated Notes, 7%, 01/15/14	B3	583
1,649	PanAmSat Corporation, Senior Notes, 9%, 08/15/14	B2	1,665
250	Rainbow National Services LLC, Senior Notes, 8.75%, 09/01/12 (g)	B2	256
300	Rogers Cable Inc., Senior Secured Notes, 6.75%, 03/15/15	Baa3	313

Principal Amount/Units		Moody's Rating (Unaudited)	Value (Note 1(a))
\$ 300	Shaw Communications Inc., Senior Notes, 8.25%, 04/11/10	Ba1	\$ 313
1,795	Sinclair Broadcast Group, Inc., Senior Subordinated Notes, 8%, 03/15/12	Ba3	1,829
1,100	Univision Communications, Inc., Senior Notes, 9.75%, 03/15/15 (g)	B3	996
250	Videotron Ltee., Senior Notes, 6.375%, 12/15/15	Ba1	234
825	Videotron Ltee., Senior Notes, 6.875%, 01/15/14	Ba1	804
2,025	XM Satellite Radio, Inc., Senior Notes, 9.75%, 05/01/14	Caa1	1,949
			<u>26,443</u>
Building and Real Estate — 3.06%			
500	AMH Holdings, Inc., Senior Notes, 11.25%, 03/01/14 (b)	Caa2	320
625	B.F. Saul Real Estate Investment Trust, Senior Secured Notes, 7.50%, 03/01/14	Ba2	581
675	Builders FirstSource, Inc., Senior Secured Notes, 9.119%, 02/15/12	B2	591
500	FelCor Lodging Limited Partnership, Senior Notes, 8.50%, 06/01/11	Ba3	518
100	Host Marriott, L.P., Senior Notes, 6.375%, 03/15/15	Ba1	99
2,700	Host Marriott, L.P., Senior Notes, 6.75%, 06/01/16	Ba1	2,666
550	Host Marriott, L.P., Senior Notes, 7.125%, 11/01/13	Ba1	554
875	Texas Industries, Inc., Senior Notes, 7.25%, 07/15/13	Ba3	871
500	Ventas Realty, Limited Partnership, Senior Notes, 6.50%, 06/01/16	Ba1	491
150	Ventas Realty, Limited Partnership, Senior Notes, 6.75%, 04/01/17	Ba1	149
			<u>6,840</u>

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
CORPORATE DEBT SECURITIES — continued		
Cargo Transport — 1.15%		
\$ 1,125	American Railcar Industries, Inc., Senior Notes, 7.50%, 03/01/14	B1 \$ 1,060
825	Greenbrier Companies, Inc., Senior Notes, 8.375%, 05/15/15	B2 788
600	Swift Transportation Co., Inc., Senior Secured Notes, 12.50%, 05/15/17 (g)	Caa1 308
400	TFM, S.A. de C.V., Senior Notes, 9.375%, 05/01/12	B2 419
		<u>2,575</u>
Chemicals, Plastics and Rubber — 2.80%		
550	Hercules Inc., Senior Subordinated Notes, 6.75%, 10/15/29	Ba3 531
500	Hexion Specialty Chemicals Inc., Senior Secured Notes, 9.369%, 11/15/14	B3 510
900	Hexion Specialty Chemicals Inc., Senior Secured Notes, 9.75%, 11/15/14	B3 974
800	Ineos Group Holdings plc, Senior Secured Notes, 8.50%, 02/15/16 (g)	B3 708
1,225	INVISTA S.A.R.L., Senior Notes 9.25%, 05/01/12 (g)	Ba3 1,277
1,300	KI Holdings, Inc., Senior Notes, 9.875%, 11/15/14 (b)	B3 1,105
500	Koppers Inc., Senior Secured Notes, 9.875%, 10/15/13	B2 528
475	Nalco Company, Senior Notes, 7.75%, 11/15/11	B1 479
200	Nell AF S.a.r.l., Senior Secured Notes, 8.375%, 08/15/15 (g)	B3 162
		<u>6,274</u>
Containers, Packaging and Glass — 6.97%		
825	AEP Industries, Inc., Senior Notes, 7.875%, 03/15/13	B1 784
350	Berry Plastics Holding Corporation, Senior Secured Notes, 8.866%, 09/15/14	B3 329

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
\$ 1,225	Berry Plastics Holding Corporation, Senior Secured Notes, 8.875%, 09/15/14	B3 \$ 1,170
525	Berry Plastics Holding Corporation, Senior Secured Notes, 10.25%, 03/01/16	Caa2 462
950	Boise Cascade, LLC, Senior Subordinated Notes, 7.125%, 10/15/14	B2 919
950	BWAY Corporation, Senior Subordinated Notes, 10%, 10/15/10	B3 938
550	Clondalkin Acquisition BV, Senior Notes, 6.991%, 12/15/13 (g)	Ba3 518
275	Domtar Inc., Senior Notes, 5.375%, 12/01/13	B1 250
1,100	Domtar Inc., Senior Notes, 7.125%, 08/15/15	B1 1,078
100	Domtar Inc., Senior Notes, 9.50%, 08/01/16	B1 108
775	Georgia-Pacific Corporation, Senior Notes, 7%, 01/15/15 (g)	Ba3 754
900	Georgia-Pacific Corporation, Senior Notes, 7.125%, 01/15/17 (g)	Ba3 871
525	Georgia-Pacific Corporation, Senior Notes, 7.70%, 06/15/15	B2 516
1,200	Georgia-Pacific Corporation, Senior Notes, 8.125%, 05/15/11	B2 1,212
450	Graphic Packaging International Inc., Senior Notes, 8.50%, 08/15/11	B2 447
325	Graphic Packaging International Inc., Senior Subordinated Notes, 9.50%, 08/15/13	B3 323
750	NewPage Corporation, Senior Secured Notes, 10%, 05/01/12	B2 758
150	NewPage Corporation, Senior Secured Notes, 10%, 05/01/12 (g)	B2 151

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
CORPORATE DEBT SECURITIES — continued		
\$ 1,225	NewPage Corporation, Senior Subordinated Notes, 12%, 05/01/13	B3 \$ 1,256
975	Owens-Brockway Glass Container, Inc., Senior Notes, 6.75%, 12/01/14	B3 970
575	Plastipak Holdings, Inc., Senior Notes, 8.50%, 12/15/15 (g)	B3 576
325	Stone Container Corporation, Senior Notes, 8.375%, 07/01/12	B3 323
400	Stone Container Finance Company of Canada II, Senior Notes, 7.375%, 07/15/14	B3 377
525	Verso Paper Holdings LLC, Senior Secured Notes, 8.661%, 08/01/14	B2 511
		<u>15,601</u>

Diversified/Conglomerate Manufacturing — 1.61%

725	Bombardier Inc., Senior Notes, 6.30%, 05/01/14 (g)	Ba2 711
500	Hawk Corporation, Senior Notes, 8.75%, 11/01/14	B3 507
2,175	RBS Global, Inc., Senior Notes, 9.50%, 08/01/14	B3 2,132
250	Trinity Systems, Inc., Senior Notes, 6.50%, 03/15/14	Baa3 246
		<u>3,596</u>

Diversified/Conglomerate Service — 4.00%

4,550	First Data Corporation, Senior Notes, 9.875%, 9/24/15 (g)	B3 4,220
700	Hertz Corporation, Senior Notes, 8.875%, 01/01/14	B1 709
1,100	Hertz Corporation, Senior Notes, 10.50%, 01/01/16	B2 1,138
300	IKON Office Solutions, Inc., Senior Notes, 9.926%, 01/01/12 (g)	Ba3 303

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
\$ 1,100	Mobile Services Group, Inc. Senior Notes, 9.75%, 08/01/14	B3 \$ 1,012
825	Rental Services Corporation, Senior Notes 9.50%, 12/01/14	Caa1 743
925	Sunstate Equipment Co, LLC, Senior Secured Notes, 10.50%, 04/01/13 (g)	B3 824
		<u>8,949</u>
Ecological — 1.41%		
950	Allied Waste North America, Inc., Senior Secured Notes, 7.875%, 04/15/13	B1 973
1,575	Casella Waste Systems, Inc., Senior Subordinated Notes, 9.75%, 02/01/13	B3 1,595
575	WCA Waste Corporation, Senior Notes, 9.25%, 06/15/14	B3 585
		<u>3,153</u>

Electronics — 8.73%

800	Avego Technologies Finance Pte. Ltd., Senior Notes, 10.125%, 12/01/13	B2 849
875	Celestica Inc., Senior Subordinated Notes, 7.875%, 07/01/11	B3 849
675	Dycom Investments, Inc., Senior Subordinated Notes, 8.125%, 10/15/15	Ba3 668
825	Freescale Semiconductor, Inc., Senior Notes, 8.866%, 12/15/14	B2 701
1,550	Freescale Semiconductor, Inc., Senior Notes, 8.875%, 12/15/14	B2 1,379
600	Freescale Semiconductor, Inc., Senior Subordinated Notes, 10.125%, 12/15/16	B3 494
800	General Cable Corporation, Senior Notes, 1%, 10/15/12 (g)	B1 903
475	General Cable Corporation, Senior Notes, 7.125%, 04/01/17	B1 466

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
CORPORATE DEBT SECURITIES — continued		
\$ 375	General Cable Corporation, Senior Notes, 7.606%, 04/01/15	B1 \$ 358
825	iPayment Inc., Senior Subordinated Notes, 9.75%, 05/15/14	Caa1 775
736	iPayment Inc., Senior Subordinated Notes, 12.75%, 07/15/14 (g)(i)	(e) 773
725	Lucent Technologies, Inc., Senior Notes, 6.45%, 03/15/29	Ba3 602
1,275	Lucent Technologies, Inc., Senior Notes, 6.50%, 01/15/28	Ba3 1,049
1,450	Nortel Networks Limited, Senior Notes, 9.493%, 07/15/11 (g)	B3 1,414
975	NXP B.V., Senior Secured Notes, 7.993%, 10/15/13	Ba3 897
400	NXP B.V., Senior Secured Notes, 9.50%, 10/15/15	B3 364
389	Sanmina-SCI Corporation, Senior Notes, 7.741%, 06/15/10 (g)	B1 388
350	Serena Software, Inc., Senior Subordinated Notes, 10.375%, 03/15/16	Caa1 349
650	Spanion Technology, Inc., Senior Notes, 11.25%, 01/15/16 (g)	Caa1 553
300	SS&C Technologies, Inc., Senior Subordinated Notes, 11.75%, 12/01/13	Caa1 325
350	STATS ChipPAC Ltd., Senior Notes, 6.75%, 11/15/11	Ba1 352
325	STATS ChipPAC Ltd., Senior Notes, 7.50%, 07/19/10	Ba1 336
1,750	Sungard Data Systems Inc., Senior Notes, 9.125%, 08/15/13	Caa1 1,781

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
\$ 825	Superior Essex Communications LLC, Senior Notes, 9%, 04/15/12	B3 \$ 792
1,025	Travelport LLC, Senior Subordinated Notes, 11.875%, 09/01/16	Caa1 1,094
375	Unisys Corporation, Senior Notes, 6.875%, 03/15/10	B2 355
250	Unisys Corporation, Senior Notes, 8%, 10/15/12	B2 220
450	Unisys Corporation, Senior Notes, 12.50%, 01/15/16	B2 457
		<u>19,543</u>
Finance — 3.73%		
300	Ford Motor Credit Company, Senior Notes, 7.375%, 10/28/09	B1 283
3,875	Ford Motor Credit Company, Senior Notes, 9.693%, 04/15/12	B1 3,798
750	GMAC LLC, Senior Notes, 6.875%, 08/28/12	Ba3 623
550	GMAC LLC, Senior Notes, 6.875%, 09/15/11	Ba3 470
675	GMAC LLC, Senior Notes, 7.25%, 03/02/11	Ba3 597
975	Mobile Mini, Inc. Senior Notes, 6.875%, 05/01/15	B1 880
1,175	Nuveen Investments, Inc., Senior Notes, 5.50%, 9/15/15	B3 811
900	Nuveen Investments, Inc., Senior Notes, 10.50%, 11/15/15 (g)	B3 897
		<u>8,359</u>
Furnishings, Housewares, Durable Consumer Products — .08%		
200	Simmons Company, Senior Subordinated Notes, 7.875%, 01/15/14	B2 186
Healthcare, Education and Childcare — 9.10%		
1,050	Cengage Learning Acquisitions, Inc., Senior Subordinated Notes, 13.25%, 07/15/15 (b)(g)	Caa2 840

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

Principal Amount/Units		Moody's Rating (Unaudited)	Value (Note 1(a))
CORPORATE DEBT SECURITIES — continued			
\$ 4,000	CHS/Community Health Systems, Inc., Senior Notes, 8.875%, 07/15/15	B3	\$ 4,080
375	CRC Health Corporation, Senior Subordinated Notes, 10.75%, 02/01/16	Caa1	384
1,000	DaVita, Inc., Senior Subordinated Notes, 7.25%, 03/15/15	B2	1,005
2,275	Education Management LLC, Senior Subordinated Notes, 10.25%, 06/01/16	Caa1	2,343
4,975	HCA, Inc., Senior Secured Notes, 9.25%, 11/15/16	B2	5,236
300	HCA, Inc., Senior Secured Notes, 9.625%, 11/15/16	B2	317
1,025	Health Management Associates, Inc., Senior Notes, 6.125%, 4/15/16	(e)	896
500	IASIS Healthcare LLC, Senior Subordinated Notes, 8.75%, 06/15/14	B3	501
700	Invacare Corporation, Senior Notes, 9.75%, 02/15/15	B2	707
350	Omnicare, Inc., Senior Subordinated Notes, 6.75%, 12/15/13	Ba3	329
1,025	Omnicare, Inc., Senior Subordinated Notes, 6.875%, 12/15/15	Ba3	953
550	United Surgical Partners International, Inc., Senior Notes, 9.25%, 05/01/17	Caa1	535
450	Universal Hospital Services, Inc., Senior Secured Notes, 8.288%, 06/01/15	B3	455
200	Universal Hospital Services, Inc., Senior Secured Notes, 8.50%, 06/01/15	B3	203
75	US Oncology, Inc., Senior Notes, 9%, 08/15/12	B2	74
375	US Oncology, Inc., Senior Subordinated Notes, 10.75%, 08/15/14	B3	370

Principal Amount/Units		Moody's Rating (Unaudited)	Value (Note 1(a))
\$ 1,175	Vanguard Health Holding Company II, LLC, Senior Subordinated Notes, 9%, 10/01/14	Caa1	\$ 1,129
			<u>20,357</u>
Hotels, Motels, Inns and Gaming — 5.36%			
475	Chukchansi Economic Development Authority, Senior Notes, 8.238%, 11/15/12 (g)	B2	466
625	Fontainebleau Las Vegas, LLC, 2nd Mortgage Notes, 10.25%, 06/15/15 (g)	Caa1	550
1,217	Harrah's Operating Company, Senior Notes, 5.50%, 07/01/10	Baa3	1,130
525	Little Traverse Bay Bands of Odawa Indians, Senior Notes, 10.25%, 02/15/14 (g)	B2	528
850	MGM MIRAGE, Senior Notes, 6%, 10/01/09	Ba2	848
2,000	MGM MIRAGE, Senior Secured Notes, 8.50%, 09/15/10	Ba2	2,085
1,100	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 8%, 04/01/12	Ba2	1,122
400	MTR Gaming Group, Inc., Senior Notes, 9.75%, 04/01/10	B2	400
475	MTR Gaming Group, Inc., Senior Subordinated Notes, 9%, 06/01/12	B3	452
1,300	Pokagon Gaming Authority, Senior Notes, 10.375%, 06/15/14 (g)	B3	1,397
1,100	Shingle Springs Tribal Gaming Authority, Senior Secured Notes, 9.375%, 06/15/15 (g)	B3	1,070
1,975	Wynn Las Vegas LLC, Senior Notes, 6.625%, 12/01/14	Ba2	<u>1,940</u>
			<u>11,988</u>

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
CORPORATE DEBT SECURITIES — continued		
Insurance — 1.55%		
\$ 375	Alliant Holdings I, Incorporated, Senior Notes, 11%, 05/1/15 (g)	Caa1 \$ 354
1,600	Hub International Limited, Senior Notes, 9%, 12/15/14 (g)	B3 1,434
1,050	Hub International Limited, Senior Subordinated Notes, 10.25%, 06/15/15 (g)	Caa1 898
525	USI Holdings Corporation, Senior Notes 8.744%, 11/15/14 (g)	B3 449
425	USI Holdings Corporation, Senior Subordinated Notes, 9.75%, 05/15/15 (g)	Caa1 345
		<u>3,480</u>
Leisure, Amusement and Entertainment — .54%		
1,175	Universal City Development Partners, Ltd., Senior Notes, 11.75%, 04/01/10	B1 1,210
Machinery — .52%		
1,125	Columbus McKinnon Corporation, Senior Subordinated Notes, 8.875%, 11/01/13	B1 1,164
Mining, Steel, Iron and Non-Precious Metals — 8.73%		
975	Alpha Natural Resources, LLC, Senior Notes, 10%, 06/01/12	B3 1,031
675	Arch Western Finance LLC, Senior Notes, 6.75%, 07/01/13	B1 656
1,225	ESCO Corporation, Senior Notes, 8.625%, 12/15/13 (g)	B2 1,225
350	ESCO Corporation, Senior Notes, 8.866%, 12/15/13 (g)	B2 344
1,125	Foundation PA Coal Company, Senior Notes, 7.25%, 08/01/14	Ba3 1,114
1,375	Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.25%, 04/01/15	Ba3 1,457

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
\$ 6,450	Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375%, 04/01/17	Ba3 \$ 6,918
750	Gerdau Ameristeel Corporation, Senior Notes, 10.375%, 07/15/11	Ba1 788
1,375	Gibraltar Industries, Inc., Senior Subordinated Notes, 8%, 12/01/15	Ba3 1,237
375	Metals USA, Inc., Senior Secured Notes, 11.125%, 12/01/15	B3 390
850	Novelis, Inc., Senior Notes, 7.25%, 02/15/15	B3 801
450	Peabody Energy Corporation, Senior Notes,, 7.375%, 11/01/16	Ba1 462
350	PNA Group, Incorporated 10.375%, 9/01/16	B3 332
550	Ryerson, Inc., Senior Notes, 12%, 11/01/15 (g)	B2 543
575	Steel Dynamics, Inc., Senior Notes, 6.75%, 04/01/15 (g)	Ba2 558
1,150	Steel Dynamics, Inc., Senior Notes, 7.375%, 11/01/12 (g)	Ba2 1,159
575	Tube City IMS Corporation., Senior Subordinated Notes, 9.75%, 02/01/15	B3 523
		<u>19,538</u>
Oil and Gas — 14.14%		
75	AmeriGas Partners, L.P., Senior Notes, 7.125%, 05/20/16	B1 73
1,650	AmeriGas Partners, L.P., Senior Notes, 7.25%, 05/20/15	B1 1,621
875	Bristow Group Inc., Senior Notes, 7.50%, 09/15/17 (g)	Ba2 877
725	Chaparral Energy, Inc., Senior Notes, 8.50%, 12/01/15	Caa1 652

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))	Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
CORPORATE DEBT SECURITIES — continued					
\$ 950			\$ 1,450		
CHC Helicopter Corporation, Senior Subordinated Notes, 7.375%, 05/01/14	B1	\$ 900	Hilcorp Energy I, L.P., Senior Notes, 7.75%, 11/01/15 (g)	B3	\$ 1,421
2,825			450		
Chesapeake Energy Corporation, Senior Notes, 6.50%, 08/15/17	Ba3	2,723	Key Energy Services, Inc., Senior Notes, 8.375%, 12/01/14 (g)	B1	459
1,900			875		
Chesapeake Energy Corporation, Senior Notes, 6.875%, 11/15/20	Ba3	1,829	Offshore Logistics, Inc., Senior Notes, 6.125%, 06/15/13	Ba2	840
1,000			950		
Cimarex Energy Company, Senior Notes, 7.125%, 05/01/17	B1	990	OPTI Canada Inc., Senior Secured Notes, 7.875%, 12/15/14 (g)	B1	927
200			325		
Compagnie Generale De Geophysique-Veritas, Senior Notes, 7.50%, 05/15/15	Ba3	203	OPTI Canada Inc., Senior Secured Notes, 8.25%, 12/15/14 (g)	B1	321
1,275			1,075		
Compagnie Generale De Geophysique-Veritas, Senior Notes, 7.75%, 05/15/17	Ba3	1,289	PetroHawk Energy Corporation, Senior Notes, 9.125%, 07/15/13	B3	1,130
850			1,050		
Complete Production Services, Inc., Senior Notes, 8%, 12/15/16	B2	824	Plains Exploration & Production Co., Senior Notes, 7%, 03/15/17	B1	1,004
1,075			525		
Compton Petroleum Finance Corporation, Senior Notes, 7.625%, 12/01/13	B2	1,016	Range Resources Corporation, Senior Subordinated Notes, 6.375%, 03/15/15	Ba3	511
1,150			575		
Copano Energy, LLC, Senior Notes, 8.125%, 03/01/16	B2	1,161	Range Resources Corporation, Senior Subordinated Notes, 7.50%, 05/15/16	Ba3	584
725			825		
Denbury Resources, Inc., Senior Subordinated Notes, 7.50%, 04/01/13	B1	731	Range Resources Corporation, Senior Subordinated Notes, 7.50%, 10/1/17	Ba3	836
350			850		
Denbury Resources, Inc., Senior Subordinated Notes, 7.50%, 12/15/15	B1	353	Sabine Pass LNG, L.P., Senior Notes, 7.50%, 11/30/16	Ba3	812
575			325		
Encore Acquisition Company, Senior Subordinated Notes, 6.25%, 04/15/14	B1	530	Stallion Oilfield Services, Ltd., Senior Notes, 9.75%, 02/01/15 (g)	Caa1	299
1,075			750		
Encore Acquisition Company, Senior Subordinated Notes, 7.25%, 12/01/17	B1	1,021	Stewart & Stevenson LLC, Senior Notes, 10%, 07/15/14	B3	754
425			175		
Ferrellgas, L.P., Senior Notes, 6.75%, 05/01/14	Ba3	417	Venoco, Inc., Senior Notes, 8.75%, 12/15/11	Caa1	173
1,575			825		
Ferrellgas Partners L.P., Senior Notes, 8.75%, 06/15/12	B2	1,620	W & T Offshore, Inc., Senior Notes, 8.25%, 06/15/14 (g)	B3	773
1,950					<u>31,639</u>
Forest Oil Corp., Senior Notes, 7.25%, 06/15/19 (g)	B1	1,965			

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
CORPORATE DEBT SECURITIES — continued		
Personal, Food and Miscellaneous Services — 4.87%		
\$ 3,425	ARAMARK Corporation, Senior Notes, 8.411%, 02/01/15	B3 \$ 3,314
750	FTD, Inc., Senior Subordinated Notes, 7.75%, 02/15/14	B3 705
800	FTI Consulting, Inc., Senior Notes, 7.625%, 06/15/13	Ba2 820
750	FTI Consulting, Inc., Senior Notes, 7.75%, 10/01/16	Ba2 779
1,100	Mac-Gray Corporation, Senior Notes, 7.625%, 08/15/15	B2 1,064
850	O'Charleys, Inc., Senior Subordinated Notes, 9%, 11/01/13	B1 818
1,550	OSI Restaurant Partners, Inc., Senior Notes, 10%, 06/15/15 (g)	Caa1 1,124
475	Real Mex Restaurants, Inc., Senior Secured Notes, 10%, 04/01/10	Ba3 456
900	Restaurant Company, Senior Notes, 10%, 10/01/13	B3 644
425	West Corporation, Senior Subordinated Notes, 9.50%, 10/15/14	Caa1 415
775	West Corporation, Senior Subordinated Notes, 11%, 10/15/16	Caa1 767
		<u>10,906</u>
Personal Non-Durable Consumer Products — 1.14%		
800	ACCO Brands Corporation, Senior Subordinated Notes, 7.625%, 08/15/15	B2 716
1,100	Bausch & Lomb, Incorporated, Senior Notes, 9.875%, 11/1/15 (g)	Caa1 1,119
50	Jostens Holding Corporation, Senior Notes, 10.25%, 12/01/13 (b)	B3 47
675	Jostens Intermediate Holding Corp., Senior Subordinated Notes, 7.625%, 10/01/12	B1 677
		<u>2,559</u>

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
Personal Transportation — .42%		
\$ 975	Continental Airlines, Inc., Senior Notes, 8.75%, 12/01/11	B3 \$ 929
Printing and Publishing — 6.84%		
428	Affinity Group Holding, Inc., Senior Notes, 10.875%, 02/15/12	Caa1 427
850	Affinity Group Inc., Senior Subordinated Notes, 9%, 02/15/12	B3 808
853	CanWest Media Works, Inc., Senior Subordinated Notes, 8%, 09/15/12	B3 801
850	Deluxe Corporation, Senior Notes, 7.375%, 06/01/15	Ba2 845
800	Dex Media West LLC, Senior Subordinated Notes, 9.875%, 08/15/13	B1 834
725	Hights Cross Communications Operating Company, Senior Notes, 11.75%, 08/15/11	Caa1 741
700	Harland Clarke Holdings Corp., Senior Notes, 9.50%, 05/15/15	Caa1 607
525	Harland Clarke Holdings Corp., Senior Notes, 9.619%, 05/15/15	Caa1 437
3,775	Idearc, Inc., Senior Notes, 8%, 11/15/16	B2 3,454
375	MediaNews Group, Inc., Senior Subordinated Notes, 6.375%, 04/01/14	B3 233
500	MediaNews Group, Inc., Senior Subordinated Notes, 6.875%, 10/01/13	B3 312
300	Nielsen Finance LLC, Senior Notes, 10%, 08/01/14	Caa1 308
575	Quebecor World Capital Corporation, Senior Notes, 6.125%, 11/15/13	Caa3 456
675	Quebecor World, Inc., Senior Notes, 9.75%, 01/15/15 (g)	Caa3 518

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
CORPORATE DEBT SECURITIES — continued		
\$ 1,550	R.H. Donnelley Finance Corporation III, Senior Notes, 6.875%, 01/15/13	B3 \$ 1,381
1,325	R.H. Donnelley Inc., Senior Notes, 8.875%, 10/15/17 (g)	B3 1,232
1,125	Valassis Communications, Inc., Senior Notes, 8.25%, 03/01/15	B3 1,013
925	Windstream Regatta Holdings, Inc., Senior Subordinated Notes, 11%, 12/01/17 (g)	B2 911
		<u>15,318</u>

Retail Stores — 5.06%

1,275	Alimentation Couche-Tard, Inc., Senior Subordinated Notes, 7.50%, 12/15/13	Ba2 1,265
575	AutoNation, Inc. Senior Notes, 7%, 04/15/14	Ba2 545
550	AutoNation, Inc. Senior Notes, 7.243%, 04/15/13	Ba2 509
875	Bon-Ton Stores Inc., Senior Notes, 10.25%, 03/15/14	B3 660
2,480	GameStop Corp., Senior Notes, 8%, 10/01/12	Ba3 2,582
1,150	Leslie's Poolmart, Inc., Senior Notes, 7.75%, 02/01/13	B2 1,098
1,400	Nebraska Book Company, Inc., Senior Subordinated Notes, 8.625%, 03/15/12	B3 1,346
1,025	Neiman Marcus Group, Inc., Senior Notes, 9%, 10/15/15	B2 1,056
50	Payless Shoesource, Inc., Senior Subordinated Notes, 8.25%, 08/01/13	B3 47
800	Sally Holdings, LLC, Senior Notes, 9.25%, 11/15/14	B3 792
388	Susser Holdings, LLC, Senior Notes, 10.625%, 12/15/13	B3 402

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
\$ 975	Yankee Candle Company, Inc., Senior Notes, 8.50%, 02/15/15	B3 \$ 898
150	Yankee Candle Company, Inc., Senior Subordinated Notes, 9.75%, 02/15/17	Caa1 137
		<u>11,337</u>

Telecommunications — 15.07%

1,025	ALLTEL Corporation, Senior Notes, 7%, 07/0/12	Caa1 884
875	Broadview Networks Holdings, Inc., Senior Secured Notes, 11.375%, 09/01/12	B3 912
1,075	Centennial Cellular Operating Co. LLC, Senior Notes, 10.125%, 06/15/13	B2 1,123
950	Centennial Communications Corp., Senior Notes, 10%, 01/01/13	Caa1 986
900	Citizens Communications Company, Senior Notes, 6.625%, 03/15/15	Ba2 864
2,450	Citizens Communications Company, Senior Notes, 7.125%, 03/15/19	Ba2 2,346
1,000	Citizens Communications Company, Senior Notes, 9%, 08/15/31	Ba2 1,005
1,625	Cricket Communications, Inc., Senior Notes, 9.375%, 11/01/14	Caa1 1,528
1,750	Cricket Communications, Inc., Senior Notes, 9.375%, 01/15/14 (g)	Caa1 1,645
1,475	Digicel Limited, Senior Notes, 9.25%, 09/01/12 (g)	B3 1,503
900	Digicel Group Limited, Senior Notes, 8.875%, 01/15/15 (g)	Caa2 836
850	GCI, Inc., Senior Notes, 7.25%, 02/15/14	B1 773
875	iPCS, Inc., Senior Secured Notes, 7.036%, 05/01/13	B1 823
825	iPCS, Inc., Senior Secured Notes, 8.161%, 05/01/14	Caa1 771

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
CORPORATE DEBT SECURITIES — continued		
\$ 183	Level 3 Communications, Inc., Subordinated Notes, 6%, 03/15/10	Caa3 \$ 167
192	Level 3 Communications, Inc., Subordinated Notes, 6%, 09/15/09	Caa3 180
3,275	MetroPCS Wireless, Inc., Senior Notes, 9.25%, 11/01/14	Caa1 3,078
1,750	Nordic Telephone Company Holdings ApS., Senior Notes, 8.875%, 05/01/16 (g)	B2 1,803
225	PAETEC Holding Corporation, Senior Notes, 9.50%, 07/15/15 (g)	Caa1 220
1,100	Qwest Corporation, Senior Notes, 7.50%, 10/01/14	Ba1 1,114
500	Qwest Corporation, Senior Notes, 7.875%, 09/01/11	Ba1 518
825	Qwest Corporation, Senior Notes, 8.241%, 06/15/13	Ba1 844
975	Qwest Corporation, Senior Notes, 8.875%, 03/15/12	Ba1 1,041
625	Time Warner Telecom Holdings, Inc., Senior Notes, 9.25%, 02/15/14	B3 641
1,075	Triton PCS, Inc., Senior Notes 8.50%, 06/01/13	Caa2 1,118
500	Valor Telecommunications Enterprise, LLC, Senior Notes, 7.75%, 02/15/15	Baa3 534
1,525	Wind Acquisition Finance S.A., Senior Notes, 10.75%, 12/01/15 (g)	B2 1,662
3,850	Windstream Corporation, Senior Notes, 8.625%, 08/01/16	Ba3 4,042
800	Windstream Corporation, Senior Notes, 7%, 03/15/19	Ba3 766
		<u>33,727</u>

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
Textiles and Leather — .58%		
\$ 500	AGY Holding Corp., Senior Secured Notes, 11%, 11/15/14 (g)	B2 \$ 485
100	Interface, Inc., Senior Subordinated Notes, 9.50%, 02/01/14	B3 104
759	Rafaella Apparel Group, Inc., Senior Secured Notes, 11.25%, 06/15/11	B2 698
		<u>1,287</u>
Utilities — 11.37%		
1,075	AES Corporation, Senior Notes, 9.375%, 09/15/10	B1 1,129
1,350	Dynegy Holdings Inc., Senior Notes 7.50%, 06/01/15	B2 1,269
2,100	Dynegy Holdings Inc., Senior Notes 7.75%, 06/01/19	B2 1,943
2,750	Energy Future Holding Corporation, Senior Notes, 10.875%, 11/1/17 (g)	B3 2,764
2,450	Energy Future Holding Corporation, Senior Notes, 11.25%, 11/1/17 (g)	B3 2,481
500	Mirant Americas Generation, LLC, Senior Notes, 8.30%, 05/01/11	B3 504
775	Mirant North America, LLC, Senior Notes, 7.375%, 12/31/13	B1 779
1,275	NRG Energy, Inc., Senior Notes, 7.25%, 02/01/14	B1 1,243
5,800	NRG Energy, Inc., Senior Notes, 7.375%, 02/01/16	B1 5,669
1,650	Orion Power Holdings, Inc., Senior Notes, 12%, 05/01/10	B2 1,803
650	Reliant Energy, Inc., Senior Notes, 6.75%, 12/15/14	B2 653
900	Reliant Energy, Inc., Senior Notes, 7.625%, 06/15/14	B3 893
800	Reliant Energy, Inc., Senior Notes, 7.875%, 06/15/17	B3 794

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
CORPORATE DEBT SECURITIES — continued		
\$ 225	Sierra Pacific Resources, Senior Notes, 7.803%, 06/15/12	Ba3 \$ 235
2,050	Sierra Pacific Resources, Senior Notes, 8.625%, 03/15/14	Ba3 2,188
925	Texas Competitive Electric Holdings, Senior Notes, 10.25%, 11/01/15 (g)	B3 916
175	Williams Companies, Inc., Senior Notes, 7.625%, 07/15/19	Baa3 189
		<u>25,452</u>
Total Corporate Debt Securities (Total cost of \$318,512)		<u>309,287</u>

BANK DEBT SECURITIES — 13.37% (d)

Automobile — .42%

1,000	Allison Transmission, Inc., 7.965%, 08/07/14 (h)	B1 931
-------	--	--------

Broadcasting and Entertainment — 1.67%

748	Local TV Finance, LLC, 7.31%, 05/07/13 (h)	B2 703
1,000	NV Broadcasting, 8.13%, 10/26/13 (h)	(e) 980
2,250	Univision Communications, Inc., 7.207%, 09/29/14 (h)	Ba3 2,047
		<u>3,730</u>

Containers, Packaging and Glass — .33%

750	NewPage Corporation, 8.891%, 11/5/14 (h)	(e) 744
-----	--	---------

Diversified/Conglomerate Service — .72%

1,750	First Data Corporation, 7.58%, 09/24/14 (h)	Ba3 1,606
-------	---	-----------

Electronics — 1.20%

742	Infor Enterprise Solutions Holdings, Inc., 8.58%, 07/28/12 (h)	B3 703
500	Infor Global Solutions, Inc., 11.08%, 03/15/14 (h)	Caa2 445
2,000	Palm Inc., 8.35%, 04/24/14 (h)	Ba3 1,540
		<u>2,688</u>

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1(a))
Healthcare, Education and Childcare — 1.51%		
\$ 1,000	Biomet, Inc., 7.926%, 03/25/15 (h)	B1 \$ 989
750	Cengage Learning, Inc., 7.598%, 07/15/14 (h)	B1 708
245	Education Management LLC, 6.625%, 06/01/13 (h)	B2 232
1,500	Laureate Education, Inc., 8.729%, 08/17/14 (h)	B1 1,440
		<u>3,369</u>

Hotels, Motels, Inns and Gaming — .31%

750	Fontainebleau Las Vegas, LLC, 8.40%, 06/06/14 (h)	B2 699
-----	---	--------

Leisure, Amusement and Entertainment — .41%

1,000	Town Sports International LLC, 6.938%, 08/27/13 (h)	Ba2 920
-------	---	---------

Oil and Gas — 1.52%

500	Dresser, Inc., 11.129%, 05/04/15 (h)	B3 481
1,500	SandRidge Energy, Inc., 8.625%, 04/01/15 (h)	B3 1,478
750	SandRidge Energy, Inc., 8.854%, 04/01/14 (h)	B3 739
750	Stallion Oilfield Services LTD, 9.384%, 08/01/12 (h)	B3 705
		<u>3,403</u>

Personal, Food and Miscellaneous Services — .10%

249	OSI Restaurant Partners, Inc., 7.125%, 06/14/14 (h)	Ba3 228
-----	---	---------

Personal Non-Durable Consumer Products — .44%

1,000	Bausch & Lomb, Inc., 8.08%, 04/11/15 (h)	B1 995
-------	--	--------

Printing and Publishing — .20%

498	Penton Media, Inc., 7.105%, 02/01/13 (h)	B1 449
-----	--	--------

Retail Stores — .32%

750	Neiman Marcus Group, Inc., 6.939%, 04/08/13 (h)	B2 720
-----	---	--------

Telecommunications — 1.29%

1,737	MetroPCS Wireless, Inc., 7.188%, 11/03/13 (h)	B3 1,670
500	Telesat Canada, 7.948%, 11/15/14 (h)	B1 487
750	Trilogy International Partners LLC, 8.33%, 06/27/12 (h)	B2 719
		<u>2,876</u>

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

Principal Amount/Units		Moody's Rating (Unaudited)	Value (Note 1(a))
BANK DEBT SECURITIES — continued			
Utilities — 2.93%			
\$ 1,750	NRG Energy, Inc., 7.071%, 02/01/13 (h)	Ba1	\$ 1,658
250	NRG Energy, Inc., 7.86%, 02/01/14 (h)	B2	237
2,500	Texas Competitive Electric Holdings LLC B-2 8.396%, 10/10/14 (h)	Ba3	2,452
2,250	Texas Competitive Electric Holdings LLC B-3 8.396%, 10/10/14 (h)	Ba3	<u>2,209</u>
			<u>6,556</u>
	Total Bank Debt Securities (Total cost of \$31,222)		<u>29,914</u>

Shares

PREFERRED STOCK — .36% (d)			
Automobile — .14%			
16,400	General Motors Corporation, Senior Convertible, Series C, Preferred Stock, 6.25%	Caa1	<u>321</u>
Banking — 0.00%			
57,935	WestFed Holdings, Inc., Cumulative, Series A, Preferred Stock, 15.50% (a)(c)	(e)	<u>—</u>
Broadcasting and Entertainment — .22%			
483	Spanish Broadcasting System, Inc., Series B, Preferred Stock, 10.75%	Caa1	<u>490</u>
	Total Preferred Stock (Total cost of \$5,834)		<u>811</u>

COMMON STOCK and WARRANTS — .30% (d)

32,675	B&G Foods, Inc., Enhanced Income Security		584
27,474	WestFed Holdings, Inc., Common Stock (a)(c)		—
10,052	WKI Holding Company, Inc., Common Stock (c)(f)(h)		<u>90</u>
	Total Common Stock and Warrants (Total cost of \$2,980)		<u>674</u>

Principal Amount		Moody's Rating (Unaudited)	Value (Note 1(a))
SHORT-TERM INVESTMENTS — 5.71% (d)			
\$ 2,000	Alpine Securitization Corp., Commercial Paper, Due 01/24/08, Discount of 4.83%	P-1	\$ 1,994
1,000	Atlantic Asset Securitization LLC, Commercial Paper, Due 01/18/08, Discount of 5.55%	P-1	998
1,000	Bryant Park Funding LLC, Commercial Paper, Due 01/17/08, Discount of 5.04% (g)	P-1	998
2,000	CAFCO, LLC, Commercial Paper, Due 01/11/08, Discount of 4.72%	P-1	1,997
2,000	Electricite de France, Commercial Paper, Due 01/15/08, Discount of 4.95%	P-1	1,996
2,000	KFW International Finance, Inc., Commercial Paper, Due 01/10/08, Discount of 4.52%	P-1	1,998
798	NSTAR, Commercial Paper, Due 01/02/08, Discount of 3.75%	P-1	798
1,000	Park Avenue Receivables Company LLC, Commercial Paper, Due 01/07/08, Discount of 4.95% (g)	P-1	999
1,000	Solitaire Funding Limited, Commercial Paper, Due 01/22/08, Discount of 4.87% (g)	P-1	<u>997</u>
	Total Short-Term Investments (Total cost of \$12,775)		<u>12,775</u>
	TOTAL INVESTMENTS (Total cost of \$371,323)		<u>\$353,461</u>

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

Schedule of Investments — December 31, 2007 — Continued (Dollar Amounts in Thousands)

- (a) Denotes issuer is in bankruptcy proceedings. Income is not being accrued.
- (b) Securities are step interest bonds. Interest on these bonds accrues based on the effective interest method which results in a constant rate of interest being recognized.
- (c) Security is valued at fair value using methods determined by the Board of Directors. The total value of these securities at December 31, 2007 was \$90.
- (d) Percentages indicated are based on total net assets to common shareholders of \$223,822.
- (e) Not rated.
- (f) Non-income producing.
- (g) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold, normally to qualified institutional buyers in transactions exempt from registration. Unless otherwise noted, 144A Securities are deemed to be liquid. See Note 1 of the Notes to Financial Statements for valuation policy. Total market value of Rule 144A securities amounted to \$66,509 as of December 31, 2007.
- (h) Restricted as to public resale. The total value of restricted securities owned at December 31, 2007 was \$30,004 or 13.41% of total net assets to common shareholders.
- (i) Pay-In-Kind Security

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

**Statement of Assets and Liabilities
December 31, 2007**

(Dollars in thousands, except per share amounts)

Assets:	
INVESTMENTS IN SECURITIES, at value (Identified cost of \$371,323 see Schedule of Investments and Notes 1 and 2)	\$ 353,461
CASH	180
RECEIVABLES:	
Investment securities sold	253
Interest and dividends	6,301
Swap settlement	143
PREPAID EXPENSES	<u>26</u>
Total assets	<u>\$ 360,364</u>
Liabilities:	
PAYABLES:	
Investment securities purchased	\$ 3,931
Dividend on common stock	1,755
Dividend on preferred stock	272
INTEREST RATE SWAP, at fair value (Note 6)	289
ACCRUED EXPENSES (Note 3)	230
ACCRUED OFFERING EXPENSES (Note 10)	<u>65</u>
Total liabilities	<u>\$ 6,542</u>
Auction Term Preferred Stock:	
\$1.00 par value, 1,000,000 shares authorized, 5,200 shares issued and outstanding, liquidation preference of \$25,000 per share (Notes 4 and 5)	<u>\$ 130,000</u>
Net Assets	<u>\$ 223,822</u>
Represented By:	
COMMON STOCK:	
\$0.01 par value, 200,000,000 shares authorized, 115,092,801 shares issued and outstanding	\$ 1,151
CAPITAL IN EXCESS OF PAR VALUE	386,942
UNDISTRIBUTED NET INVESTMENT INCOME (Note 2)	(917)
ACCUMULATED NET REALIZED LOSS FROM SECURITIES TRANSACTIONS (Note 2)	(145,203)
NET UNREALIZED DEPRECIATION ON INVESTMENTS AND INTEREST RATE SWAPS	<u>(18,151)</u>
Net Assets Applicable To Common Stock (Equivalent to \$1.94 per share, based on 115,092,801 shares outstanding)	<u>\$ 223,822</u>

**Statement of Operations
For the Year Ended
December 31, 2007**

(Dollars in thousands)

Investment Income: (Note 1)	
Interest income	\$ 27,046
Other income	876
Dividend income	<u>194</u>
Total investment income	<u>\$ 28,116</u>
Expenses:	
Cost of leverage:	
Preferred and auction fees (Note 5)	\$ 330
Total cost of leverage	<u>\$ 330</u>
Professional services:	
Management (Note 3)	\$ 1,191
Custodian and transfer agent	226
Legal (Note 8)	146
Audit	<u>54</u>
Total professional services	<u>\$ 1,617</u>
Administrative:	
General administrative (Note 8)	\$ 505
Directors	212
NYSE	93
Shareholder communications	58
Shareholder meeting	40
Miscellaneous	<u>40</u>
Total administrative	<u>\$ 948</u>
Total expenses	<u>\$ 2,895</u>
Net investment income	<u>\$ 25,221</u>
Realized and Unrealized Gain (Loss) on Investment Activities:	
Realized gain on investments, net	\$ 1,913
Net swap settlement receipts (Note 6)	<u>\$ 1,988</u>
Change in net unrealized depreciation on investments	\$(17,359)
Change in unrealized depreciation on interest rate swap agreement	<u>(4,472)</u>
Total change in net unrealized depreciation on investments and interest rate swap	<u>\$(21,831)</u>
Net loss on investments and interest rate swap	<u>\$(17,930)</u>
Cost of Preferred Leverage	
Distributions to preferred stockholders	<u>\$ (7,366)</u>
Net decrease in net assets resulting from operations	<u>\$ (75)</u>

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

Statements of Changes in Net Assets (Dollars in thousands, except per share amounts)

	For the Year Ended December 31, 2007	For the Year Ended December 31, 2006
From Operations:		
Net investment income	\$ 25,221	\$ 23,504
Realized gain on investments, net.	1,913	556
Net swap settlement receipts	1,988	1,680
Change in net unrealized depreciation on investments and other financial instruments	(21,831)	7,014
Distributions from net investment income related to preferred stock		
Dividends to preferred stockholders	<u>(7,366)</u>	<u>(6,557)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ (75)</u>	<u>\$ 26,197</u>
From Fund Share Transactions:		
Proceeds from rights offering (18,593,349 shares), net of \$385 of offering costs (Note 10) . .	\$ 33,641	—
Net asset value of 1,001,260 shares and 1,173,203 shares issued to common stockholders for reinvestment of dividends in 2007 and 2006, respectively	<u>2,204</u>	<u>2,527</u>
Increase in net assets resulting from fund share transactions	<u>\$ 35,845</u>	<u>\$ 2,527</u>
Distributions to Common Stockholders:		
From net investment income (\$.21 and \$.21 per share in 2007 and 2006, respectively) . .	<u>\$ (20,947)</u>	<u>\$ (20,274)</u>
Total net increase in net assets	<u>\$ 14,823</u>	<u>\$ 8,450</u>
Net Assets Applicable to Common Stock:		
Beginning of period	<u>\$208,999</u>	<u>\$200,549</u>
End of period (Including \$(917) and \$(1,539) of accumulated deficit of net investment income at December 31, 2007 and December 31, 2006, respectively)	<u>\$223,822</u>	<u>\$208,999</u>

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

Financial Highlights

Selected Per Share Data and Ratios

For Each Share of Common Stock Outstanding Throughout the Period

	For the Years Ended December 31,				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003 (b)</u>
NET ASSET VALUE:					
Beginning of period	\$ 2.19	\$ 2.13	\$2.26	\$ 2.19	\$ 1.89
NET INVESTMENT INCOME . . . . .	.25#	.25	.25	.26	.26#
NET REALIZED AND UNREALIZED GAIN (LOSS)					
ON INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS	(.20)#	.07	(.11)	.09	.34
DISTRIBUTIONS FROM NET INVESTMENT INCOME RELATED					
TO PREFERRED STOCK:	(.05)	(.05)	(.05)	(.05)	(.06)
TOTAL FROM INVESTMENT OPERATIONS	—	.27	.09	.30	.54
DISTRIBUTIONS TO COMMON SHAREHOLDERS:					
From net investment income	(.21)	(.21)	(.22)	(.23)	(.22)
TOTAL DISTRIBUTIONS	(.21)	(.21)	(.22)	(.23)	(.22)
Effect of rights offering and related expenses; and Auction Term					
Preferred Stock offering costs and sales load	(.04)	—	—	—	(.02)
NET ASSET VALUE:					
End of period	<u>\$ 1.94</u>	<u>\$ 2.19</u>	<u>\$2.13</u>	<u>\$ 2.26</u>	<u>\$ 2.19</u>
PER SHARE MARKET VALUE:					
End of period	<u>\$ 1.71</u>	<u>\$ 2.26</u>	<u>\$2.03</u>	<u>\$ 2.19</u>	<u>\$ 2.16</u>
TOTAL INVESTMENT RETURN†	<u>(16.34)%</u>	<u>22.82%</u>	<u>2.47%</u>	<u>12.80%</u>	<u>19.23%</u>

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

Financial Highlights

Selected Per Share Data and Ratios

For Each Share of Common Stock Outstanding Throughout the Period — Continued

	For the Years Ended December 31,				
	2007	2006	2005	2004	2003 (b)
NET ASSETS, END OF PERIOD, APPLICABLE TO COMMON STOCK (a)	<u>\$223,822</u>	<u>\$208,999</u>	<u>\$200,549</u>	<u>\$212,165</u>	<u>\$204,705</u>
NET ASSETS, END OF PERIOD, APPLICABLE TO PREFERRED STOCK (a)	<u>\$130,000</u>	<u>\$130,000</u>	<u>\$130,000</u>	<u>\$130,000</u>	<u>\$130,000</u>
TOTAL NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK, END OF PERIOD (a)	<u>\$353,822</u>	<u>\$338,999</u>	<u>\$330,549</u>	<u>\$342,165</u>	<u>\$334,705</u>
EXPENSE RATIOS:					
Ratio of preferred and other leverage expenses to average net assets* .....	.15%	.16%	.16%	.15%	.16%
Ratio of operating expenses to average net assets*	<u>1.19%</u>	<u>1.21%</u>	<u>1.23%</u>	<u>1.27%</u>	<u>1.56%</u>
RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS*	<u>1.34%</u>	<u>1.37%</u>	<u>1.39%</u>	<u>1.42%</u>	<u>1.72%</u>
RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS*	11.66%	11.54%	11.48%	12.02%	12.81%
RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK .....	.84%	.84%	.85%	.87%	1.05%
RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK	7.28%	7.05%	7.03%	7.38%	7.79%
PORTFOLIO TURNOVER RATE	67.25%	64.08%	61.54%	70.90%	120.47%

(a) Dollars in thousands.

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

* Ratios calculated on the basis of expenses and net investment income applicable to the common shares relative to the average net assets of the common stockholders only.

Calculation is based on average shares outstanding during the indicated period due to the per share effect of the Fund's August, 2003 and September, 2007 rights offering.

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

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

**Information Regarding
Senior Securities**

	As of December 31,				
	2007	2006	2005	2004	2003
TOTAL AMOUNT OUTSTANDING:					
Preferred Stock	\$130,000,000	\$130,000,000	\$130,000,000	\$130,000,000	\$130,000,000
ASSET COVERAGE:					
Per Preferred Stock Share (1)	\$ 68,043	\$ 65,192	\$ 63,567	\$ 65,801	\$ 64,366
INVOLUNTARY LIQUIDATION PREFERENCE:					
Per Preferred Stock Share (2)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
APPROXIMATE MARKET VALUE:					
Per Preferred Stock Share (2)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000

(1) Calculated by subtracting the Fund's total liabilities from the Fund's total assets and dividing such amount by the number of Preferred Shares outstanding.

(2) Plus accumulated and unpaid dividends.

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

Notes to Financial Statements December 31, 2007

(1) Significant Accounting and Other Policies

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

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

The Fund may focus its investments in certain industries, subjecting it to greater risk than a Fund that is more diversified. See the schedule of investments for information on individual securities as well as industry diversification and credit quality ratings.

The Fund's financial statements have been prepared in conformity with accounting principles generally accepted in the United States for investment companies that require the management of the Fund to, among other things, make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date

of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

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

(a) *Valuation of Investments*—Investments for which market quotations are readily available are stated at market value, which is determined by using the most recently quoted bid price provided by an independent pricing service or principal market maker. Independent pricing services provide market quotations based primarily on quotations from dealers and brokers, market transactions, accessing data from quotations services, offering sheets obtained from dealers and various relationships between securities. Short-term investments with original maturities of 60 days or less are stated at amortized cost, which approximates market value. Following procedures approved by the Board of Directors, investments for which market quotations are not readily available (primarily fixed-income corporate bonds and notes) are stated at fair value on the basis of subjective valuations furnished by securities dealers and brokers. Other investments, for which market quotations are not readily available with a cost of approximately \$7,214,000 and a value of \$90,000, are valued in good faith at fair market value using methods determined by the Board of Directors.

(b) *Securities Transactions and Net Investment Income*—Securities transactions are recorded on trade date. Realized gains or losses on sales of securities are calculated on the identified cost basis. Interest income is accrued on a daily basis. Discount on short-term investments is amortized to investment income. Premiums or discounts on corporate debt securities are amortized based on the interest method for financial reporting purposes. All income on original issue

Notes to Financial Statements — Continued

December 31, 2007

discount and step interest bonds is accrued based on the effective interest method. The Fund does not amortize market premiums or discounts for tax purposes. Dividend payments received in the form of additional securities are recorded on the ex-dividend date in an amount equal to the value of the security on such date.

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

(d) *New Accounting Pronouncements*—Effective June 29, 2007, the Fund adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*, a clarification of FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 establishes financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. FIN 48 applies to all open tax years as of the date of effectiveness. Management has reviewed the Fund's tax positions for all open tax years (tax years ended December 31, 2003-2007) for purposes of implementing FIN 48, and has concluded that no provision for income tax is required in the Fund's financial statements.

In September 2006, the FASB released the Statement of Financial Accounting Standard No. 157 ("FAS 157"), *Fair Value Measurements*. FAS 157 clarifies the definition of fair value and establishes the framework for measuring fair value, as well as proper disclosure of this methodology in the financial statements. It will be effective for the Fund's fiscal year beginning January 1, 2008. Management is evaluating the effects of FAS 157; however it is not expected to have a material impact on the Fund's net assets or results of operations.

(2) Tax Matters and Distributions

At December 31, 2007, the total cost of securities (including temporary cash investments) for federal income tax purposes was approximately \$372,192,000. Aggregate gross unrealized gain on securities in which there was an excess of value over tax cost was approximately \$2,403,000. Aggregate unrealized loss on securities in which there was an excess of tax cost over value was approximately \$21,134,000. Net unrealized loss on investments for tax purposes at December 31, 2007 was approximately \$18,731,000.

At December 31, 2007, the Fund had approximate capital loss carryovers available to offset future capital gains, if any, to the extent provided by regulations:

<u>Carryover Available</u>	<u>Expiration Date</u>
\$ 21,821,000	December 31, 2008
67,043,000	December 31, 2009
45,239,000	December 31, 2010
7,387,000	December 31, 2011
125,000	December 31, 2012
954,000	December 31, 2013
<u>1,481,000</u>	December 31, 2014
<u>\$144,050,000</u>	

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

The tax character of distributions paid to common and preferred shareholders of approximately \$28,257,000 and \$26,777,000 in 2007 and 2006, respectively, was from ordinary income.

As of December 31, 2007, the components of distributable earnings on a tax basis were approximately:

Undistributed Net Investment Income	\$ 208,000
Undistributed Long-Term Gain	—
Unrealized Loss	\$ (19,020,000)
Post-October Losses	\$ (1,137,000)
Preferred Dividend Payable	\$ (272,000)
Capital Losses Carry Forward	\$(144,050,000)

Notes to Financial Statements — Continued

December 31, 2007

The difference between components of distributable earnings on a tax basis and the amounts reflected in the Statement of Assets and Liabilities are primarily due to market discount adjustments, and deductibility of preferred stock dividends. The Fund has recorded several reclassifications in the capital accounts to present undistributed net investment income and accumulated net realized losses on a tax basis. These reclassifications have no impact on the net asset value of the Fund. For the year ended December 31, 2007, permanent differences between book and tax accounting have been reclassified as follows:

Increase (decrease) in:

Undistributed net investment income	\$ 1,726,000
Accumulated net realized loss from securities transactions	\$ 32,515,000
Capital in excess of par value	\$(34,241,000)

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

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

(3) Investment Advisory Agreement

T. Rowe Price Associates, Inc. (T. Rowe Price), the Fund's Investment Advisor, earned approximately \$1,191,000 in management fees during the year ended December 31, 2007. Management fees paid by the Fund to T. Rowe Price were calculated at 0.50% on the

first \$50,000,000 of the Fund's average weekly net assets, 0.40% on the next \$50 million and 0.30% on average weekly net assets in excess of \$100 million. T. Rowe Price's fee is calculated based on assets attributable to the Fund's common and auction term preferred stock. At December 31, 2007, the fee payable to T. Rowe Price was approximately \$104,000, which was included in accrued expenses on the accompanying statement of assets and liabilities.

(4) Auction Term Preferred Stock (ATP)

The Fund had 5,200 shares of ATP issued and outstanding at December 31, 2007. The ATP's dividends are cumulative at a rate determined at an auction, and dividend periods will typically be 28 days unless notice is given for periods to be longer or shorter than 28 days. Dividend rates ranged from 5.22% – 7.25% for the year ended December 31, 2007. The average dividend rate as of December 31, 2007 was 6.27%.

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

(5) ATP Auction-Related Matters

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

Notes to Financial Statements — Continued

December 31, 2007

appointed by the Fund. The Fund may also replace BTC as auction agent at any time.

After each auction, BTC will pay to each broker-dealer, from funds provided by the Fund, a maximum service charge at the annual rate of 0.25 of 1% or such other percentage subsequently agreed to by the Fund and the broker-dealers, of the purchase price of shares placed by such broker-dealers at such auction. In the event an auction scheduled to occur on an auction date fails to occur for any reason, the broker-dealers will be entitled to service charges as if the auction had occurred and all holders of shares placed by them had submitted valid hold orders. The Fund incurred approximately \$330,000 for service charges for the year ended December 31, 2007. This amount is included under the caption preferred and auction fees in the accompanying statement of operations.

(6) Interest Rate Swaps

The Fund entered into an interest payment swap arrangement with Fleet National Bank (Fleet) for the purpose of partially hedging its dividend payment obligations with respect to the ATP. Pursuant to the Swap Arrangement the Fund makes payments to Fleet on a monthly basis at a fixed annual rate. In exchange for such payment Fleet makes payments to the Fund on a monthly basis at a variable rate determined with reference to one month LIBOR. The variable rates ranged from 4.6875% to 5.765% for the year ended December 31, 2007. The effective date, notional amount, maturity and fixed rate of the swap is as follows:

Effective Date	Notional Contract Amount	Maturity	Fixed Annual Rate
11/5/04	\$130 million	11/5/09	3.775%

Swap transactions, which involve future settlement, give rise to credit risk. Credit risk is the amount of loss the Fund would incur in the event counterparties failed to perform according to the terms of the contractual commitments. In the event of nonperformance by the counterparty, the Fund's dividend payment obligation with respect to the ATP would no longer be partially hedged.

Therefore, the ATP dividend would no longer be partially fixed. In an unfavorable interest rate environment, the Fund would be subject to higher net ATP dividend payments, resulting in less income available for the common share dividend. The Fund does not anticipate nonperformance by any counterparty. While notional contract amounts are used to express the volume of interest rate swap agreements, the amounts potentially subject to credit risk, in the event of nonperformance by counterparties, are substantially smaller.

The Fund recognizes all freestanding derivative instruments in the balance sheet as either assets or liabilities and measures them at fair value. Any change in the unrealized gain or loss is recorded in current earnings. For the year ended December 31, 2007, the Fund's obligations under the swap agreements were less than the amount received from Fleet by approximately \$1,988,000 and such amount is included in the accompanying statement of operations.

The estimated fair value of the interest rate swap agreement at December 31, 2007 amounted to approximately \$289,000 of unrealized loss and is presented in the accompanying balance sheet.

(7) Purchases and Sales of Securities

Purchases and proceeds of sales or maturities of long-term securities during the year ended December 31, 2007 were approximately:

Cost of purchases	\$ 250,750,000
Proceeds of sales or maturities	\$ 218,986,000

(8) Related Party Transactions

A partner of Goodwin Procter LLP, counsel to the Fund, serves as a Director of the Fund. Fees earned by Goodwin Procter LLP amounted to approximately \$95,000 for the year ended December 31, 2007.

The Fund paid approximately \$312,000 during the year ended December 31, 2007 to two officers of the Fund for the provision of certain administrative services.

Notes to Financial Statements — Continued
December 31, 2007

(9) Investments in Restricted Securities

(Dollars in thousands)

The Fund is permitted to invest in restricted securities. The total restricted securities (excluding 144A issues) at December 31, 2007 amounts to \$30,004 and represents 13.41% of net assets to common shareholders.

Description	Acquisition Date	Principal Amount/ Shares	Acquisition Cost	Value	Description	Acquisition Date	Principal Amount/ Shares	Acquisition Cost	Value
Allison Transmission, Inc., 7.965%, 08/07/14	10/15/07	\$1,000	\$ 983	\$ 931	NewPage Corporation, 8.891%, 11/5/14	12/7/07	\$ 750	\$ 728	\$ 744
Bausch & Lomb, Inc., 8.08%, 04/11/15	10/22/07-12/11/07	1,000	998	995	NRG Energy, Inc., 7.071%, 02/01/13	6/8/07	1,750	1,750	1,658
Biomet, Inc., 7.926%, 03/25/15	12/19/07	1,000	991	989	NRG Energy, Inc., 7.86%, 02/01/14	6/8/07	250	250	237
Cengage Learning, Inc., 7.598%, 07/15/14	6/27/07	750	743	708	NV Broadcasting 8.13%, 10/26/13	10/26/07-10/29/07	1,000	988	980
Dresser, Inc., 11.129%, 05/04/15	5/4/07	500	500	481	OSI Restaurant Partners, Inc., 7.125%, 06/14/14	5/4/07	249	249	228
Education Management LLC, 6.625%, 06/01/13	8/7/07	245	233	232	Palm Inc. 8.35%, 04/24/14	11/1/07	2,000	1,800	1,540
First Data Corporation, 7.58%, 09/24/14	11/1/2007-11/6/07	1,750	1,686	1,606	Penton Media, Inc., 7.105%, 02/01/13	2/6/07	498	498	449
Fontainebleau Las Vegas, LLC, 8.40%, 06/06/14	5/24/07-9/20/07	750	738	699	SandRidge Energy, Inc., 8.625%, 04/01/15	3/8/07-3/9/07	1,500	1,506	1,478
Infor Enterprise Solutions Holdings, Inc., 8.58%, 07/28/12	7/25/06	742	743	703	SandRidge Energy, Inc., 8.854%, 04/01/14	3/8/07	750	750	739
Infor Global Solutions, Inc., 11.08%, 03/15/14	3/1/07	500	505	445	Stallion Oilfield Services LTD, 9.384%, 08/01/12	7/18/07	750	735	705
Laureate Education, Inc., 8.729%, 08/17/14	9/20/07	1,500	1,444	1,440	Telesat Canada, 7.948%, 11/15/14	10/15/07	500	490	487
Local TV Finance, LLC, 7.31%, 05/07/13	5/7/07-5/17/07	748	749	703	Texas Competitive Electric Holdings LLC B-2 8.396%, 10/10/14	10/24/07	2,500	2,494	2,452
MetroPCS Wireless, Inc., 7.188%, 11/03/13	2/21/2007-2/27/07	1,737	1,759	1,670	Texas Competitive Electric Holdings LLC B-3 8.396%, 10/10/14	10/31/07	2,250	2,250	2,209
Neiman Marcus Group, Inc., 6.939%, 04/08/13	8/15/07-8/22/07	750	733	720	Town Sports International LLC, 6.938%, 08/27/13	9/21/07	1,000	955	920
					Trilogy International Partners LLC, 8.33%, 06/27/12	6/22/07-6/27/07	750	750	719
					Univision Communications, Inc., 7.207%, 09/29/14	3/16/07-10/9/07	2,250	2,228	2,047
					WKI Holding Company, Inc., Common Stock	3/13/03	10	2,295	90
					Total				\$30,004

Notes to Financial Statements — Continued
December 31, 2007

(10) Rights Offering

The Fund issued to stockholders of record as of the close of business on July 24, 2007, rights to subscribe for an aggregate of 32,143,181 shares of common stock, \$.01 par value per share, of the Fund. One right was issued for each three full shares of common stock beneficially held on the record date. Due to market conditions the Fund extended the expiration date of its transferable rights offering from August 20, 2007 to September 17, 2007. The rights entitled a stockholder to acquire at the subscription price of \$1.83 per share one share for each right held. The subscription price was 94% of the average of the last reported sales price of a share on the New York Stock Exchange on the expiration date (September 17, 2007) and on the previous 9 business days. On September 21, 2007 the Fund completed its rights offering. Proceeds of approximately \$34,026,000 and shares of 18,593,349 were recorded. Deferred offering expense of approximately \$385,000 was netted against the rights offering proceeds.

Notes to Financial Statements — Continued
Supplemental Information (Unaudited)

Availability of Portfolio Holdings

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

Compliance Certifications

On June 20, 2007, your Fund submitted a CEO annual certification to the New York Stock Exchange (NYSE) on which the Fund's principal executive officer certified that he was not aware, as of that date, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures and internal control over financial reporting.

Common and Auction Term Preferred Stock Transactions

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

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

Notes to Financial Statements — Continued
Supplemental Information (Unaudited)

Information About the Review and Approval of the Fund's Investment Advisory Agreement

On October 25, 2007 the Board of Directors, including all of the Directors that are not “interested persons” of the Fund (the “Independent Directors”), approved the continuation of the Advisory Agreement with the Adviser. In considering this action, the Directors requested and reviewed a variety of materials relating to the Fund and the Adviser, including comparative performance, fee and expense information for a group of closed-end high yield debt funds with leveraged capital structures selected by Fund management to be representative of the Fund's principal competitors (the “Peer Group”). The Directors also requested and reviewed performance information for the Lipper CEFHY Leveraged Index, the Lipper CEFHY Non-Leveraged Index, the Lipper High Yield Index, the Credit Suisse High Yield Index, the Lehman Brothers U.S. Corporate High Yield Index, the Merrill Lynch High Yield Index, the J. P. Morgan Global High Yield Index and the Citigroup BB-B Index (the “Indices”) and other information regarding the nature, extent and quality of services provided by the Adviser. The Directors also took into account performance, fee, expense and other information regarding the Fund provided to them by the Adviser and Fund management on a quarterly basis throughout the year.

Nature, Extent and Quality of Services. In considering the nature, extent and quality of the services provided by the Adviser, the Directors reviewed information relating to the Adviser's operations and personnel. Among other things, the Investment Manager provided financial information, biographical information on its portfolio management and other professional staff and descriptions of its organizational and management structure, its trade placement policies and its compliance practices. The Directors also took into account information provided periodically since the Board's last renewal of the Advisory Agreement by the Adviser relating to the performance of its duties with respect to the Fund and Fund management, and the Directors' familiarity with the Adviser's management through Board meetings, discussions and reports. In the course of their deliberations regarding the Advisory Agreement, the Directors evaluated, among other things: (a) the services rendered by the Adviser in the past; (b) the qualifications and experience of the Adviser's personnel; and (c) the Adviser's compliance programs. The Directors also took into account the financial condition of the Adviser with respect to its ability to provide the services required under the Advisory Agreement. After consideration of the foregoing, the Directors concluded that: (1) the Adviser is a large, well capitalized organization with substantial resources and personnel; (2) the Adviser has demonstrated that it possesses the capability and resources to perform the duties required of it under the Advisory Agreement; (3) the Adviser's personnel are qualified to manage the Fund's assets in accordance with its investment objectives and policies; (4) the Adviser's disciplined but flexible investment approach is appropriate for the Fund; (5) the Adviser has demonstrated an appropriate awareness of the special requirements associated with the Fund's leveraged structure; and (6) the Adviser maintains appropriate compliance programs.

Fund Performance. The Directors noted that according to Lipper Inc., the Fund's total return based on its net asset value (which reflects the effect both of the Fund's fees and expenses and of the costs and effects of the Fund's leverage) was below the median, above the median and above the median for total return performance based on net asset value for funds in the Peer Group for the one year, two year and three year periods ended September 30, 2007, respectively. In addition, the Directors noted that the Fund's total return calculated without taking into account the effect of any fees and expenses or the costs or effects of the Fund's leverage (“gross performance”) exceeded the performance of all the Lipper Indices for one year, two year and three year periods ended September 30, 2007; the Fund's gross performance exceeded that of the Citigroup BB-B Index, the Index deemed to be most comparable to the Fund's general investment focus under

Notes to Financial Statements — Continued
Supplemental Information (Unaudited)

the Adviser's management, for the one two and three year periods ended September 30, 2007, and the Fund's gross performance for the one, two and three year periods ended September 30, 2007 was comparable to that of the other non-Lipper Indices. In analyzing the Adviser's performance, the Directors took note of the fact that the Adviser commenced its tenure on December 2, 2002 managing an investment portfolio created by the Fund's prior adviser; the Directors also took into account conditions in the high yield debt market during the period since the Adviser was retained and the Adviser's responsiveness to the Board's emphasis on maintaining dividend stability. On the basis of the foregoing, among other considerations associated with the Fund's performance, such as the limitations imposed on portfolio management by the diversification and asset coverage requirements associated with the credit rating for the Fund's auction term preferred stock, the Directors concluded that the Fund's performance is reasonable given the investment/risk profile the Fund has sought to maintain and prevailing conditions in the high yield debt market.

Costs of Services/Adviser Profitability. The Directors determined that information relating to the cost to the Adviser of the services it provides under the Advisory Agreement and the profitability to the Adviser of its relationship with the Fund were not relevant to their consideration of the Advisory Agreement's continuation, since (a) during all relevant time periods there has been no affiliation or other relationship between Fund management or the Directors on one hand and the Adviser on the other hand, that would compromise the complete independence of Fund management and the Directors from the Adviser and (b) the process of selecting the Adviser to succeed Wellington Management Company was characterized by independent evaluation of potential successor firms and arm's length bargaining between Fund management and the Board on one hand, and the Adviser on the other, to determine the terms of, and the fee rate to be paid under, the Advisory Agreement.

Economies of Scale. Given the Fund's advisory fee structure under the Advisory Agreement (which provides for break-points), and the Fund's current and anticipated size, the Directors concluded that the Fund's advisory fee adequately reflects any economies of scale the Adviser might enjoy in managing the Fund.

Advisory Fee. In considering the fee payable to the Adviser under the Advisory Agreement, the Directors reviewed information relating to the fees paid by open-end funds for which the Adviser serves as investment manager or subadviser, the fee schedule for separate account clients of the Adviser and data from Lipper Inc. on advisory fees paid by funds in the Peer Group. Among other things, the Directors noted that (a) as of September 30, 2007, the effective advisory fee rate for the Fund was lower than the advisory fees the Adviser charges its open-end fund clients; (b) the Fund's advisory fee rate schedule is more favorable than the Adviser's standard fee schedules for high yield debt separate accounts; and (c) the Fund's advisory fee is below those charged by a substantial majority of the Peer Group. The Directors concluded that, in light of the nature, extent and quality of the services provided by the Adviser, the Fund's performance, and the other considerations noted above with respect to the Adviser, the Fund's advisory fees are reasonable.

Based on the above-mentioned factors and their related conclusions, with no single factor or conclusion being determinative and with each Director not necessarily attributing the same weight to each factor, the Directors concluded that approval of the Advisory Agreement would be in the interests of the Fund and its shareholders. Accordingly, on October 25, 2007 the Directors, including all of the Independent Directors, voted to approve continuation of the Advisory Agreement.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
The New America High Income Fund, Inc.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of The New America High Income Fund, Inc., as of December 31, 2007, and the related statement of operations for the year then ended and the statement of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the three years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. The financial highlights for each of the two years in the period ended December 31, 2004 were audited by other auditors whose report dated February 17, 2005, expressed an unqualified opinion.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (US). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The New America High Income Fund, Inc. as of December 31, 2007, the results of its operations for the year then ended, and the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the three years indicated thereon, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
February 22, 2008

Directors

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

Officers

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

Investment Advisor

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

Administrator

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

Custodian

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

Transfer Agent

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
(866) 624-4105
Web site: www.amstock.com

Independent Registered Public Accountants

Tait, Weller & Baker LLP
1818 Market Street
Philadelphia, PA 19103

Listed: NYSE
Symbol: HYB
Web site: www.newamerica-hyb.com

Information About the Fund's Directors and Officers

Independent Directors

Name, Address ¹ , and Date of Birth	Position(s) Held with Fund	Term of Office ² and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex ³ Overseen by Director	Other Directorships Held by Director
Joseph L. Bower DOB: 09/21/38	Director	Director since 1988	Professor, Harvard Business School since 1963 – as Donald K. David Professor of Business Administration from 1986-2007, Baker Foundation Professor since 2007, Senior Associate Dean, Chair of the Doctoral Programs, Chair of the General Management Area, Chair of the General Manager Program, Chair, the Corporate Leader.	1	Director of Anika Therapeutics, Inc., Sonesta International Hotels Corporation, Loews, Corporation (a conglomerate), and Brown Shoe Company, Inc., and Trustee of TH Lee-Putnam Emerging Opportunities Portfolio.
Bernard J. Korman DOB: 10/13/31	Director	Director since 1987	Chairman of the Board of Directors of Philadelphia Health Care Trust (non-profit corporation supporting healthcare delivery, education and research).	1	Director of Omega Healthcare Investors, Inc. (real estate investment trust), Medical Nutrition USA, Inc. (develops and distributes nutritional products), and Nutramax Products, Inc. (a consumer healthcare products company).

¹ The address for each Director is c/o The New America High Income Fund, Inc., 33 Broad Street, Boston, MA 02109.

² Each Director serves as such until the next annual meeting of the Fund's stockholders and until the Director's successor shall have been duly elected and qualified.

³ The New America High Income Fund, Inc. is not part of any fund complex.

Information About the Fund's Directors and Officers — Continued

Name, Address¹, and Date of Birth	Position(s) Held with Fund	Term of Office² and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex³ Overseen by Director	Other Directorships Held by Director
Ernest E. Monrad DOB: 5/30/30	Director	Director since 1988*	Trustee since 1960 and Chairman of the Trustees from 1969 to May 2001 of Northeast Investors Trust; Chairman, Assistant Treasurer and a Director since 1981 of Northeast Investors Growth Fund; Director and Vice President of Northeast Investment Management, Inc., until 12/31/06, and Director of Northeast Management & Research Company, Inc.	1	
Marguerite A. Piret DOB: 5/10/48	Director	Director since 2004	President and Chief Executive Officer, Newbury, Piret & Company, Inc., (an investment bank).	1	Trustee of Pioneer Funds.

Interested Directors and Officers

Robert F. Birch ⁴ DOB: 3/12/36	Director and President	Director since 1992	Mutual Fund Director	1	Director of Hyperion Funds and the Brandywine Funds.
Richard E. Floor ⁵ DOB: 8/3/40	Director and Secretary	Director since 1987	Partner through his professional corporation with the law firm of Goodwin Procter LLP, Boston, Massachusetts.	1	Director of Affiliated Managers Group, Inc.

1 The address for each Director is c/o The New America High Income Fund, Inc., 33 Broad Street, Boston, MA 02109.

2 Each Director serves as such until the next annual meeting of the Fund's stockholders and until the Director's successor shall have been duly elected and qualified.

3 The New America High Income Fund, Inc. is not part of any fund complex.

4 As the Fund's President, Mr. Birch is an interested person of the Fund within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

5 Mr. Floor is an interested person of the Fund within the meaning of the 1940 Act because, through his professional corporation, Mr. Floor is a partner of Goodwin Procter LLP, counsel to the Fund.

* Includes service as Director Emeritus from April 2005 until July 2005.

Ellen E. Terry (D.O.B. 4/9/59), Vice President and Treasurer of the Fund since February 18, 1992, is the only executive officer of the Fund not named in the above table of interested Directors. Ms. Terry served as Acting President and Treasurer of the Fund from October 1991 through February 18, 1992, and as Vice President of the Fund prior to such time. Ms. Terry's address is: c/o The New America High Income Fund, 33 Broad Street, Boston, MA 02109. A Fund officer holds office until the officer's successor is duly elected and qualified, until the officer's death or until the officer resigns or has been removed.

The New America High Income Fund, Inc.

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038



Annual

Report

December 31, 2007
