

Dear Fellow Shareholder,

We are pleased to report on the results of The New America High Income Fund (the “Fund”) for the period ending June 30, 2011. The portfolio’s performance, under the management of T. Rowe Price Associates, Inc., continued to reap the benefits of a positive market environment during the period. The Fund’s net asset value (the “NAV”) was \$10.45 on June 30th. Based upon the NAV, the Fund’s total return for the first six months of 2011 was 5.99%, slightly higher than the 5.97% total return of the Lipper Closed-End Fund Leveraged High Yield Index. The Fund’s total return based on stock price was 12.48% for the period. As of June 30th, the Fund’s market price was \$10.86, representing a premium of 3.9% to the NAV on the same date. The Fund continued to pay a dividend of \$.065 per share per month. The annualized common stock dividend yield for a purchase of stock at year-end 2010 for the six months ending June 30th was 7.8%. As we always remind our shareholders, there is no assurance that the common stock dividend will remain at the current level.

The Fund has benefited by being invested in an asset class with strong relative performance and having a historically low cost of leverage. These conditions are unlikely to continue indefinitely. It is particularly important to recognize the impact of leverage on the Fund’s results. The Fund’s leverage has been beneficial in the recent positive high yield bond market environment, increasing the NAV and the common stock dividend. However, in a market decline, leverage is detrimental to Fund’s total return. The ATP contributed approximately 25% of the common dividend in the first half of 2011.

	<u>Total Returns for the Periods Ending June 30, 2011</u>	
	<u>1 Year</u>	<u>3 Years Cumulative</u>
New America High Income Fund (Stock Price and Dividends)*	29.74%	89.34%
New America High Income Fund (NAV and Dividends)	20.46%	57.62%
Lipper Closed-End Fund Leveraged High Yield Average	19.30%	25.30%
Credit Suisse High Yield Index	14.59%	38.16%
Citigroup 10 Year Treasury Index	1.82%	18.32%

Sources: Credit Suisse, Citigroup, Lipper Inc., The New America High Income Fund, Inc.

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

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

Market Review

High yield bonds continued to deliver compelling returns through the first six months of the year. The gains for the asset class came despite what felt like an endless series of momentous events playing out across the globe. The last few months have brought revolutions and protests throughout the Middle East, a tragic earthquake, tsunami and devastating nuclear crisis in Japan and continued angst across fixed income markets relating to the financial viability of several European countries, led by Greece. While those macro forces contributed to an unsteady backdrop, high yield companies continued to deliver solid operating performance and demonstrate healthy liquidity, rewarding investors with gains. The lowest rated bonds within the asset class had delivered the

biggest returns as 2010 came to a close, whereas more recently performance leadership moved to the higher quality tier, with crossover bonds — those on the cusp of returning to investment grade — delivering the biggest gains as the first half of 2011 came to a close.

Strategy Review

Financials continued to provide rewarding gains for the portfolio as New America's holdings from this sector returned 27% over the last year. The former GM finance subsidiary, now called Ally Financial, led the results, but the Fund benefited from many financial services credits, with positions in American International Group, CIT, Nuveen and E-Trade having rallied nicely. The portfolio has long maintained an out-sized position in issues related to the wireless industry and was rewarded in the first half with attractive performance from Sprint, Clearwire and NII Holdings (Nextel International). The wireless industry continues to enjoy the benefits of consumer resiliency, demonstrated asset value and merger and acquisition activity.

One industry that shares a high degree of consumer dependency that has not fared well in recent months is the retail sector. The Fund has faced modest losses in a few names through exposure to credits represented by Gymboree, J. Crew and Claire's. Gymboree and J. Crew have had to grapple with severely elevated prices in the cotton markets which investors suspect may crimp margins in the quarters ahead. Claire's is working to expand its European footprint, but has run head long into soft conditions in new markets it would like to enter. In all three cases, while the underlying businesses have encountered some near term setbacks, the companies generate compelling amounts of cash flow and each looks capable of generating the liquidity necessary to service underlying debt.

Outlook

Many of the macro events that have proved a challenge over the first six months of the year remain unresolved and are expected to continue to be of concern in the months ahead. Most pressing, perhaps, in the coming weeks and months will be negotiations on the U.S. budget. Natural disasters, political tensions and occasional financial dislocations are all but certain to occur from time to time. Whether any particular crisis alone or in concert will be enough of a factor to disrupt the larger economy to a degree that upsets high yield performance remains an open question. We believe that the portfolio's concentrations in defensive sectors including energy, services, health care and wireless should provide some stability should turbulence arrive. It is also important to recognize that high yield as an asset class has come a very long way since the depths of the financial crisis in late 2008. To be sure, such gains are largely behind us, for now. Even so, the Fund's adviser believes there continue to be opportunities to find companies with liquid balance sheets and healthy underlying businesses whose bonds offer attractive yields, even among low-B and CCC-rated credits.

The first half of 2011 did not lack for attention grabbing, sometimes disconcerting headlines and we expect the second half of the year to be very likely to offer more of the same. Our best defense for these sometimes adverse macro forces remains careful fundamental credit selection. As always, T. Rowe Price is committed to the

disciplined investment approach and long-term perspective that have helped the Fund generate attractive risk-adjusted performance in the past.

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 A. 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 T. Rowe Price Associates, Inc. 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 or indicative of the Fund's portfolio as a whole

The New America High Income Fund, Inc.

Industry Summary June 30, 2011 (Unaudited)	As a Percent of Total Investments	Moody's Investors Service Ratings June 30, 2011 (Unaudited)	As a Percent of Total Investments
Telecommunications	11.59%	Baa1	0.22%
Oil and Gas	10.70%	Baa2	0.57%
Finance	8.14%	Baa3	1.30%
Broadcasting and Entertainment	7.84%	Total Baa	<u>2.09%</u>
Diversified/Conglomerate Service	7.54%	Ba1	3.31%
Healthcare, Education and Childcare	6.44%	Ba2	7.97%
Mining, Steel, Iron and Non-Precious Metals	4.94%	Ba3	10.61%
Building and Real Estate	4.14%	Total Ba	<u>21.89%</u>
Diversified/Conglomerate Manufacturing	3.54%	B1	15.07%
Hotels, Motels, Inns and Gaming	3.44%	B2	14.34%
Containers, Packaging and Glass	3.08%	B3	19.48%
Retail Stores	2.91%	Total B	<u>48.89%</u>
Electronics	2.87%	Caa1	10.92%
Utilities	2.78%	Caa2	6.02%
Chemicals, Plastics and Rubber	2.77%	Caa3	3.07%
Beverage, Food and Tobacco	2.45%	Total Caa	<u>20.01%</u>
Automobile	2.29%	Ca	0.29%
Aerospace and Defense	1.95%	Unrated	3.82%
Personal, Food and Miscellaneous Services	1.73%	Equity	3.01%
Cargo Transport	1.68%	Total Investments	<u>100.00%</u>
Leisure, Amusement and Entertainment	1.66%		
Personal Transportation	1.47%		
Insurance	1.16%		
Printing and Publishing	0.94%		
Banking	0.51%		
Textiles and Leather	0.50%		
Personal Non-Durable Consumer Products	0.41%		
Sovereign Debt	0.36%		
Groceries	0.17%		
Total Investments	<u>100.00%</u>		

Schedule of Investments — June 30, 2011 (Unaudited) (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — 127.36% (d)		
Aerospace and Defense — 2.58%		
\$ 650	BE Aerospace Inc., Senior Notes, 8.50%, 07/01/18	Ba3 \$ 706
475	Bombardier, Inc., Senior Notes, 6.125%, 05/15/21 (g)(EUR)	Ba2 678
275	Ducommun, Inc., Senior Notes, 9.75%, 07/15/18 (g)	B3 282
375	Esterline Technologies, Senior Notes, 7%, 08/01/20	Ba3 397
650	Kratos Defense and Security Solutions, Inc., Senior Notes, 10%, 06/01/17	B3 687
850	Kratos Defense and Security Solutions, Inc., Senior Notes, 10%, 06/01/17 (g)	B3 899
625	Moog, Inc., Senior Notes, 7.25%, 06/15/18	Ba3 658
525	Sequa Corporation, Senior Notes, 11.75%, 12/01/15 (g)	Caa2 557
225	Sequa Corporation, Senior Notes, 13.50%, 12/01/15 (g)	Caa2 244
200	Spirit Aerosystems, Inc., Senior Notes, 7.50%, 10/01/17	Ba3 211
850	Transdigm, Inc., Senior Subordinated Notes, 7.75%, 12/15/18 (g)	B3 893
		<u>6,212</u>
Automobile — 2.60%		
158	Affinia Group, Inc., Senior Notes, 10.75%, 08/15/16 (g)	B1 177
325	Allison Transmission, Inc., Senior Notes, 7.125% 05/15/19 (g)	B3 316
1,050	Chrysler Group, LLC, Senior Notes, 8.25%, 06/15/21 (g)	B2 1,032
175	Conti Gummi Finance B.V., Senior Notes, 7.50%, 09/15/17 (g)(EUR)	Ba3 264
400	Conti Gummi Finance B.V., Senior Notes, 8.50%, 07/15/15 (g)(EUR)	Ba3 632

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
\$ 750	Ford Motor Company, Senior Notes, 7.45%, 07/16/31	Ba3 \$ 851
1,000	Ford Motor Credit Company LLC, Senior Notes, 5.75%, 02/01/21	Ba2 1,003
1,375	Ford Motor Credit Company LLC, Senior Notes, 12%, 05/15/15	Ba2 1,698
50	Goodyear Tire & Rubber Company, Senior Notes, 10.50%, 05/15/16	B1 56
225	Pittsburgh Glass Works, LLC, Senior Notes, 8.50%, 04/15/16 (g)	B2 231
		<u>6,260</u>
Banking — .68%		
1,250	Amsouth Bank, N.A., Subordinated Notes, 5.20%, 04/01/15	Ba3 1,212
390	Zions Bancorp, 7.75%, 09/23/14	(e) 425
		<u>1,637</u>
Beverage, Food and Tobacco — 3.23%		
1,150	Blue Merger 7.625%, 02/15/19	B3 1,162
400	Bumble Bee Acquisition Company, Senior Notes, 9%, 12/15/17 (g)	B2 404
75	Constellation Brands, Inc., Senior Notes, 8.375%, 12/15/14	Ba2 85
525	Cott Beverages, Inc., Senior Notes, 8.125%, 09/01/18	B3 550
200	Cott Beverages, Inc., Senior Notes, 8.375%, 11/15/17	B3 210
150	Darling International, Inc., Senior Notes, 8.50%, 12/15/18 (g)	B2 162
475	JBS Finance II Ltd., Senior Notes, 8.25%, 01/29/18 (g)	B1 481
500	JBS USA, LLC Senior Notes, 7.25%, 06/01/21 (g)	B1 488

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

Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued		
\$ 425	JBS USA, LLC Senior Notes, 11.625%, 05/01/14	B1 \$ 484
750	Land O'Lakes, 7.45%, 03/15/28	Ba1 735
900	Michael Foods, Inc., Senior Notes, 9.75%, 07/15/18 (g)	Caa1 961
525	Pinnacle Foods Finance LLC, Senior Notes, 9.25%, 04/01/15	B3 543
125	Pinnacle Foods Finance LLC, Senior Subordinated Notes, 10.625%, 04/01/17	Caa1 133
150	R&R Ice Cream plc, Senior Notes, 8.375%, 11/15/17 (g)(EUR)	B2 213
225	Reddy Ice Holdings, Inc., Senior Notes, 10.50%, 11/01/12	Caa2 225
100	Refresco Group B.V., Senior Notes, 7.375%, 05/15/18 (g)(EUR)	B1 146
250	Smithfield Foods, Inc., Senior Notes, 7.75%, 07/01/17	B3 260
125	Smithfield Foods, Inc., Senior Secured Notes, 10%, 07/15/14	Ba3 145
375	TreeHouse Foods, Inc., Senior Notes, 7.75%, 03/01/18	Ba2 398
		<u>7,785</u>

Broadcasting and Entertainment — 10.19%

650	AMC Entertainment, Inc., Senior Notes, 8.75%, 06/01/19	B1 686
550	AMC Entertainment, Inc., Senior Subordinated Notes, 9.75%, 12/01/20 (g)	Caa1 562
400	Bresnan Broadband Holdings, Senior Notes, 8%, 12/15/18 (g)	B3 418
875	Cablevision Systems Corporation, Senior Notes, 7.75%, 04/15/18	B1 923
350	Cablevision Systems Corporation, Senior Notes, 8%, 04/15/20	B1 375

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
\$ 275	Cablevision Systems Corporation, Senior Notes, 8.625%, 09/15/17	B1 \$ 298
325	CCH II, LLC, Senior Notes, 13.50%, 11/30/16	B2 382
600	CCO Holdings, LLC, Senior Notes, 7%, 01/15/19	B1 618
1,200	CCO Holdings, LLC, Senior Notes, 7.25%, 10/30/17	B1 1,242
425	CCO Holdings, LLC, Senior Notes, 7.875%, 04/30/18	B1 449
1,350	Cequel Communications Holdings I, LLC, Senior Notes, 8.625%, 11/15/17 (g)	B3 1,411
150	Cinemark USA, Inc., Senior Notes, 7.375%, 06/15/21 (g)	B3 149
225	Clear Channel Communications, Inc., Senior Notes, 7.25%, 10/15/27	Ca 128
900	Clear Channel Communications, Inc., Senior Notes, 11%, 08/01/16	Ca 801
150	Cyfrowy Polsat Finance AB, Senior Notes, 7.125%, 05/20/18 (g)(EUR)	Ba3 216
475	Dish DBS Corporation, Senior Notes, 6.75%, 06/01/21 (g)	Ba3 487
500	Kabel BS Erste Beteiligu, Senior Notes, 7.50%, 03/15/19 (g)(EUR)	B1 740
200	Lamar Media Corporation, Senior Subordinated Notes, 7.875%, 04/15/18	B1 209
350	Lin Television Corporation, Senior Notes, 8.375%, 04/15/18	Ba3 368
650	Lions Gate Entertainment, Inc., Senior Notes, 10.25%, 11/01/16 (g)	B1 656
350	Muskteer GMBH, Senior Notes, 9.50%, 03/15/21 (g)(EUR)	Caa1 537
825	Nexstar Broadcasting, Inc., Senior Notes, 8.875%, 04/15/17	B3 870

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Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued		
\$ 125	Odeon & UCI Finco plc, Senior Notes, 9%, 08/1/18 (GBP) B3	\$ 190
150	Ono Finance II Plc, Senior Notes, 10.875%, 07/15/19 (g) Caa2	157
500	Regal Cinemas Corporation, Senior Notes, 8.625%, 07/15/19 B2	525
725	Regal Cinemas Corporation, Senior Notes, 9.125%, 08/15/18 B3	750
925	Sinclair Television Group, Inc., Senior Notes, 9.25%, 11/01/17 (g) Ba3	1,015
2,150	Sirius Satellite Radio, Inc., Senior Notes, 8.75%, 04/01/15 (g) B2	2,354
250	Sirius XM Radio, Inc., Senior Notes, 9.75%, 09/01/15 (g) Ba2	275
1,025	Univision Communications, Inc., Senior Notes, 7.875%, 11/01/20 (g) B2	1,051
1,525	Univision Communications, Inc., Senior Notes, 8.50%, 05/15/21 (g) Caa2	1,491
550	UPC Germany GMBH, Senior Notes, 8.125%, 12/01/17 (g) B1	578
500	UPC Holding BV, Senior Notes, 8.375%, 08/15/20 (g)(EUR) B2	736
525	UPC Holding BV, Senior Notes, 9.875%, 04/15/18 (g) B2	589
75	Videotron Ltee., Senior Notes, 9.125%, 04/15/18 Ba1	84
250	Virgin Media Finance PLC, Senior Notes, 9.50%, 08/15/16 Ba2	283
350	XM Satellite Radio, Inc., Senior Notes, 7.625%, 11/01/18 (g) B2	366
1,350	XM Satellite Radio, Inc., Senior Notes, 13%, 08/01/14 (g) B2	<u>1,583</u>
		<u>24,552</u>

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
Building and Real Estate — 5.46%		
\$ 700	Associated Materials, Inc., Senior Notes, 9.125%, 11/01/17 (g) B3	\$ 697
275	Aviv Healthcare Properties Ltd. Partnership, Senior Notes, 7.75%, 02/15/19 (g) B1	281
250	Beazer Homes USA, Inc., Senior Notes, 8.125%, 06/15/16 Caa2	218
350	Beazer Homes USA, Inc., Senior Notes, 9.125%, 06/15/18 Caa2	301
325	Beazer Homes USA, Inc., Senior Notes, 9.125%, 05/15/19 (g) Caa2	280
500	CB Richard Ellis Services, Inc., Senior Subordinated Notes, 6.625%, 10/15/20 Ba1	514
325	CB Richard Ellis Services, Inc., Senior Subordinated Notes, 11.625%, 06/15/17 Ba2	377
780	Cemex Finance LLC, Senior Notes, 9.50%, 12/14/16 (g) (e)	809
650	Dycom Investments Inc., Senior Subordinated Notes, 7.125%, 01/15/21 (g) Ba3	663
800	Gibraltar Industries, Inc., Senior Subordinated Notes, 8%, 12/01/15 B3	807
150	Heidelbergement Finance, Senior Notes, 8%, 01/31/17 (EUR) Ba2	236
500	Host Marriott, L.P., Senior Notes, 6.75%, 06/01/16 Ba1	516
200	Masco Corporation, Senior Notes, 6.125%, 10/03/16 Ba2	205
300	Masco Corporation, Senior Notes, 7.125%, 03/15/20 Ba2	309
750	Mercer International, Inc., Senior Notes, 9.50%, 12/01/17 B3	806
525	MPT Operating Partnership, L.P., Senior Notes, 6.875%, 05/01/21 (g) Ba2	514

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Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued		
\$ 675	Nortek, Inc., Senior Notes, 8.50%, 04/15/21 (g)	Caa1 \$ 624
375	Nortek, Inc., Senior Notes, 10%, 12/01/18 (g)	Caa1 378
575	Potlach Corporation, Senior Notes, 7.50%, 11/01/19	Ba1 607
725	Reliance Intermediate Holdings, L.P., Senior Notes, 9.50%, 12/15/19 (g)	Ba2 792
450	Rouse Company, LLC, Senior Notes, 6.75%, 11/09/15	(e) 465
725	Shea Homes Limited Partnership, Senior Notes, 8.625%, 05/15/19 (g)	B2 712
200	Standard Pacific Corporation, Senior Notes, 8.375%, 05/15/18	B3 199
400	Standard Pacific Corporation, Senior Notes, 10.75%, 09/15/16	B3 444
525	Texas Industries, Senior Notes, 9.25%, 08/15/20	Caa2 507
150	USG Corporation, Senior Notes, 8.375%, 10/15/18 (g)	B2 146
725	USG Corporation, Senior Notes, 9.75%, 08/01/14 (g)	B2 761
		<u>13,168</u>
Cargo Transport — 2.22%		
800	CHC Helicopter S.A., Senior Notes, 9.25%, 10/15/20 (g)	B1 724
870	DP World Ltd., Senior Notes, 6.85%, 07/02/37 (g)	Baa3 829
1,850	DP World Sukuk Limited, Senior Notes, 6.25%, 07/02/17 (g)	Baa3 1,907
300	Florida East Coast Holdings, Senior Notes, 10.50%, 08/01/17 (h)(g)	Caa3 312
375	Florida East Coast Railway Corporation, Senior Notes, 8.125%, 02/01/17 (g)	B3 388
525	Kansas City Southern de Mexico, S.A. de C.V., Senior Notes, 8%, 02/01/18	Ba2 571

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
\$ 130	Kansas City Southern Railway Company, Senior Notes, 13%, 12/15/13	Ba3 \$ 151
450	United Maritime Group, LLC, Senior Notes, 11.75%, 06/15/15	B3 469
		<u>5,351</u>
Chemicals, Plastics and Rubber — 3.64%		
225	Compass Minerals International, Inc., Senior Notes, 8%, 06/01/19	Ba2 246
450	Hexion Specialty Chemicals, Inc., Senior Notes, 8.875%, 02/01/18	B3 468
325	Hexion Specialty Chemicals, Inc., Senior Notes, 9%, 11/15/20	(e) 332
175	Huntsman International LLC, Senior Subordinated Notes, 8.625%, 03/15/20	B3 190
1,250	Huntsman International LLC, Senior Subordinated Notes, 8.625%, 03/15/21	B3 1,353
700	Kerling plc, Senior Notes, 10.625%, 02/01/17 (g)(EUR)	B3 1,066
300	Koppers Holdings Inc., Senior Notes, 7.875%, 12/01/19	B1 321
900	Lyondell Chemical Company, Senior Notes, 8%, 11/01/17 (g)	Ba1 1,006
650	Lyondell Chemical Company, Senior Notes, 11%, 05/01/18	Ba3 725
300	Momentive Performance Materials, Inc., Senior Notes, 9%, 01/15/21	Caa1 306
750	Momentive Performance Materials, Inc., Senior Notes, 11.50%, 12/01/16	Caa2 797
325	PolyOne Corporation, Senior Notes, 7.375%, 09/15/20	Ba3 342
275	Rhodia S.A., Senior Notes, 6.875%, 09/15/20 (g)	B1 322
550	Solutia, Inc. Senior Notes, 7.875%, 03/15/20	B1 594

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Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued		
\$ 550	Solutia, Inc, Senior Notes, 8.75%, 11/01/17	B1 \$ 598
100	Styrolution Group GMBH, Senior Notes, 7.625%, 05/15/16 (g)(EUR)	B2 142
		<u>8,808</u>
Containers, Packaging and Glass — 4.06%		
375	AEP Industries, Inc., Senior Notes, 8.25%, 04/15/19 (g)	B2 377
425	Ardagh Glass Group plc, Senior Notes, 7.375%, 10/15/17 (g)	Ba3 435
425	Ball Corporation, Senior Notes, 7.375%, 09/01/19	Ba1 464
250	Boise Paper Holdings LLC, Senior Notes, 8%, 04/01/20	B1 262
375	Boise Paper Holdings LLC, Senior Notes, 9%, 11/01/17	B1 407
425	Bway Holding Company, Senior Notes, 10%, 06/15/18	B3 464
375	Cascades Inc., Senior Notes, 7.75%, 12/15/17	Ba3 391
400	Cascades, Inc., Senior Notes, 7.875%, 01/15/20	Ba3 416
250	Clearwater Paper Corporation, Senior Notes, 7.125%, 11/01/18	Ba3 256
300	Clearwater Paper Corporation, Senior Notes, 10.625%, 06/15/16	Ba3 337
225	Clondalkin Acquisition BV, Senior Notes, 2.247%, 12/15/13 (g)	B1 221
300	Crown Euro Holdings, S.A., Senior Notes, 7.125%, 08/15/18 (g)(EUR)	Ba1 447
425	Exopack Holding Corporation, Senior Notes, 10%, 06/01/18 (g)	Caa1 423

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
\$ 525	Graphic Packaging International, Inc., Senior Notes, 7.875%, 10/01/18	B2 \$ 559
600	Graphic Packaging International, Inc., Senior Notes, 9.50%, 06/15/17	B2 657
350	Greif Inc., Senior Notes, 7.75%, 08/01/19	Ba2 379
300	Plastipak Holdings, Inc., Senior Notes, 10.625%, 08/15/19 (g)	B3 344
1,125	Reynolds Group Issuer, Inc., Senior Notes, 7.125%, 04/15/19 (g)	Ba3 1,117
575	Reynolds Group Issuer, Inc., Senior Notes, 9%, 04/15/19 (g)	Caa1 566
200	Sappi Papier Holding GMBH, Senior Notes, 6.265%, 04/15/21 (g)	Ba2 195
800	Solo Cup Company, Senior Notes, 10.50%, 11/01/13	B2 830
225	Verso Paper Holdings LLC, Senior Notes, 11.50%, 07/01/14	Ba2 235
		<u>9,782</u>
Diversified/Conglomerate Manufacturing — 4.67%		
500	AGY Holding Corp., Senior Notes, 11%, 11/15/14	B3 483
400	Altra Holdings, Inc., Senior Notes, 8.125%, 12/01/16	B1 432
375	Amsted Industries, Inc., Senior Notes, 8.125%, 03/15/18 (g)	B1 396
1,075	Building Materials Corporation of America, Senior Notes, 6.75%, 05/01/21 (g)	Ba3 1,080
450	Coleman Cable, Inc., Senior Notes, 9%, 02/15/18	B3 468
250	Columbus McKinnon Corporation, Senior Subordinated Notes, 7.875%, 02/01/19	(e) 253
1,100	Commscope, Inc., Senior Notes, 8.25%, 01/15/19 (g)	B3 1,133

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Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued		
\$ 650	Euramax International, Inc., Senior Notes, 9.50%, 04/01/16 (g)	Caa1 \$ 627
300	Manitowoc Company, Inc., Senior Notes, 8.50%, 11/01/20	B3 321
475	Oshkosh Corporation, Senior Notes, 8.25%, 03/01/17	B2 509
475	Oshkosh Corporation, Senior Notes, 8.50%, 03/01/20	B2 518
750	Pinafore, LLC, Senior Notes, 9%, 10/01/18 (g)	B1 810
650	Ply Gem Industries, Inc., Senior Notes, 8.25%, 02/15/18 (g)	Caa1 626
1,425	RBS Global, Inc., Senior Notes, 8.50%, 05/01/18	Caa1 1,510
700	Sensata Technologies BV, Senior Notes, 6.50%, 05/15/19 (g)	B3 693
450	SPX Corporation, Senior Notes, 6.875%, 09/01/17 (g)	Ba1 481
50	Terex Corporation, Senior Notes, 10.875%, 06/01/16	Ba3 58
475	Terex Corporation, Senior Subordinated Notes, 8%, 11/15/17	B3 482
375	Vulcan Materials, Senior Notes, 7.50%, 06/15/21	Ba1 374
		<u>11,254</u>
Diversified/Conglomerate Service — 9.95%		
425	Aguila 3 S.A., Senior Notes, 7.875%, 01/31/18 (g)	B2 431
475	Anixter Inc., Senior Notes, 10%, 03/15/14	Ba2 547
600	Aramark Holdings, Senior Notes, 8.625%, 05/01/16 (g)(h)	B3 611
280	Avis Budget Car Rental LLC, Senior Notes, 7.625%, 05/15/14	B2 284
450	Avis Budget Car Rental LLC, Senior Notes, 9.625%, 03/15/18	B2 483

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
\$ 575	CDW Corporation, Senior Notes, 11.50%, 10/12/15	Caa1 \$ 610
25	CDW Corporation, Senior Secured Notes, 8%, 12/15/18 (g)	B2 26
2,300	CDW Corporation, Senior Subordinate Notes, 12.535%, 10/12/17	(e) 2,461
825	CDW Escrow Corporation, Senior Subordinate Notes, 8.50%, 04/01/19 (g)	Caa1 811
400	EC Finance PLC, Senior Notes, 9.75%, 08/01/17 (g)(EUR)	B2 611
625	First Data Corporation, Senior Notes, 7.375%, 06/15/19 (g)	B1 630
800	First Data Corporation, Senior Notes, 8.875%, 08/15/20 (g)	B1 854
3,450	First Data Corporation, Senior Notes, 12.625%, 01/15/21 (g)	Caa1 3,692
1,350	First Data Corporation, Senior Subordinated Notes, 11.25%, 03/31/16	Caa2 1,333
475	FTI Consulting Inc., Senior Notes, 6.75%, 10/01/20	Ba2 476
250	FTI Consulting Inc., Senior Notes, 7.75%, 10/01/16	Ba2 256
400	Garda World Security Corporation, Senior Notes, 9.75%, 03/15/17 (g)	B2 430
575	GTP Acquisition Partners, Senior Notes, 7.628%, 06/15/41 (g)	Ba3 575
475	Goodman Networks, Inc., Senior Notes, 12.125%, 07/01/18 (g)	B2 473
400	Hertz Holdings Netherlands B.V., Senior Notes, 8.50%, 07/31/15 (g)(EUR)	B1 608
225	Interline Brands, Inc., Senior Notes, 7%, 11/15/18	B2 227
600	iPayment, Inc., Senior Notes, 10.25%, 06/15/18 (g)	B3 595
175	Labco S.A.S., Senior Notes, 8.50%, 01/15/18 (g)(EUR)	B3 257

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

Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued		
\$ 200	Lender Processing Services, Inc., Senior Notes, 8.125%, 07/01/16	Ba2 \$ 196
925	Mac Gray Corporation, Senior Notes, 7.625%, 08/15/15	B3 944
350	Maxim Crane Works, L.P., Senior Notes, 12.25%, 04/15/15 (g)	Caa1 352
550	RSC Equipment, Inc., Senior Notes, 8.25%, 02/01/21	Caa1 549
475	Syniverse Holdings, Senior Notes, 9.125%, 01/15/19 (g)	Caa1 492
150	Travelport LLC, Senior Notes, 11.875%, 09/01/16	Caa2 129
1,400	United Rentals North America, Inc., Senior Notes, 10.875%, 06/15/16	B2 1,561
425	United Rentals North America, Inc., Senior Subordinated Notes, 8.375%, 09/15/20	Caa1 427
525	US Food Service Corporation, Senior Notes, 8.50%, 06/30/19 (g)	Caa2 508
525	West Corporation, Senior Notes, 7.875%, 01/15/19 (g)	B3 512
1,025	West Corporation, Senior Notes, 8.625%, 10/01/18 (g)	B3 1,033
		<u>23,984</u>

Electronics — 2.69%

475	Advanced Micro Devices, Inc., Senior Notes, 7.75%, 08/01/20	Ba3 490
175	Advanced Micro Devices, Inc., Senior Notes, 8.125%, 12/15/17	Ba3 182
250	Aspect Software, Inc., Senior Notes, 10.625%, 05/7/17	Caa1 267
260	Bankrate Inc., Senior Notes, 11.75%, 07/15/15 (g)	B1 296
400	Eagle Parent, Inc., Senior Notes, 8.625%, 05/01/19 (g)	Caa1 395
525	Fidelity National Information Services, Inc., Senior Notes, 7.625%, 07/15/17	Ba2 559

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
\$ 325	Fidelity National Information Services, Inc., Senior Notes, 7.875%, 07/15/20	Ba2 \$ 346
350	Freescale Semiconductor, Inc., Senior Notes, 10.125%, 03/15/18 (g)	B1 389
875	iGATE Corporation, Senior Notes, 9%, 05/01/16 (g)	B2 879
575	Jabil Circuit, Inc., Senior Notes, 7.75%, 07/15/16	Ba1 630
375	JDA Software Group, Inc., Senior Notes, 8%, 12/15/14	B1 410
750	MEMC Electronic Materials, Inc., Senior Notes, 7.75%, 04/01/19 (g)	B1 727
400	NXP B.V., Senior Notes, 9.75%, 08/01/18 (g)	B3 448
217	Seagate Technology International, Inc., Senior Notes, 10%, 05/01/14 (g)	Baa3 253
225	Softbrands, Senior Notes, 11.50%, 07/15/18 (g)	Caa1 207
		<u>6,478</u>

Finance — 8.79%

600	Aircastle Limited, Senior Notes, 9.75%, 08/01/18	Ba3 663
200	Ally Financial, Inc., Senior Notes, 6.25%, 12/01/17 (g)	B1 199
775	Ally Financial, Inc., Senior Notes, 7.50%, 09/15/20	B1 814
725	Ally Financial, Inc., Senior Notes, 8%, 11/01/31	B1 785
750	American International Group, Senior Notes, 6.25%, 03/15/37	Baa2 681
1,650	CIT Group, Inc., Senior Notes, 6.625%, 04/01/18 (g)	B2 1,724
500	CIT Group, Inc., Senior Notes, 7%, 05/01/17	B2 499
1,200	Discover Financial Services, Senior Notes, 10.25%, 07/15/19	Ba1 1,550
400	E*Trade Financial Corporation, Senior Notes, 6.75%, 06/01/16	B2 393

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

Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued		
\$ 475	E*Trade Financial Corporation, Senior Notes, 7.875%, 12/01/15	B2 \$ 476
2,198	E*Trade Financial Corporation, Senior Notes, 12.50%, 11/30/17	(e) 2,577
350	General Motors Financial Company, Inc., Senior Notes, 6.75%, 06/01/18 (g)	B1 350
350	International Lease Finance Corporation, Senior Notes, 5.75%, 05/15/16	B1 345
1,150	International Lease Finance Corporation, Senior Notes, 8.25%, 12/15/20	B1 1,248
1,400	International Lease Finance Corporation, Senior Notes, 8.875%, 09/01/17	B1 1,537
1,875	Nuveen Investments, Inc., Senior Notes, 5.50%, 09/15/15	Caa2 1,669
1,200	Nuveen Investments, Inc., Senior Notes, 10.50%, 11/15/15	Caa2 1,233
575	Nuveen Investments, Inc., Senior Notes, 10.50%, 11/15/15 (g)	Caa2 591
475	PHH Corporation, Senior Notes, 9.25%, 03/01/16	Ba2 520
225	Provident Funding Associates, L.P., Senior Notes, 10.125%, 02/15/19 (g)	B2 228
575	Provident Funding Associates, L.P., Senior Notes, 10.25%, 04/15/17 (g)	Ba3 632
1,100	SLM Corporation, Senior Medium Term Notes, 8.45%, 06/15/18	Ba1 1,185
950	Springleaf Finance Corporation, Senior Medium Term Notes, 6.90%, 12/15/17	B3 872
475	Synovus Financial Corporation, Subordinate Notes, 5.125%, 06/15/17	B3 418
		<u>21,189</u>

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
Groceries — .22%		
\$ 500	Susser Holdings LLC, Senior Notes, 8.50%, 05/15/16	B2 \$ 525
Healthcare, Education and Childcare — 8.50%		
125	Accellent, Inc. Senior Notes, 8.375%, 02/01/17	B1 129
1,050	Accellent, Inc Senior Subordinated Notes, 10%, 11/01/17	Caa2 1,024
1,500	Biomet, Inc., Senior Notes, 10.375%, 10/15/17	B3 1,657
475	Biomet, Inc., Senior Subordinated Notes, 11.625%, 10/15/17	Caa1 527
525	Capella Healthcare Inc., Senior Notes, 9.25%, 07/01/17 (g)	B3 557
925	CHS/Community Health Systems, Inc., Senior Notes, 8.875%, 07/15/15	B3 953
175	Crown NewCo 3, Senior Secured Notes, 7%, 02/15/18 (g)(GBP)	B1 268
525	Davita, Inc., Senior Notes, 6.375%, 11/01/18	B2 528
600	Davita, Inc., Senior Notes, 6.625%, 11/01/20	B2 612
375	Giant Funding Corporation, Senior Notes, 8.25%, 02/01/18 (g)	B3 383
75	HCA, Inc., Senior Notes, 9.25%, 11/15/16	B2 80
550	HCA, Inc., Senior Secured Notes, 8.50%, 04/15/19	Ba2 608
250	HCA, Inc., Senior Secured Notes, 9.625%, 11/15/16	B2 265
98	HCA, Inc., Senior Secured Notes, 9.875%, 02/15/17	B2 109
825	lasis Healthcare Capital 8.375%, 05/15/19 (g)	Caa1 841
600	Inventive Health Inc., Senior Notes, 10%, 08/15/18 (g)	Caa2 591
425	Inventive Health Inc., Senior Notes, 10%, 08/15/18 (g)	Caa2 404

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

Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued		
\$ 725	Kindred Healthcare, Inc., Senior Notes, 8.25%, 06/01/19 (g)	B3 \$ 720
250	LifePoint Hospitals, Inc., Senior Notes, 6.625%, 10/01/20	Ba1 259
475	MedAssets, Inc., Senior Notes, 8%, 11/15/18 (g)	B3 477
900	Multiplan, Inc., Senior Notes, 9.875%, 09/01/18 (g)	Caa1 956
350	Mylan Inc., Senior Notes, 7.625%, 07/15/17 (g)	Ba3 383
525	Radiation Therapy Services, Inc., Senior Subordinated Notes, 9.875%, 04/15/17	B3 525
900	Tenet Healthcare Corporation, Senior Notes, 8%, 08/01/20	Caa1 918
875	Tenet Healthcare Corporation, Senior Notes, 8.875%, 07/01/19	B1 969
875	United Surgical Partners International, Inc., Senior Subordinated Notes, 8.875%, 05/01/17	Caa1 910
175	Universal Health Services, Inc., Senior Notes, 7%, 10/01/18	B1 180
450	Universal Hospital Services, Inc., Senior Secured Notes, 3.778%, 06/01/15	B3 432
200	Universal Hospital Services, Inc., Senior Secured Notes, 8.50%, 06/01/15	B3 206
425	Valeant Pharmaceuticals, International, Senior Notes, 6.75%, 10/01/17 (g)	Ba3 415
625	Valeant Pharmaceuticals, International, Senior Notes, 6.875%, 12/01/18 (g)	Ba3 610
625	Valeant Pharmaceuticals, International, Senior Notes, 7%, 10/01/20 (g)	Ba3 600

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
\$ 425	Vanguard Health Holding Company II, LLC, Senior Notes, 7.75%, 02/01/19	B3 \$ 431
375	Vanguard Health Holding Company II, LLC, Senior Notes, 8%, 02/01/18	B3 383
900	Vanguard Health Systems, Inc., Senior Discount Notes, Zero Coupon, 02/01/16	Caa1 588
975	Warner Chilcott Company, LLC, Senior Notes, 7.75%, 09/15/18 (g)	B3 987
		<u>20,485</u>
Hotels, Motels, Inns and Gaming — 4.18%		
700	American Casinos, Inc., Senior Notes, 7.50%, 04/15/21 (g)	B3 721
500	Cirsa Funding Luxembourg S.A., Senior Notes, 8.75%, 05/15/18 (g)(EUR)	B3 743
650	Codere Finance (Luxembourg) S.A., Senior Notes, 8.25%, 06/15/15 (g)(EUR)	B2 954
325	Downstream Development Authority, Senior Notes, 10.50%, 07/01/19 (g)	B3 323
325	Harrah's Escrow Corporation, Senior Notes, 10%, 12/15/18	(e) 294
1,875	Harrah's Escrow Corporation, Senior Notes, 11.25%, 06/01/17	B3 2,072
200	MGM Mirage, Senior Notes, 9%, 03/15/20	Ba3 219
375	MGM Mirage, Senior Notes, 10.375%, 05/15/14	Ba3 426
400	MGM Mirage, Senior Notes, 13%, 11/15/13	Ba3 476
425	MGM Resorts International, Senior Notes, 10%, 11/01/16 (g)	Caa1 452
1,100	MGM Resorts International, Senior Notes, 11.125%, 11/15/17	Ba3 1,254

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

Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued		
\$ 125	MGM Resorts International, Senior Notes, 11.375%, 03/01/18	Caa1 \$ 141
475	Pinnacle Entertainment, Inc., Senior Subordinated Notes, 8.625%, 08/01/17	B1 508
325	Seminole Tribe of Florida, Senior Notes, 7.75%, 10/01/17 (g)	Ba1 334
475	Seneca Gaming Corporation, Senior Notes, 8.25%, 12/01/18 (g)	B1 492
225	Sheraton Holding Corporation, Senior Notes, 7.375%, 11/15/15	Ba1 255
375	Wynn Las Vegas LLC, Senior Notes, 7.875%, 11/01/17	(e) 410
		<u>10,074</u>

Insurance — 1.54%

925	Financial Security Assurance Holdings Ltd., Junior, Subordinated Debentures, 6.40%, 12/15/66 (g)	Baa1 698
750	Hub International Limited, Senior Notes, 9%, 12/15/14 (g)	B3 765
1,775	Hub International Limited, Senior Subordinated Notes, 10.25%, 06/15/15 (g)	Caa1 1,811
425	USI Holdings Corporation, Senior Subordinated Notes, 9.75%, 05/15/15 (g)	Caa1 425
		<u>3,699</u>

Leisure, Amusement and Entertainment — 2.19%

525	Cedar Fair LP, Senior Notes, 9.125%, 08/01/18	B2 563
175	Easton Bell Sports Inc., Senior Notes, 9.75%, 12/01/16	B2 192
950	Manchester United Finance plc, Senior Notes, 8.375%, 02/01/17 (g)	(e) 1,017
225	NCL Corporation, Senior Notes, 9.50%, 11/15/18 (g)	Caa1 238

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
\$ 700	NCL Corporation, Senior Notes, 11.75%, 11/15/16	B2 \$ 808
200	Palace Entertainment Holdings LLC, Senior Notes, 8.875%, 04/15/17 (g)	B2 201
450	Speedway Motorsports, Inc., Senior Notes, 8.75%, 06/01/16	Ba2 487
775	Ticketmaster, Senior Notes, 10.75%, 08/01/16	B3 843
575	Universal City Development Partners, Ltd., Senior Notes, 8.875%, 11/15/15	Baa2 638
250	Universal City Development Partners, Ltd., Senior Notes, 10.875%, 11/15/16	Baa2 297
		<u>5,284</u>

Mining, Steel, Iron and Non-Precious Metals — 6.53%

525	AK Steel Corporation, Senior Notes, 7.625%, 05/15/20	Ba3 539
525	Algoma Acquisition Corporation, 9.875%, 06/15/15 (g)	Caa2 479
575	Alosa Finance S.A., Senior Notes, 7.75%, 11/03/20 (g)	Ba3 624
250	Arch Coal, Inc., Senior Notes, 8.75%, 08/01/16	B1 270
975	Consol Energy, Inc., Senior Notes, 8%, 04/01/17	B1 1,060
400	Consol Energy, Inc., Senior Notes, 8.25%, 04/01/20	B1 434
850	FMG Resources Pty. Ltd., Senior Notes, 7%, 11/01/15 (g)	B1 866
725	Foresight Energy LLC, Senior Notes, 9.625%, 08/15/17 (g)	Caa1 774
525	JMC Steel Group, Inc., Senior Notes, 8.25%, 03/15/18 (g)	B3 533
675	McJunkin Red Man Corporation, Senior Notes, 9.50%, 12/15/16 (g)	B3 692
550	Metals USA, Inc., Senior Secured Notes, 11.125%, 12/01/15	B3 579
250	Mirabela Nickel Ltd., Senior Notes, 8.75%, 04/15/18 (g)	B2 246

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

Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued		
\$ 600	New World Resources N.V., Senior Notes, 7.875%, 05/01/18 (g)(EUR) Ba3	\$ 896
425	Novelis, Inc., Senior Notes, 8.75%, 12/15/20 B2	458
425	Patriot Coal Corporation, Senior Notes, 8.25%, 04/30/18 B3	440
3,075	Ryerson Holding Corporation, Senior Secured Notes, 16.50%, 02/01/15 (b) Caa3	1,645
1,225	Ryerson Inc., Senior Secured Notes, 12%, 11/01/15 Caa1	1,302
625	Severstal Columbus LLC, Senior Notes, 10.25%, 02/15/18 B3	692
475	Steel Dynamics, Inc., Senior Notes, 7.625%, 03/15/20 Ba2	504
50	Steel Dynamics, Inc., Senior Notes, 7.75%, 04/15/16 Ba2	52
350	Thomson Creek Metals Company Inc., Senior Notes, 7.375%, 06/01/18 (g) B3	343
1,125	Tube City IMS Corporation., Senior Subordinated Notes, 9.75%, 02/01/15 Caa1	1,164
350	Vedanta Resources, Plc, Senior Notes, 8.25%, 06/07/21 (g) Ba2	352
725	Vedanta Resources, Plc, Senior Notes, 9.50%, 07/18/18 (g) Ba2	<u>782</u>
		<u>15,726</u>
Oil and Gas — 14.13%		
775	Alta Mesa Holdings, L.P., Senior Notes, 9.625%, 10/15/18 (g) B3	775
380	Anadarko Petroleum Corporation, Senior Notes, 8.70%, 03/15/19 Ba1	483
1,425	Antero Resources Corporation, Senior Notes, 9.375%, 12/01/17 B3	1,525

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
\$ 300	Berry Petroleum Company, Senior Notes, 6.75%, 11/01/20 B2	\$ 302
450	Berry Petroleum Company, Senior Notes, 10.25%, 06/01/14 B2	513
525	Bill Barrett Corporation, Senior Notes, 9.875%, 07/15/16 B1	587
225	Calumet Specialty Products Partners, L.P., Senior Notes, 9.375%, 05/01/19 (g) B3	229
1,000	CGG Veritas, Senior Notes, 6.50%, 06/01/21 (g) Ba3	961
225	Chesapeake Energy Corp., Senior Notes, 6.625%, 08/15/20 Ba3	236
975	Chesapeake Energy Corp., Senior Notes, 9.50%, 02/15/15 Ba3	1,131
300	Concho Resources, Inc., Senior Notes, 7%, 01/15/21 B3	306
750	Concho Resources, Inc., Senior Notes, 8.625%, 10/01/17 B3	808
950	Connacher Oil and Gas Limited, Senior Notes, 8.50%, 08/01/19, (g) Caa2	893
400	Continental Resources, Senior Notes, 7.125%, 04/01/21 B1	422
772	Denbury Resources Inc., Senior Subordinated Notes, 8.25%, 02/15/20 B1	841
575	Denbury Resources Inc., Senior Subordinated Notes, 9.75%, 03/01/16 B1	640
100	El Paso Corporation, Senior Notes, 7.75%, 01/15/32 Ba3	118
50	El Paso Corporation, Senior Notes, 7.80%, 08/01/31 Ba3	59
125	Encore Acquisition Company, Senior Subordinated Notes, 9.50%, 05/01/16 B1	139

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

Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)	Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued			CORPORATE DEBT SECURITIES — continued		
\$ 1,325			\$ 650		
Energy Transfer Equity, L.P., Senior Notes, 7.50%, 10/15/20	Ba2	\$ 1,411	OGX Petroleo e Gas Participacoes SA, Senior Notes, 8.50%, 06/01/18 (g)	B1	\$ 663
1,075			375		
Exterran Holdings, Inc., Senior Notes, 7.25%, 12/01/18 (g)	Ba3	1,088	Penn Virginia Corporation, Senior Notes, 7.25%, 04/15/19	B2	362
1,375			500		
Ferrellgas, L.P., Senior Notes, 6.50%, 05/01/21 (g)	Ba3	1,292	Penn Virginia Corporation, Senior Notes, 10.375%, 06/15/16	B2	548
120			325		
Forest Oil Corp., Senior Notes, 7.25%, 06/15/19	B1	122	Penn Virginia Resources Partners, L.P., Senior Notes, 8.25%, 04/15/18	B2	337
975			1,000		
GenOn Escrow Corporation, Senior Notes, 9.50%, 10/15/18	B3	1,007	PetroHawk Energy Corporation, Senior Notes, 7.25%, 08/15/18	B3	1,025
650			350		
Global Geophysical Services, Senior Notes, 10.50%, 05/01/17	B3	679	PetroHawk Energy Corporation, Senior Notes, 10.50%, 08/01/14	B3	392
625			1,100		
Goodrich Petroleum Corporation, Senior Notes, 8.875%, 03/15/19 (g)	Caa1	625	PetroPlus Finance Ltd., Senior Notes, 9.375%, 09/15/19 (g)	B2	1,083
600			600		
Helix Energy Solutions Group, Inc., Senior Notes, 9.50%, 01/15/16 (g)	B3	617	Plains Exploration and Production Company, Senior Notes, 10%, 03/01/16	B1	673
100			500		
Inergy, L.p., Senior Notes, 6.875%, 08/01/21 (g)	Ba3	100	Precision Drilling Corporation, Senior Notes, 6.625%, 11/15/20	Ba2	509
625			450		
Inergy, L.p., Senior Notes, 7%, 10/01/18	Ba3	631	Quicksilver Resources, Inc., Senior Notes, 9.125%, 08/15/19	B2	484
309			1,000		
Inergy, L.p., Senior Notes, 8.75%, 03/01/15	Ba3	329	Quicksilver Resources, Inc., Senior Notes, 11.75%, 01/01/16	B2	1,140
950			825		
MEG Energy Corporation, Senior Notes, 6.50%, 03/15/21 (g)	B3	950	Range Resources Corporaiton, Senior Subordinated Notes, 6.75%, 08/01/20	Ba3	848
710			375		
Newfield Exploration Company, Senior Subordinated Notes, 6.875%, 02/01/20	Ba2	751	RDS Ultra-Deep Water, Ltd., Senior Notes, 11.875%, 03/15/17 (g)	B3	407
525			450		
Niska Gas Storage US, LLC, Senior Notes, 8.875%, 03/15/18	B1	553	Regency Energy Partners, L.P., Senior Notes, 6.875%, 12/01/18	B1	466
325			550		
Oasis Petroleum, Inc., Senior Notes, 7.25%, 02/01/19 (g)	Caa1	318	SandRidge Energy, Inc., Senior Notes, 7.50%, 03/15/21 (g)	B3	557
450					
Offshore Group Investment Ltd., Senior Notes, 11.50%, 08/01/15	B3	483			
125					
Offshore Group Investment Ltd., Senior Notes, 11.50%, 08/01/15 (g)	B3	134			

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

Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued		
\$ 275	SandRidge Energy, Inc., Senior Notes, 8%, 06/01/18 (g)	B3 \$ 277
375	SESI LLC, Senior Notes, 6.375%, 05/01/19 (g)	Ba3 366
225	SM Energy Company, Senior Notes, 6.625%, 02/15/19 (g)	B1 225
650	Swift Energy Company, Senior Notes, 8.875%, 01/15/20	B3 695
25	Tesoro Corporation, Senior Notes, 9.75%, 06/01/19	Ba1 28
825	Unit Corporation, Senior Subordinated Notes, 6.625%, 05/15/21	B3 820
75	Whiting Petroleum Corporation, Senior Subordinated Notes, 6.50% 10/01/18	Ba3 77
		<u>34,040</u>
Personal, Food and Miscellaneous Services — 2.29%		
400	Central Garden & Pet Company, Senior Subordinated Notes, 8.25%, 03/01/18	B2 413
1,000	DineEquity, Inc., Senior Notes, 9.50%, 10/30/18 (g)	B3 1,085
390	Dunkin' Finance Corporation, Senior Notes, 9.625%, 12/01/18 (g)	Caa2 393
850	O'Charleys, Inc., Senior Subordinated Notes, 9%, 11/01/13	B3 850
500	OSI Restaurant Partners, Inc., Senior Notes, 10%, 06/15/15	Caa3 521
1,125	Realogy Corporation, Senior Notes, 11.50%, 04/15/17	(e) 1,142
1,000	Wendy's International Holdings, LLC, Senior Notes, 10%, 07/15/16	B3 1,107
		<u>5,511</u>
Personal Non-Durable Consumer Products — .54%		
200	Acco Brands Corporation, Senior Notes, 10.625%, 03/15/15	B1 223

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
\$ 250	Jarden Corporation, Senior Notes, 8%, 05/01/16	Ba3 \$ 272
575	Ontex IV, S.A., Senior Notes, 7.50%, 04/15/18 (g)(EUR)	Ba3 803
		<u>1,298</u>
Personal Transportation — 1.94%		
500	American Airlines, Inc., Senior Notes, 7.50%, 03/15/16 (g)	B2 489
1,450	Continental Airlines, Inc., Senior Notes, 6.75%, 09/15/15 (g)	Ba2 1,457
190	Continental Airlines, Inc., Senior Notes, 7.25%, 05/10/21	Baa2 204
134	Continental Airlines, Inc., Senior Notes, 9.25%, 05/10/17	Ba2 141
584	Delta Airlines, Inc., Senior Notes, 9.50%, 09/15/14 (g)	Ba2 622
1,275	Delta Airlines, Inc., Senior Notes, 12.25%, 03/15/15 (g)	B2 1,418
185	Northwest Airlines Senior Notes, 7.575%, 03/01/19	(e) 192
150	United Airlines, Inc., Senior Notes, 12%, 11/01/13 (g)	B3 160
		<u>4,683</u>
Printing and Publishing — 1.24%		
380	AMO Escrow Corporation, Senior Notes, 11.50%, 12/15/17 (g)	B2 409
750	McClatchy Company, Senior Notes, 11.50%, 02/15/17	B1 799
228	Nielsen Finance LLC, Senior Notes, 11.50%, 05/01/16	B2 266
717	Nielsen Finance LLC, Senior Notes, 11.625%, 02/01/14	B2 835
650	Readers Digest Association, Senior Notes, 9.50%, 02/15/17	B1 671
		<u>2,980</u>
Retail Stores — 3.84%		
800	Claire's Escrow Corporation, Senior Notes, 8.875%, 03/15/19 (g)	Caa3 752

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

Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)	Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued					
\$ 184			\$ 100		
Claire's Stores, Inc., Senior Notes, 9.625%, 06/01/15 (h)	Caa3	\$ 181	Avaya, Inc., Senior Notes, 9.75%, 11/01/15	Caa2	\$ 102
625 J. Crew Group, Senior Notes, 8.125%, 03/01/19 (g)	Caa1	606	2,250 Avaya, Inc., Senior Notes, 10.125%, 11/01/15	Caa2	2,301
800 Michaels Stores, Inc., Senior Notes, 7.75%, 11/01/18 (g)	Caa1	794	400 Cincinnati Bell Inc., Senior Notes, 7%, 02/15/15	B2	405
1,025 Michaels Stores, Inc., Subordinated Notes, 13%, 11/01/16 (b)	Caa2	1,058	1,550 Clearwire Communications LLC, Senior Secured Notes, 12%, 12/01/15 (g)	B2	1,666
425 Needle Merger Corporation, Senior Notes, 8.125%, 03/15/19 (g)	Caa1	429	725 Clearwire Communications LLC, Senior Secured Notes, 12%, 12/01/17 (g)	Caa2	761
325 Netflix, Inc., Senior Notes, 8.50%, 11/15/17	Ba2	364	100 Cricket Communications, Inc., Senior Notes, 7.75%, 05/15/16	Ba2	106
100 Penney (J.C.) Corporation, Inc., Senior Notes, 7.125%, 11/15/23	Ba1	104	950 Cricket Communications, Inc., Senior Notes, 7.75%, 10/15/20 (g)	B3	917
500 QVC, Inc., Senior Notes, 7.125%, 04/15/17 (g)	Ba2	527	775 Cricket Communications, Inc., Senior Notes, 10%, 07/15/15	B3	829
1,050 QVC, Inc., Senior Notes, 7.50%, 10/01/19 (g)	Ba2	1,116	500 Crown Castle International Corporation, Senior Notes, 9%, 01/15/15	B1	543
575 Radio Shack Corporation, Senior Notes 6.75%, 05/15/19 (g)	Ba2	555	700 Digicel Limited, Senior Notes, 8.25%, 09/01/17 (g)	B1	730
100 Rite Aid Corporation, Senior Notes, 8%, 08/15/20	B3	108	350 Digicel Limited, Senior Notes, 8.875%, 01/15/15 (g)	Caa1	357
750 Rite Aid Corporation, Senior Notes, 8.625%, 03/01/15	Caa3	703	900 Digicel Limited, Senior Notes, 10.50%, 04/15/18 (g)	Caa1	1,004
150 Rite Aid Corporation, Senior Notes, 9.50%, 06/15/17	Caa3	138	325 Earthlink Inc., Senior Notes, 8.875%, 05/15/19 (g)	B2	294
600 Rite Aid Corporation, Senior Notes, 10.25%, 10/15/19	Caa2	666	775 EH Holdings Corporation, Senior Notes, 6.50%, 06/15/19 (g)	Ba3	789
250 Rite Aid Corporation, Senior Notes, 10.375%, 07/15/16	Caa2	268	775 EH Holdings Corporation, Senior Notes, 7.625%, 06/15/21 (g)	B3	790
400 Toys 'R' Us Delaware, Inc., Senior Notes, 7.375%, 10/15/18	B3	386	475 Equinix, Inc., Senior Notes, 8.125%, 03/01/18	Ba2	518
475 Toys 'R' Us Property Company II, LLC, Senior Notes, 8.50%, 12/01/17	Ba1	492	450 GCI, Inc., Senior Notes, 6.75%, 06/01/21 (g)	B2	450
		<u>9,247</u>	225 Geoeeye, Inc., Senior Notes, 9.625%, 10/01/15	Ba3	253
Telecommunications — 15.13%			1,175 Intelsat Bermuda Ltd., Senior Notes, 11.50%, 02/04/17 (g)	Caa3	1,269
325 Avaya, Inc., Senior Notes, 7%, 04/01/19 (g)	B1	316			

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

Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
CORPORATE DEBT SECURITIES — continued		
Utilities — 3.67%		
\$ 350	AES Corporation, Senior Notes, 7.375%, 07/01/21 (g)	B1 \$ 356
1,300	AES Corporation, Senior Notes, 9.75%, 04/15/16	B1 1,472
2,025	Calpine Corporation, Senior Notes, 7.50%, 02/15/21 (g)	B1 2,071
500	Dubai Electricity and Water, Senior Notes, 7.375%, 10/21/20 (g)	Ba2 512
1,175	NRG Energy, Inc., Senior Notes, 7.625%, 01/15/18 (g)	B1 1,184
1,000	PNM Resources, Inc., Senior Notes, 9.25%, 05/15/15	Ba2 1,115
150	RRI Energy, Inc., Senior Notes, 7.875%, 06/15/17	B3 149
800	Texas Competitive Electric Holdings, Company, LLC Senior Notes, 10.25%, 11/01/15	Caa3 480
425	Texas Competitive Electric Holdings, Company, LLC Series B, Senior Notes, 10.25%, 11/01/15	Caa3 255
1,025	Texas Competitive Electric Holdings, Company, LLC 11.50%, 10/01/20 (g)	B2 1,010
200	Tokyo Electric Power Company, Inc., Senior Notes, 4.50%, 03/24/14 (EUR)	Ba2 245
		<u>8,849</u>
	Total Corporate Debt Securities (Total cost of \$293,278)	<u>306,919</u>

CONVERTIBLE DEBT SECURITIES — .16%

Telecommunications — .16%		
450	Clearwire Communications LLC, Senior Secured Notes, 8.25%, 12/01/40 (g)	(e) 392
	Total Convertible Debt Securities (Total cost of \$496)	<u>392</u>

Principal Amount/Units	Moody's Rating (Unaudited)	Value (Note 1)
SOVEREIGN DEBT — .47%		
\$ 900	Ireland, Government of, Treasury Bonds, 5%, 04/18/13 (EUR)	Baa3 \$ 1,142
	Total Sovereign Debt (Total cost of \$1,220)	<u>1,142</u>

Shares

PREFERRED STOCK — 3.63% (d)

Automobile — .42%		
20,650	General Motors Corporation, 4.75%, Convertible	(e) 1,006
Broadcasting and Entertainment — .16%		
495	Spanish Broadcasting System, Inc., 10.75% (a)	Caa3 381
Containers, Packaging and Glass — 0%		
1,975	Smurfit-Stone Container Corporation, 7%, (c)(f) ESC	—
Electronics — 1.09%		
2,675	Lucent Technologies Capital Trust I, Convertible, 7.75%	B3 2,638
Finance — 1.76%		
2,275	Ally Financial, Inc., 7% (g)	B3 2,138
65,600	Ally Financial, Inc., 8.50%	Caa1 1,642
17,525	GMAC Capital Trust	(e) 449
		<u>4,229</u>

Hotels, Motels, Inns and Gaming — .20%		
4,400	Las Vegas Sands Corporation, 10%	(e) 494
	Total Preferred Stock (Total cost of \$7,730)	<u>8,748</u>

COMMON STOCK — .35% (d)

15,325	Ameristar Casinos, Inc.	363
29,400	Ares Capital Corporation	473
	Total Common Stock (Total cost of \$841)	<u>836</u>
	TOTAL INVESTMENTS (Total cost of \$303,565)	<u>\$318,037</u>

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

Schedule of Investments — June 30, 2011 (Unaudited) — Continued (Dollar Amounts in Thousands)

- (a) Denotes income is not being accrued and/or issuer is in bankruptcy proceedings.
 - (b) Securities are step interest bonds. Interest on these bonds accrues based on the effective interest method which results in a constant rate of interest being recognized.
 - (c) Security is valued at fair value using methods determined by the Board of Directors. The total value of these securities at June 30, 2011 was \$0.
 - (d) Percentages indicated are based on total net assets to common shareholders of \$240,989.
 - (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 Note to Schedule of Investments for valuation policy. Total market value of Rule 144A securities amounted to \$139,801 as of June 30, 2011.
 - (h) Pay-In-Kind
- (EUR) Euro
(GBP) British Pound
- ESC Escrow Cusip. Represents a beneficial interest to account for possible future payments by the company. Interest rate and maturity date are those of the original security.

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

**Statement of Assets and Liabilities
June 30, 2011 (Unaudited)**

(Dollars in thousands, except per share amounts)

Assets:	
INVESTMENTS IN SECURITIES, at value (Identified cost of \$303,565 see Schedule of Investments and Notes 1 and 2)	\$318,037
CASH	3,550
RECEIVABLES:	
Investment securities sold	2,432
Interest and dividends	6,277
PREPAID EXPENSES	68
UNREALIZED GAIN ON FORWARD CURRENCY EXCHANGE CONTRACTS (Notes 1 and 10)	<u>169</u>
Total assets	<u>\$330,533</u>
Liabilities:	
PAYABLES:	
Investment securities purchased	\$ 3,625
Dividend on common stock	153
Dividend on preferred stock	5
ACCRUED EXPENSES (Note 3)	<u>336</u>
Total liabilities	<u>\$ 4,119</u>
Auction Term Preferred Stock:	
\$1.00 par value, 1,000,000 shares authorized, 3,417 shares issued and outstanding, liquidation preference of \$25,000 per share (Notes 4 and 5)	<u>\$ 85,425</u>
Net Assets	<u>\$240,989</u>
Represented By:	
COMMON STOCK:	
\$0.01 par value, 40,000,000 shares authorized, 23,064,128 shares issued and outstanding	\$ 231
CAPITAL IN EXCESS OF PAR VALUE	265,450
UNDISTRIBUTED NET INVESTMENT INCOME (Note 2)	3,796
ACCUMULATED NET REALIZED LOSS FROM SECURITIES TRANSACTIONS (Note 2)	(43,129)
NET UNREALIZED APPRECIATION ON INVESTMENTS AND FORWARD CURRENCY EXCHANGE CONTRACTS	<u>14,641</u>
Net Assets Applicable To Common Stock (Equivalent to \$10.45 per share, based on 23,064,128 shares outstanding)	<u>\$240,989</u>

**Statement of Operations
For the Six Months Ended
June 30, 2011 (Unaudited)**

(Dollars in thousands)

Investment Income: (Note 1)	
Interest income	\$13,282
Dividend income	328
Other income	<u>56</u>
Total investment income	<u>\$13,666</u>
Expenses:	
Cost of leverage:	
Preferred and auction fees (Note 5)	\$ 50
Total cost of leverage	<u>\$ 50</u>
Professional services:	
Legal (Note 9)	\$ 670
Investment Advisor (Note 3)	564
Custodian and transfer agent	132
Audit	<u>29</u>
Total professional services	<u>\$ 1,395</u>
Administrative:	
General administrative (Note 8)	\$ 275
Directors	89
Insurance	66
Shareholder communications	26
Rating Agency	23
Shareholder meeting	20
Miscellaneous	<u>13</u>
Total administrative	<u>\$ 512</u>
Total expenses	<u>\$ 1,957</u>
Net investment income	<u>\$11,709</u>
Realized and Unrealized Gain (Loss) on Investment Activities:	
Realized gain on investments and currencies, net	<u>\$ 7,933</u>
Change in net unrealized appreciation on investments and other financial instruments	<u>\$(5,680)</u>
Net gain on investments	<u>\$ 2,253</u>
Cost of Preferred Leverage	
Dividends to preferred stockholders (Notes 4 and 6)	<u>\$(101)</u>
Net increase in net assets resulting from operations	<u>\$13,861</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)

	Six Months Ended June 30, 2011 (Unaudited)	For the Year Ended December 31, 2010
From Operations:		
Net investment income	\$ 11,709	\$ 24,383
Realized gain on investments and currencies, net	7,933	11,376
Change in net unrealized appreciation on investments and other financial instruments	(5,680)	5,389
Distributions from net investment income related to preferred stock		
Dividends to preferred stockholders	(101)	(601)
Net increase in net assets resulting from operations	<u>\$ 13,861</u>	<u>\$ 40,547</u>
From Fund Share Transactions:		
Net asset value of 45,566 shares issued to common stockholders for reinvestment of dividends in 2010	—	468
Distributions to Common Stockholders:		
From net investment income (\$.33 and \$1.03 per share in 2011 and 2010, respectively) .	<u>\$ (7,496)</u>	<u>\$ (23,615)</u>
Total net increase in net assets	<u>\$ 6,365</u>	<u>\$ 17,400</u>
Net Assets Applicable to Common Stock:		
Beginning of period	<u>\$234,624</u>	<u>\$217,224</u>
End of period (Including \$3,796 and \$917 of undistributed net investment income at June 30, 2011 and December 31, 2010, respectively)	<u>\$240,989</u>	<u>\$234,624</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 (b)

	For the	For the Years Ended December 31,				
	Six Months Ended June 30, 2011 (Unaudited)	2010	2009	2008	2007	2006
NET ASSET VALUE:						
Beginning of period.....	\$10.17	\$ 9.44	\$ 5.75	\$ 9.70	\$ 10.95	\$10.65
NET INVESTMENT INCOME51	1.06	1.06	1.10	1.25#	1.25
NET REALIZED AND UNREALIZED GAIN (LOSS)						
ON INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS.....	.10	.73	3.65	(4.00)	(1.00)#	.35
DISTRIBUTIONS FROM NET INVESTMENT INCOME RELATED TO PREFERRED STOCK:						
.....	—	(.03)	(.12)	(.20)	(.25)	(.25)
TOTAL FROM INVESTMENT OPERATIONS.....	.61	1.76	4.59	(3.10)	—	1.35
DISTRIBUTIONS TO COMMON SHAREHOLDERS:						
From net investment income.....	(.33)	(1.03)	(.90)	(.85)	(1.05)	(1.05)
TOTAL DISTRIBUTIONS	(.33)	(1.03)	(.90)	(.85)	(1.05)	(1.05)
Effect of rights offering and related expenses; and Auction Term						
Preferred Stock offering costs and sales load	—	—	—	—	(.20)	—
NET ASSET VALUE:						
End of period	<u>\$10.45</u>	<u>\$10.17</u>	<u>\$ 9.44</u>	<u>\$ 5.75</u>	<u>\$ 9.70</u>	<u>\$10.95</u>
PER SHARE MARKET VALUE:						
End of period	<u>\$10.86</u>	<u>\$ 9.96</u>	<u>\$ 9.05</u>	<u>\$ 4.50</u>	<u>\$ 8.55</u>	<u>\$11.30</u>
TOTAL INVESTMENT RETURN†	<u>12.48%</u>	<u>22.02%</u>	<u>126.88%</u>	<u>(40.53)%</u>	<u>(16.34)%</u>	<u>22.82%</u>

Calculation is based on average shares outstanding during the indicated period due to the per share effect of the Fund's 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.

Financial Highlights

Selected Per Share Data and Ratios

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

	For the Six Months Ended June 30, 2011 (Unaudited)	For the Years Ended December 31,				
		2010	2009	2008	2007	2006
NET ASSETS, END OF PERIOD, APPLICABLE TO COMMON STOCK (a) . . .	<u>\$240,989</u>	<u>\$234,624</u>	<u>\$217,224</u>	<u>\$132,539</u>	<u>\$223,822</u>	<u>\$208,999</u>
NET ASSETS, END OF PERIOD, APPLICABLE TO PREFERRED STOCK (a) . .	<u>\$ 85,425</u>	<u>\$ 85,425</u>	<u>\$ 85,425</u>	<u>\$ 85,425</u>	<u>\$130,000</u>	<u>\$130,000</u>
TOTAL NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK, END OF PERIOD (a)	<u>\$326,414</u>	<u>\$320,049</u>	<u>\$302,649</u>	<u>\$217,964</u>	<u>\$353,822</u>	<u>\$338,999</u>
EXPENSE RATIOS:						
Ratio of preferred and other leverage expenses to average net assets* . .	.04%**	.05%	.04%	.15%	.15%	.16%
Ratio of operating expenses to average net assets*	1.58%**	1.92%	1.55%	1.30%	1.19%	1.21%
RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS*	<u>1.62%**</u>	<u>1.97%</u>	<u>1.59%</u>	<u>1.45%</u>	<u>1.34%</u>	<u>1.37%</u>
RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS*	9.69%**	10.66%	13.59%	13.13%	11.66%	11.54%
RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK	1.20%**	1.43%	1.07%	.92%	.84%	.84%
RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK	7.17%**	7.76%	9.20%	8.31%	7.28%	7.05%
PORTFOLIO TURNOVER RATE	33.89%	79.02%	81.05%	57.08%	67.25%	64.08%

(a) Dollars in thousands.

(b) The per share data for 2006 through 2008 has been adjusted to reflect a 1 for 5 reverse stock split in 2009.

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

** Annualized

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

**Information Regarding
Senior Securities**

	<u>June 30, 2011</u> <u>(Unaudited)</u>	<u>2010</u>	<u>2009</u>	<u>As of December 31,</u> <u>2008</u>			<u>2007</u>	<u>2006</u>
TOTAL AMOUNT OUTSTANDING:								
Preferred Stock	\$85,425,000	\$85,425,000	\$85,425,000	\$85,425,000	\$130,000,000	\$130,000,000		
ASSET COVERAGE:								
Per Preferred Stock Share (1)	\$ 95,526	\$ 93,664	\$ 88,572	\$ 63,788	\$ 68,043	\$ 65,192		
INVOLUNTARY LIQUIDATION PREFERENCE:								
Per Preferred Stock Share (2)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000		
LIQUIDATION VALUE:								
Per Preferred Stock Share (2)(3)	\$ 25,000	\$ 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.

(3) In January 2008, the Fund repurchased 600 shares of preferred stock at a price of \$25,000 per share. In October 2008, the Fund accepted an unsolicited offer to buy back and retire 1,183 shares of preferred stock at a price of \$16,250 per share. The Fund realized a gain of \$10,351,000 on this transaction. See Note 4 to the Financial Statements.

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

Notes to Financial Statements June 30, 2011 (Unaudited)

(1) Significant Accounting and Other Policies

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

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

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. Investments whose primary market is on an exchange are valued at the last sale price on the day of valuation. 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 \$0 and a value of \$0, are valued in good faith at fair market value using methods determined by the Board of Directors. Fair value measurement is further discussed in section (f) of this footnote.

(b) *Foreign Currency*—Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U. S. dollar amounts on the respective dates of such transactions.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign

Notes to Financial Statements — Continued
June 30, 2011 (Unaudited)

exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transaction, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

(c) *Foreign Currency Forward Exchange Contracts*—The Fund may enter into foreign currency forward exchange contracts primarily to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities. When entering into a forward currency contract, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. The Fund's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statement of assets and liabilities. Realized and unrealized gains and losses are included in the statement of operations. These instruments involve market risk, credit risk or both kinds of risks, in excess of the amount recognized in the statement of assets and liabilities. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

(d) *Securities Transactions and Net Investment Income*—Securities transactions are recorded on trade

date. Realized gains or losses on sales of securities are calculated on the identified cost basis. Interest income is accrued on a daily basis. Discount on short-term investments is amortized to investment income. Premiums or discounts on corporate debt securities are amortized based on the interest method for financial reporting purposes. All income on original issue discount and step interest bonds is accrued based on the effective interest method. The Fund does not amortize market premiums or discounts for tax purposes. Dividend payments received in the form of additional securities are recorded on the ex-dividend date in an amount equal to the value of the security on such date.

(e) *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.

(f) *Fair Value Measurement*—The Fund applies ASC 820 "Fair Value Measurements and Disclosures". This standard establishes the definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements.

The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2—Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Notes to Financial Statements — Continued

June 30, 2011 (Unaudited)

Level 3—Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

A description of the valuation techniques applied to the Fund's major asset and liability categories is as follows.

Debt securities (corporate, convertible & bank debt). The fair value of debt securities is provided by independent pricing services using quotations from dealers and brokers, market transactions, data from quotations services, offering sheets and various relationships between securities. While most corporate bonds are categorized in level 2 of the fair value hierarchy, there may be instances where less observable inputs necessitate a level 3 categorization.

Equity securities (preferred and common stock). Equity securities for which the primary market is on an exchange will be valued at the last sale price on the day of valuation and are categorized in level 1 of the fair value hierarchy. Other equity securities traded in inactive markets or valued by independent pricing services using methods similar to debt securities are categorized in level 2. The fair value of equity securities in which observable inputs are unavailable are categorized in level 3.

Short-term investments. Short-term investments are valued using amortized cost, which approximates fair value. To the extent the inputs are observable and timely the values would be categorized in level 2 of the fair value hierarchy.

Forwards are valued at the unrealized gain or loss on the contract as measured by the difference between the forward exchange rates at the date of entry into the contract and the forward rates at the reporting date. Forwards are categorized in level 2 of the fair value hierarchy.

The following is a summary of the inputs used as of June 30, 2011 in valuing the Fund's investments:

	Level 1 Quoted Prices (000's)	Level 2 Significant Observable Inputs (000's)	Level 3 Significant Unobservable Inputs (000's)	Total Value (000's)
Investments				
Debt Securities*	\$ —	\$308,453	\$—	\$308,453
Preferred Stock				
Automobile	449	—	—	449
Broadcasting and Entertainment	—	381	—	381
Electronics	—	2,638	—	2,638
Finance	2,648	2,138	—	4,786
Hotels, Motels Inns and Gaming	—	494	—	494
Common Stock				
Ameristar Casinos	363	—	—	363
Ares Capital	473	—	—	473

Notes to Financial Statements — Continued
June 30, 2011 (Unaudited)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Value</u>
	<u>Quoted</u>	<u>Significant</u>	<u>Significant</u>	
	<u>Prices</u>	<u>Observable</u>	<u>Unobservable</u>	
		<u>Inputs</u>	<u>Inputs</u>	
	<u>(000's)</u>	<u>(000's)</u>	<u>(000's)</u>	<u>(000's)</u>
Short-Term Investment	\$ —	\$ —	\$ —	\$ —
Total Investments	\$3,933	\$314,104	\$—	\$318,037
Forward Currency Exchange Contracts	\$ —	\$ 169	\$ —	\$ 169

* Debt Securities — All are level 2. Type of debt and industries are shown on the Schedule of Investments.

The following is a reconciliation of Fund investments using Level 3 inputs for the period:

	<u>Equity Securities</u>
Balance, December 31, 2010	\$ 0
Net purchases (sales)	0
Change in unrealized appreciation (depreciation)	0
Realized gain (loss)	0
Transfers out of Level 3 to Level 2	0
Balance, June 30, 2011	<u>\$—</u>

Transfers between levels are recognized at the end of the reporting period. During the six months ended June 30, 2011, the Fund recognized no significant transfers to/from Level 1 or Level 2.

(2) Tax Matters and Distributions

At June 30, 2011, the total cost of securities (including temporary cash investments) for federal income tax purposes was approximately \$302,936,000. Aggregate gross unrealized gain on securities in which there was an excess of value over tax cost was approximately \$17,350,000. Aggregate gross unrealized loss on securities in which there was an excess of tax cost over value was approximately \$2,249,000. Net unrealized gain on investments for tax purposes at June 30, 2011 was approximately \$15,101,000.

At December 31, 2010, 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>
\$ 7,387,000	December 31, 2011
125,000	December 31, 2012
954,000	December 31, 2013
1,481,000	December 31, 2014
15,500,000	December 31, 2016
<u>26,848,000</u>	December 31, 2017
<u>\$52,295,000</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 \$24,216,000 and \$21,050,000 in 2010 and 2009, respectively, was from ordinary income.

As of December 31, 2010, the components of distributable earnings on a tax basis were approximately:

Undistributed Ordinary income	\$ 399,000
Unrealized Gain	21,157,000
Post-October Losses	(310,000)
Preferred Dividend Payable	(8,000)
Capital Losses Carry Forward	<u>(52,295,000)</u>
	<u>\$(31,057,000)</u>

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, deductibility of preferred stock dividends, expiration of capital loss carryforwards, wash sales and post-October losses. 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, 2010,

Notes to Financial Statements — Continued

June 30, 2011 (Unaudited)

permanent differences between book and tax accounting have been reclassified as follows:

Increase (decrease) in:

Undistributed net investment income	\$ (278,000)
Accumulated net realized loss from securities transactions	\$ 34,271,000
Capital in excess of par value	\$(33,993,000)

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

The Fund recognizes the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. Management has analyzed the Fund's tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years 2007-2009, or expected to be taken in the Fund's 2010 tax returns. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

(3) Investment Advisory Agreement

T. Rowe Price Associates, Inc. (T. Rowe Price), the Fund's Investment Advisor, earned approximately

\$564,000 in management fees during the six months ended June 30, 2011. Management fees paid by the Fund to T. Rowe Price were calculated at 0.50% on the first \$50,000,000 of the Fund's average weekly net assets, 0.40% on the next \$50 million and 0.30% on average weekly net assets in excess of \$100 million. T. Rowe Price's fee is calculated based on assets attributable to the Fund's common and auction term preferred stock. At June 30, 2011, the fee payable to T. Rowe Price was approximately \$93,000, which was included in accrued expenses on the accompanying statement of assets and liabilities.

(4) Auction Term Preferred Stock (ATP)

The Fund had 3,417 shares of ATP issued and outstanding at June 30, 2011. The ATP's dividends are cumulative at a rate determined using an auction process, the terms of which are set forth in the Fund's charter. Dividend periods will typically be 28 days unless notice is given for periods to be longer or shorter than 28 days. If, as has been the case since February 2008, the auction process does not yield a rate based on orders submitted, then the ATP dividend rate is set using formulas based on a specified percentage of the 30-day AA composite commercial paper rate, which was 150% of such rate for each series' most recent dividend period. Dividend rates ranged from .105% – .332% for the six months ended June 30, 2011. The weighted average dividend rate on June 30, 2011 was .142%.

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. None of the ATP auctions successfully closed during the period and the approximate market value of ATP is not determinable at June 30, 2011. The Fund is

Notes to Financial Statements — Continued
June 30, 2011 (Unaudited)

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. At June 30, 2011 the Fund was in compliance with these asset coverage requirements.

(5) ATP Auction-Related Matters

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

After each auction, DB 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 \$50,000 for service charges for the six months ended June 30, 2011. This amount is included under the caption preferred and auction fees in the accompanying statement of operations.

The Fund is currently not paying a service charge on series A, B and C ATP because the broker-dealer is not participating in the auctions. A service charge is being paid on series D.

(6) Supplemental Dividend for Series A, B and C ATP

The Fund's Board of Directors determined in October 2010 that it would be appropriate to adjust the

dividends payable to holders of each of the Fund's Series A, B and C Auction Term Preferred Stock (ATP) beginning with the dividend period starting on September 23, 2008 (or for each Series with no dividend period beginning on September 23, 2008, that Series' dividend period next commencing after September 23, 2008) and ending with the dividend period concluding on November 16, 2010 (or for each Series with no dividend period concluding on November 16, 2010, that Series' dividend period concluding most immediately before November 16, 2010), using a formula more favorable than the one applied during those dividend periods. (The span of such dividend periods for each Series is referred to as its "Supplemental Dividend Period.") This more favorable formula is referred to in the Fund's charter documents as the "Maximum Applicable Rate" and is equal to 150% of the 30-day AA composite commercial paper rate during a dividend period. Dividend rates during each series' Supplemental Dividend Period had previously been determined using a formula referred to in the Fund's charter documents as the "Minimum Applicable Rate," which is equal to 80% of the 30-day AA composite commercial paper rate during the dividend period. The Directors approved a supplemental dividend for each holder of Series A, B or C ATP that represents the difference between the amount actually paid as dividends during the Supplemental Dividend Period for that series and the amount that would have been paid as dividends had the Maximum Applicable Rate been used in calculating the dividends during that series' Supplemental Dividend Period, plus interest on that amount. The aggregate supplemental dividend for all three series was approximately \$413,000, which was distributed on December 27, 2010. The Maximum Applicable Rate has been used to determine the amount of all dividends payable on each series since the end of its Supplemental Dividend Period.

Notes to Financial Statements — Continued
June 30, 2011 (Unaudited)

(7) Purchases and Sales of Securities

Purchases and proceeds of sales or maturities of long-term securities during the six months ended June 30, 2011 were approximately:

Cost of purchases	\$108,780,000
Proceeds of sales or maturities	\$110,424,000

(8) Related Party Transactions

The Fund paid approximately \$161,000 during the six months ended June 30, 2011 to two officers of the Fund for the provision of certain administrative services.

(9) Legal Expenses

For the year ended December 31, 2010 and the six months ended June 30, 2011, the Fund incurred legal expenses in the course of responding to inquiries from the staff of the SEC's Division of Enforcement (the "Staff") in connection with the Staff's investigation of matters relating to the Fund's ATP, which expenses were materially higher than the legal expenses incurred in comparable periods prior to 2010. The Staff's investigation is on-going and the Fund is expected to continue incurring additional legal expenses in 2011.

(10) Derivative Contracts (Dollar, British Pound and Euro Amounts in Thousands)

Forward Currency Exchange Contracts—As of June 30, 2011, The Fund had forward currency exchange contracts outstanding as follows:

Counterparty	Settlement Date	Receive	Deliver	Unrealized Appreciation (Depreciation)
State Street Bank	7/8/11	GBP 4	USD 7	\$ —
State Street Bank	7/8/11	GBP 7	USD 11	—
State Street Bank	7/8/11	USD 292	GBP 179	4
Citibank	7/8/11	USD 203	GBP 125	2
UBS AG	9/9/11	EUR 183	USD 262	3
Royal Bank of Scotland	9/9/11	EUR 51	USD 73	2
State Street Bank	9/9/11	EUR 95	USD 134	3
UBS AG	9/9/11	EUR 101	USD 144	2
Royal Bank of Scotland	9/9/11	USD 13,221	EUR 9,029	152
Deutsche Bank	9/9/11	USD 245	EUR 170	1
Net unrealized gain (loss) on open forward currency exchange contracts				<u><u>\$169</u></u>

Notes to Financial Statements — Continued
June 30, 2011 (Unaudited)

Fair Value of Derivative Instruments—The fair value of derivative instruments as of June 30, 2011 was as follows:

	Asset Derivatives June 30, 2011	
	Statement of Assets and Liabilities Location	Fair Value
Forward currency contracts	Unrealized gain on forward currency exchange contracts	<u>\$169</u>

The effect of derivative instruments that are included on the Statement of Operations for the six months ended June 30, 2011 was as follows:

Amount of Realized Loss on Derivatives

	Realized gain on investments and currencies, net
Forward currency contracts	\$(1073)

Change in Unrealized Appreciation on Derivatives

	Change in net unrealized appreciation on investments and other financial instruments
Forward currency contracts	\$166

(11) New Accounting Pronouncement

In May 2011, the FASB issued ASU No. 2011-04 “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements” in GAAP and the International Financial Reporting Standards (IFRS). ASU No. 2011-04 amends FASB ASC Topic 820, Fair Value Measurements and Disclosures, to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and IFRS. ASU No. 2011-04 is effective for fiscal years beginning after December 15, 2011 and for interim periods within those fiscal years. Management is currently evaluating the impact these amendments may have on the Fund’s financial statements.

(12) Subsequent Events

The Fund has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through the date the financial statements were issued. Based on this evaluation, no adjustments were required to the financial statements as of June 30, 2011.

Notes to Financial Statements — Continued
Supplemental Information (Unaudited)

Annual Meeting of Stockholders

The Fund's 2011 Annual Meeting of Stockholders is scheduled to be held on October 27, 2011 (the "2011 Annual Meeting"). In accordance with SEC Rule 14a-5(f) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), the Fund has determined that proposals to be considered for inclusion in the Fund's proxy statement for the 2011 Annual Meeting under SEC Rule 14a-8 under the Exchange Act must be received by the Fund at its principal offices on or before April 25, 2011. In addition, in order for a shareholder proposal made outside of SEC Rule 14a-8 to be considered timely under the Fund's bylaws, such proposal must be received by the Fund at its principal offices not earlier than the close of business on June 29, 2011 and not later than the close of business on July 29, 2011.

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 May 26, 2010, 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 redeem and/or purchase its ATP as provided in the Fund's governing documents, as agreed upon by the Fund and sellers or as otherwise permitted. The Fund may effect such redemptions and/or purchases when it deems advisable.

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 advisable. 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.

Directors

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

Officers

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

Auction Agent

Deutsche Bank Trust Company Americas
P.O. Box 305050
Nashville, TN 37230

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

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The New America High Income Fund, Inc.

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



**Semi-Annual
Report**

June 30, 2011
