

## Dear Shareholder,

We are pleased to report to our shareholders on the results of The New America High Income Fund (the “Fund”) for the six months ended June 30, 2016. The Fund’s net asset value (the “NAV”) was \$9.45 as of June 30th. The market price for the Fund’s shares ended the period at \$8.55, representing a market price discount of 9.5%. During the period the Fund paid regular monthly dividends of \$.06 per share. The annualized dividend yield on a share of common stock purchased at the year-end 2015 price of \$7.66 was 9.4%.

During the first six months of the year, the Fund adjusted the amount of its cash position and leverage in response to volatile market conditions. In January, the Fund increased its leverage by \$10 million (from \$80 million to \$90 million), consistent with the view expressed by the Fund’s investment advisor that turmoil in the high yield bond market would present buying opportunities for the Fund. The draw-down of cash from the Fund’s credit facility (the “Facility”) proved to be well-timed as weakness in the market early in the period allowed the Fund to add to positions at attractive prices. However, later in the period the Fund raised cash and reduced the amount of its leverage due to concern about potential adverse market reaction to the pending United Kingdom referendum on continued membership in the European Union (commonly referred to as the “Brexit” vote).

As of June 30th, the Fund had borrowed \$76 million through its Facility with the Bank of Nova Scotia. Amounts borrowed under the Facility bear interest at an adjustable rate based on a margin above LIBOR. The interest rate on the Facility at the end of the period was 1.35%, an attractive spread relative to the 7.18% market value-weighted average current yield on the Fund’s portfolio on June 30th. The Fund’s leverage contributed approximately 25% of the common stock dividend year-to-date. An increase in the cost of the leverage or reduction in the portfolio’s yield will reduce the spread and may reduce the income available for the common dividend.

We remind shareholders that there is no certainty that the dividend will remain at the current level. The dividend can be affected by portfolio results, the cost and amount of leverage, market conditions, the extent to which the portfolio is fully invested and operating expenses, among other factors. Leverage magnifies the effect of price movements on the net asset value. The Fund’s leverage has increased the Fund’s total return in the recent period of positive high yield market performance. Of course the opposite would be true in an unfavorable high yield market.

The Fund’s investment advisor discusses in detail below the numerous challenges investors face from political and economic events in the United States and around the world. Bond market investors have been paying close attention to signals from the Federal Reserve concerning when the next increase in interest rates may occur. Fixed income markets have recently experienced increased volatility due, in part, to investors’ concerns about the impact of increased interest rates on the prices of fixed income instruments.

Interest rate risk is one of the risks faced by the Fund’s shareholders. However, bonds of different quality and varying maturities react differently to changing rates. Duration is a measure of the sensitivity of a bond’s price to a change in rates. Duration takes into account a bond’s maturity and coupon. A relatively short maturity shortens duration as does a relatively high coupon. A short bond duration indicates less price sensitivity to changes in interest rates. High yield bonds have relatively lower durations compared to investment grade bonds, resulting in less price volatility in changing rate environments, although high yield bonds are more sensitive to credit risk than investment grade bonds, resulting in greater price volatility in changing economic conditions. It is also noteworthy that a change in Fed policy to higher interest rates indicates confidence in the strength of the U.S. economy. In general, a stable to improving economy is beneficial to high yield companies.

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**Total Returns for the Periods Ending June 30, 2016**

|  | <u>1 Year</u> | <u>3 Years Cumulative</u> |
|--|---------------|---------------------------|
| New America High Income Fund<br>(Stock Price and Dividends)* ..... | 7.38%         | 11.80%                    |
| New America High Income Fund<br>(NAV and Dividends)* .....         | 2.14%         | 20.34%                    |
| Credit Suisse High Yield Index .....                               | 1.03%         | 12.23%                    |

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

Past performance is no guarantee of future results.

The Credit Suisse High Yield Index is an unmanaged index. Unlike the Fund, the index has no trading activity, expenses or leverage.

\* Returns are historical and are calculated by determining the percentage change in net asset value or market value with all distributions reinvested. Distributions are assumed to be reinvested at prices obtained under the Fund's dividend reinvestment plan. 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.

*Commentary by T. Rowe Price Associates, Inc.*

*Market Review*

High yield bonds posted impressive gains of 9.3% during the first six months of the year as measured by the Credit Suisse High Yield Index (the "Index"). Through mid-February, the high yield market was adversely affected by the pronounced weakness in commodity-related sectors and lower quality issues; this was followed by a dramatic rally in below investment-grade bonds as risk aversion subsided. The price of oil continued its outsized impact on the largest sector in the Index, energy, which represents almost 16% of the high yield market. After falling to \$26 per barrel in February, oil rose to more than \$50 per barrel amid reports of supply disruptions and lower U.S. crude inventories. The high yield energy sector returned over 20% during the six-months ended June 30. The average yield spread-to-worst for the Index compared to U.S. Treasuries tightened by 79 basis points over the prior six months and finished the period at 674 basis points. As of June 30, the yield-to-worst on the Index was a relatively compelling 7.73% in the low global yield environment.

Early in the year, the high yield market struggled amid investors' concerns over slowing growth in China and marked equity volatility. However, a relatively dovish central bank policy narrative and stronger economic figures for the U.S. decreased early-year apprehensions over the possibility of a U.S. recession. Market disruptions, most notably in June around the U.K. referendum to exit the European Union—the so-called "Brexit" vote—were largely short-lived. The surprise "Brexit" result renewed concerns over slowing global growth and lowered expectations for any near-term Fed rate actions. Against this backdrop, U.S. Treasuries rallied and the 10-year Treasury bond yield declined to levels not seen in four years.

According to J.P. Morgan, more than \$155 billion of new issues came to market over the past six months, with roughly two-thirds of that volume coming in the second quarter. The use of proceeds for refinancing increased quarter-over-quarter as falling rates and a more favorable environment encouraged issuers to come to the market. Mutual fund cash inflows over the first quarter were followed by outflows in the second, as investors took advantage of the market rally to take profits amid renewed uncertainty.

High yield issuer defaults in the first half of 2016 have surpassed 2015's total default volume. Commodity companies have accounted for 83% of year-to-date bankruptcies. Through June 30, 20 energy companies have defaulted on

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\$29 billion of debt and four metals and mining issuers have defaulted on almost \$8 billion of debt. Nearly 13% of high yield energy companies and 17% of metals and mining issuers have defaulted during the year ended June 30. Consequently, the J.P. Morgan par-weighted trailing 12 month default rate increased over the period to 3.56% in June from 1.80% as of December. Market strategists expect to see more bankruptcies in these industries and the high yield default rate to remain elevated above the 20-year average of 3.1%

### *Portfolio Review*

The portfolio was underweighted in energy compared with the Index. However, during the period the exposure to energy was increased through the addition of relatively higher quality credits. Purchases included BB-rated Concho Resources and Cheniere Corporation. We purposely avoided distressed and restructured names that drove the market rally in the period. Similarly, the portfolio was underweight in metals and mining compared with the Index, which hurt the portfolio's performance relative to the Index. We believe commodity-related companies face a number of headwinds and the substantial risk-on rally this year has been somewhat detached from the underlying fundamentals of the issuers.

An overweight allocation to media and telecom also hurt performance relative to the Index, although this was partially offset by our security selection within the industry. Cable is a relatively defensive sector which lagged the broad market in what was a strong positive environment, however, several of our high conviction positions such as Altice and Charter Communications outperformed.

Performance benefited from credit selection in the information technology sector, partly due to our position in Blue Coat, a leading manufacturer of on-premises security systems. The company has adapted to the growing use of cloud storage, and we anticipate continued expansion of its business. Security selection in the manufacturing sector also contributed positively to performance. Apex Tool, a leading tool manufacturer, is beginning to realize the benefits of cost reductions and restructuring undertaken in recent years. The position in Milacron, a leading manufacturer of systems used in the plastic technology and processing industry, also contributed positively to results. The company reported significantly improved year-over-year first quarter results on the back of strong demand for its products in a number of markets.

### *Outlook*

Eight years after the global financial crisis, weakening corporate profitability, creeping leverage and increased idiosyncratic risks are indicative of an aging high yield credit cycle. Ongoing macro factors, geopolitical developments and negative headlines—all in plentiful supply—will continue to cause volatility in risk assets, including high yield bonds. We believe energy and metals issuers may continue to keep the high yield market default rate elevated for the remainder of this year and into 2017. Market valuations of non-commodity issues are relatively unattractive. Today's high yield market trading and liquidity conditions are more challenging in all market environments as a result of new rules and regulations that dissuade broker-dealers from taking on risk and maintaining inventories.

While the market backdrop outlined above is cause for concern, the support provided to the market by investors' demand for income is considerable. Yields on government bonds in many developed countries are negative and U.S. Treasury yields returned to historic low levels late in the period. If demand for income continues and the U.S.

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economy remains in a slow, albeit positive, growth trajectory, high yield issuers may continue to have access to capital markets to refinance and service debt, investors will lend and the credit cycle will lumber along. In addition, the recent rally in oil and natural gas prices may have pushed off several defaults for at least six months and that high yield energy defaults may be lower in 2017 than in 2016. However, a global recession resulting from “Brexit” or another macro influence—not our base case—would derail this thesis.

As always, we aim to deliver high current income while seeking to contain volatility inherent in this market. Our team maintains a commitment to credit research and risk-conscious investing that has led to favorable returns for our high yield clients over various market cycles.

Sincerely,



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



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

*Past performance is no guarantee of future results. 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<br>June 30, 2016 (Unaudited) | As a Percent of<br>Total Investments* | Moody's Investors Service Ratings (1)<br>June 30, 2016 (Unaudited) | As a Percent of<br>Total Investments |
|---|---------------------------------------|--|--------------------------------------|
| Energy  | 14.73%                                | Baa3   | 1.48%                                |
| Cable Operators                               | 11.85%                                | Total Baa  |                                      |
| Financial                                     | 8.69%                                 |  |                                      |
| Health Care                                   | 6.36%                                 | Ba1  | 5.06%                                |
| Services                                      | 5.89%                                 | Ba2  | 9.09%                                |
| Metals & Mining                               | 5.11%                                 | Ba3  | 12.78%                               |
| Wireless Communications                       | 4.69%                                 | Total Ba   | 26.93%                               |
| Information Technology                        | 4.67%                                 |  |                                      |
| Container                                     | 3.44%                                 | B1   | 16.13%                               |
| Gaming  | 3.42%                                 | B2   | 12.22%                               |
| Broadcasting                                  | 2.99%                                 | B3   | 18.20%                               |
| Utilities                                     | 2.81%                                 | Total B  | 46.55%                               |
| Chemicals                                     | 2.03%                                 |  |                                      |
| Manufacturing                                 | 1.94%                                 | Caa1   | 13.53%                               |
| Automotive                                    | 1.84%                                 | Caa2   | 5.98%                                |
| Other Telecommunications                      | 1.76%                                 | Caa3   | 0.43%                                |
| Building & Real Estate                        | 1.76%                                 | Total Caa  | 19.94%                               |
| Retail  | 1.71%                                 |  |                                      |
| Building Products                             | 1.54%                                 | Ca   | 0.03%                                |
| Aerospace & Defense                           | 1.46%                                 | C  | 0.10%                                |
| Supermarkets                                  | 1.46%                                 |  |                                      |
| Food/Tobacco                                  | 1.43%                                 | Unrated  | 3.45%                                |
| Airlines                                      | 1.38%                                 |  |                                      |
| Publishing                                    | 1.21%                                 | Equity   | 1.52%                                |
| Consumer Products                             | 1.15%                                 | Total Investments  | 100.00%                              |
| Forest Products                               | 1.07%                                 |  |                                      |
| Satellites                                    | 0.97%                                 |  |                                      |
| Entertainment & Leisure                       | 0.81%                                 |  |                                      |
| Lodging                                       | 0.76%                                 |  |                                      |
| Restaurants                                   | 0.68%                                 |  |                                      |
| Transportation                                | 0.30%                                 |  |                                      |
| Real Estate Investment Trust Securities       | 0.09%                                 |  |                                      |
| Total Investments                             | <u>100.00%</u>                        |  |                                      |

(1) SOURCE: Moody's Investors Service, Inc. This table compiles the ratings assigned by Moody's to the Fund's holdings.

\* Percentages do not match the industry percentages in the Schedule of Investments because due to the Fund's leverage total investments exceed net assets by 1.32 times.

**Schedule of Investments — June 30, 2016 (Unaudited)** (Dollar Amounts in Thousands)

| Principal Amount/Units                            | Moody's Rating (Unaudited)  | Value (Note 1) |
|---|---|----------------|
| <b>CORPORATE DEBT SECURITIES — 129.49% (d)(f)</b> |   |                |
| <b>Aerospace &amp; Defense — 1.93%</b>            |   |                |
| \$ 2,075  | Bombardier, Inc., Senior Notes, 7.50%, 03/15/18 (g)                   | B3 \$ 2,145    |
| 425   | Huntington Ingalls Industries, Senior Notes, 5%, 11/15/25 (g)         | Ba2 449        |
| 900   | Standard Aero Aviation Holdings Inc., Senior Notes, 10%, 07/15/23 (g) | Caa2 902       |
| 100   | Transdigm, Inc., Senior Subordinated Notes, 6.375%, 6/15/26 (g)       | B3 100         |
| 350   | Transdigm, Inc., Senior Subordinated Notes, 6.50%, 07/15/24           | B3 353         |
| 300   | Transdigm, Inc., Senior Subordinated Notes, 6.50%, 05/15/25           | B3 300         |
|   |   | <u>4,249</u>   |
| <b>Airlines — 1.82%</b>                           |   |                |
| 100   | Air Canada, Senior Notes, 6.75%, 10/01/19 (g)                         | Ba3 102        |
| 1,100   | American Airlines Group, Senior Notes, 5.50%, 10/01/19 (g)            | B1 1,089       |
| 120   | American Airlines Group, Senior Notes, 5.625%, 01/15/21 (g)           | (e) 123        |
| 1,325   | American Airlines Group, Senior Notes, 6.125%, 06/01/18               | B1 1,375       |
| 124   | United Airlines, Senior Notes, 4.625%, 03/03/24                       | (e) 123        |
| 575   | United Continental Holdings, Inc., Senior Notes, 6%, 12/01/20         | B1 601         |
| 575   | United Continental Holdings, Inc., Senior Notes, 6.375%, 06/01/18     | B1 604         |
|   |   | <u>4,017</u>   |
| <b>Automotive — 2.43%</b>                         |   |                |
| 350   | Group 1 Automotive, Inc., Senior Notes, 5%, 06/01/22                  | Ba2 344        |

| Principal Amount/Units      | Moody's Rating (Unaudited)  | Value (Note 1) |
|-----------------------------|---|----------------|
| \$ 275                      | Group 1 Automotive, Inc., Senior Notes, 5.25%, 12/15/23 (g)           | Ba2 \$ 272     |
| 1,025                       | Jaguar Land Rover Automotive Plc, Senior Notes, 5.625%, 02/01/23 (g)  | Ba2 1,061      |
| 825                         | MPG Holdco Inc., Senior Notes, 7.375%, 10/15/22                       | B3 817         |
| 575                         | Penske Auto Group, Inc., Senior Subordinated Notes, 5.50%, 5/15/26    | B1 546         |
| 400                         | Penske Auto Group, Inc., Senior Subordinated Notes, 5.75%, 10/01/22   | B1 400         |
| 525                         | Sonic Automotive, Inc., Senior Subordinated Notes, 5%, 05/15/23       | B2 515         |
| 100                         | Sonic Automotive, Inc., Senior Subordinated Notes, 7%, 07/15/22       | B2 105         |
| 1,325                       | TI Group Auto Systems, L.L.C., Senior Notes, 8.75%, 07/15/23 (g)      | Caa1 1,299     |
|                             |   | <u>5,359</u>   |
| <b>Broadcasting — 3.94%</b> |   |                |
| 1,075                       | AMC Networks, Inc., Senior Notes, 4.75%, 12/15/22                     | Ba3 1,064      |
| 600                         | Clear Channel Worldwide Holdings, Inc., Senior Notes, 6.50%, 11/15/22 | B2 597         |
| 450                         | Lamar Media Corporation, Senior Subordinated Notes, 5.875%, 02/01/22  | Ba3 468        |
| 475                         | Lin Television Corporation, Senior Notes, 5.875%, 11/15/22            | B3 477         |
| 1,700                       | MDC Partners, Inc., Senior Notes, 6.50%, 05/01/24 (g)                 | B3 1,691       |
| 725                         | Outfront Media Capital LLC, Senior Notes, 5.25%, 02/15/22             | B1 734         |
| 250                         | Outfront Media Capital LLC, Senior Notes, 5.625%, 02/15/24            | B1 257         |
| 250                         | Sinclair Television Group, Inc., Senior Notes, 5.875%, 3/15/26 (g)    | B1 257         |

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

**Schedule of Investments — June 30, 2016 (Unaudited) — Continued** (Dollar Amounts in Thousands)

| Principal Amount/Units   | Moody's Rating (Unaudited) | Value (Note 1) |
|--|----------------------------|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b>                           |                            |                |
| \$ 800 Sirius XM Radio, Inc., Senior Notes, 6%, 07/15/24 (g)           | Ba3                        | \$ 827         |
| 725 Townsquare Media, Inc., Senior Notes, 6.50%, 04/01/23 (g)          | B3                         | 716            |
| 825 Tribune Media Company, Senior Notes, 5.875%, 07/15/22              | B2                         | 821            |
| 475 Univision Communications, Inc., Senior Notes, 5.125%, 02/15/25 (g) | B2                         | 469            |
| 300 Univision Communications, Inc., Senior Notes, 6.75%, 09/15/22 (g)  | B2                         | 316            |
|  |                            | <u>8,694</u>   |

|  |     |              |
|--|-----|--------------|
| <b>Building &amp; Real Estate — 2.15%</b>                                    |     |              |
| 325 CCRE Company, Senior Notes, 7.75%, 02/15/18 (g)                          | B1  | 314          |
| 525 Greystar Real Estate Partners, LLC, Senior Notes, 8.25%, 12/01/22 (g)    | B2  | 539          |
| 750 Howard Hughes Corporation, Senior Notes, 6.875%, 10/01/21 (g)            | Ba3 | 761          |
| 325 Ladder Capital Finance Holdings LLLP, Senior Notes, 5.875%, 08/01/21 (g) | Ba3 | 290          |
| 550 RPG Byty s.r.o., Senior Notes, 6.75%, 05/01/20 (g) (EUR)                 | Ba2 | 626          |
| 350 Shea Homes Limited Partnership, Senior Notes, 5.875%, 04/01/23 (g)       | B2  | 350          |
| 425 Taylor Morrison Communities, Inc., Senior Notes, 5.875%, 04/15/23 (g)    | B2  | 427          |
| 675 William Lyon Homes, Inc., Senior Notes, 7%, 08/15/22                     | B3  | 675          |
| 750 William Lyon Homes, Inc., Senior Notes, 8.50%, 11/15/20                  | B3  | 776          |
|  |     | <u>4,758</u> |

| Principal Amount/Units   | Moody's Rating (Unaudited) | Value (Note 1) |
|--|----------------------------|----------------|
| <b>Building Products — 2.02%</b>   |                            |                |
| \$ 250 ABC Supply Company, Inc., Senior Notes, 5.75%, 12/15/23 (g)         | B3                         | \$ 258         |
| 519 Builders First Source, Inc., Senior Notes, 7.625%, 06/01/21 (g)        | B3                         | 545            |
| 825 Cemex Finance LLC, Senior Notes, 9.375%, 10/12/22 (g)                  | (e)                        | 904            |
| 550 LSF9 Balta Issuer, S.A., Senior Notes, 7.75%, 09/15/22 (EUR)           | B2                         | 642            |
| 275 Masonite International Corporation, Senior Notes, 5.625%, 03/15/23 (g) | B1                         | 286            |
| 750 Reliance Intermediate Holdings L.P., Senior Notes, 6.50%, 04/01/23 (g) | B1                         | 782            |
| 750 RSI Home Products, Inc., Senior Notes, 6.50%, 03/15/23 (g)             | B1                         | 770            |
| 275 Springs Industries, Inc., Senior Notes, 6.25%, 06/01/21                | B2                         | 276            |
|  |                            | <u>4,463</u>   |

|  |     |       |
|--|-----|-------|
| <b>Cable Operators — 15.44%</b>                                  |     |       |
| 375 Altice Financing S.A., Senior Notes, 6.625%, 02/15/23 (g)    | B1  | 369   |
| 775 Altice Financing S.A., Senior Notes, 7.50%, 05/15/26 (g)     | B1  | 758   |
| 900 Altice Financing S.A., Senior Notes, 8.125%, 01/15/24 (g)    | B3  | 880   |
| 1,100 Altice Luxembourg S.A., Senior Notes, 7.625%, 02/15/25 (g) | B3  | 1,075 |
| 2,175 Altice Luxembourg S.A., Senior Notes, 7.75%, 05/15/22 (g)  | B3  | 2,197 |
| 425 B Communications Ltd., Senior Notes, 7.375%, 02/15/21 (g)    | (e) | 454   |
| 300 Cable One, Inc., Senior Notes, 5.75%, 06/15/22 (g)           | B1  | 307   |
| 425 CCO Holdings, LLC, Senior Notes, 5.75%, 09/01/23             | B1  | 439   |

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

**Schedule of Investments — June 30, 2016 (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) |
|---|----------------------------|----------------|--|----------------------------|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b>  |                            |                |  |                            |                |
| \$ 575  |                            |                | \$ 900   |                            |                |
| CCO Holdings, LLC, Senior Notes, 5.50%, 05/01/26 (g) . . . . .                      | B1                         | \$ 587         | Numericable Group, S.A., Senior Notes, 7.375%, 05/01/26 (g) . . . . .            | B1                         | \$ 887         |
| 1,225   |                            |                | 120  |                            |                |
| CCO Holdings, LLC, Senior Notes, 5.75%, 01/15/24 . . . . .                          | B1                         | 1,280          | Time Warner Cable Inc., Senior Notes, 6.55%, 05/01/37 . . . . .                  | Ba1                        | 140            |
| 700   |                            |                | 67   |                            |                |
| CCO Holdings, LLC, Senior Notes, 6.625%, 01/31/22 . . . . .                         | B1                         | 737            | Time Warner Cable Inc., Senior Notes, 6.75%, 06/15/39 . . . . .                  | Ba1                        | 80             |
| 500   |                            |                | 100  |                            |                |
| Cequel Communications Holdings I, LLC, Senior Notes, 5.125%, 12/15/21 (g) . . . . . | Caa1                       | 476            | Time Warner Cable Inc., Senior Notes, 7.30%, 07/01/38 . . . . .                  | Ba1                        | 126            |
| 2,275   |                            |                | 525  |                            |                |
| Cequel Communications Holdings I, LLC, Senior Notes, 6.375%, 09/15/20 (g) . . . . . | Caa1                       | 2,301          | United Group BV, Senior Notes, 7.875%, 11/15/20 (g) (EUR) . . . . .              | B2                         | 611            |
| 1,000   |                            |                | 825  |                            |                |
| Cequel Communications Holdings I, LLC, Senior Notes, 7.75%, 07/15/25 (g) . . . . .  | Caa1                       | 1,041          | United Group BV, Senior Notes, 7.875%, 11/15/20 (EUR) . . . . .                  | B2                         | 961            |
| 600   |                            |                | 900  |                            |                |
| Charter Communications LLC, Senior Notes, 6.384%, 10/23/35 (g) . . . . .            | Ba1                        | 708            | Unitymedia Hessen GmbH & Company, Senior Notes, 5%, 01/15/25 (g) . . . . .       | Ba3                        | 907            |
| 600   |                            |                | 1,975  |                            |                |
| Charter Communications LLC, Senior Notes, 6.484%, 10/23/45 (g) . . . . .            | Ba1                        | 716            | Unitymedia Kabel BW GmbH, Senior Notes, 6.125%, 01/15/25 (g) . . . . .           | B3                         | 1,985          |
| 525   |                            |                | 575  |                            |                |
| Dish DBS Corporation, Senior Notes, 5.875%, 07/15/22 . . . . .                      | Ba3                        | 511            | Videotron Ltee., Senior Notes, 5%, 07/15/22 . . . . .                            | Ba2                        | 595            |
| 1,125   |                            |                | 375  |                            |                |
| Dish DBS Corporation, Senior Notes, 6.75%, 06/01/21 . . . . .                       | Ba3                        | 1,167          | Virgin Media Finance, Plc, Senior Notes, 6%, 10/15/24 (g) . . . . .              | B2                         | 367            |
| 275   |                            |                | 650  |                            |                |
| Dish DBS Corporation, Senior Notes, 7.75%, 07/01/26 (g) . . . . .                   | Ba3                        | 283            | Virgin Media Finance, Plc, Senior Notes, 6.375%, 04/15/23 (g) . . . . .          | B2                         | 653            |
| 550   |                            |                | 325  |                            |                |
| LGE Holdco VI B.V., Senior Notes, 7.125%, 05/15/24 (g) (EUR) . . . . .              | B2                         | 673            | Virgin Media Secured Finance, Plc, Senior Notes, 5.25%, 01/15/26 (g) . . . . .   | Ba3                        | 315            |
| 3,550   |                            |                | 550  |                            |                |
| Neptune Finco Corporation, Senior Notes, 10.125%, 01/15/23 (g) . . . . .            | B2                         | 3,967          | Virgin Media Secured Finance, Plc, Senior Notes, 5.50%, 08/15/26 (g) . . . . .   | Ba3                        | 536            |
| 1,050   |                            |                | 100  |                            |                |
| Neptune Finco Corporation, Senior Notes, 10.875%, 10/15/25 (g) . . . . .            | B2                         | 1,192          | Virgin Media Secured Finance, Plc, Senior Notes, 6.25%, 03/28/29 (GBP) . . . . . | Ba3                        | 131            |
| 175   |                            |                | 700  |                            |                |
| Netflix, Inc., Senior Notes, 5.75%, 03/01/24 . . . . .                              | B1                         | 182            | VTR Finance B.V., Senior Notes, 6.875%, 01/15/24 (g) . . . . .                   | B1                         | 697            |
| 700   |                            |                | 710  |                            |                |
| Numericable Group, S.A., Senior Notes, 6.25%, 05/15/24 (g) . . . . .                | B1                         | 665            | WideOpenWest Finance, LLC, Senior Notes, 10.25%, 07/15/19 . . . . .              | Caa1                       | 734            |

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



**Schedule of Investments — June 30, 2016 (Unaudited) — Continued** (Dollar Amounts in Thousands)

| Principal Amount/Units                       | Moody's Rating (Unaudited)   | Value (Note 1)  |
|--|--|-----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b> |  |                 |
| \$ 975                                       | WideOpenWest Finance, LLC, Senior Subordinated Notes, 13.375%, 10/15/19      | Caa1 \$ 1,038   |
| 375  | Ziggo Bond Finance BV, Senior Notes, 5.875%, 01/15/25 (g)                    | B2 <u>360</u>   |
|  |  | <u>34,088</u>   |
| <b>Chemicals — 2.68%</b>                     |  |                 |
| 990  | Consolidated Energy Finance, Senior Notes, 6.75%, 10/15/19 (g)               | B2 936          |
| 450  | CVR Partners, L.P., Senior Notes, 9.25%, 06/15/23 (g)                        | B1 458          |
| 475  | W.R. Grace & Company Conn., Senior Notes, 5.125%, 10/01/21 (g)               | Ba3 488         |
| 1,425  | Hexion Specialty Chemicals, Inc., Senior Notes, 6.625%, 04/15/20             | B3 1,190        |
| 250  | Hexion Specialty Chemicals, Inc., Senior Notes, 10%, 04/15/20                | B3 235          |
| 75   | Huntsman International, Senior Notes, 4.875%, 11/15/20                       | B1 76           |
| 350  | Ineos Group Holdings S.A., Senior Notes, 6.125%, 08/15/18 (g)                | B3 353          |
| 475  | Platform Specialty Products Corporation, Senior Notes, 6.50%, 02/01/22 (g)   | Caa1 418        |
| 475  | Platform Specialty Products Corporation, Senior Notes, 10.375%, 05/01/21 (g) | Caa1 479        |
| 350  | PQ Corporation, Senior Notes, 6.75%, 11/15/22 (g)                            | B2 364          |
| 925  | Univar, Inc., Senior Notes, 6.75%, 07/15/23 (g)                              | Caa1 <u>912</u> |
|  |  | <u>5,909</u>    |
| <b>Consumer Products — 1.52%</b>             |  |                 |
| 575  | 24 Hour Holdings III LLC, Senior Notes, 8%, 06/01/22 (g)                     | Caa1 434        |

| Principal Amount/Units   | Moody's Rating (Unaudited)  | Value (Note 1) |
|--------------------------|---|----------------|
| \$ 150                   | Boardriders, S.A., Senior Notes, 9.50%, 12/15/20 (g) (EUR)                    | Caa1 \$ 128    |
| 300                      | Central Garden and Pet Company, Senior Notes, 6.125%, 11/15/23                | B2 311         |
| 650                      | Energizer Spinco, Inc., Senior Notes, 5.50%, 06/15/25 (g)                     | Ba3 646        |
| 675                      | Lifetime Fitness, Inc., Senior Notes, 8.50%, 06/15/23 (g)                     | Caa1 640       |
| 400                      | Tempur Sealy International Inc., Senior Notes, 5.50%, 06/15/26 (g)            | B1 394         |
| 400                      | Tempur Sealy International Inc., Senior Notes, 5.625%, 10/15/23               | B1 412         |
| 375                      | Vista Outdoor Inc. Inc, Senior Notes, 5.875%, 10/01/23 (g)                    | Ba3 <u>391</u> |
|                          |   | <u>3,356</u>   |
| <b>Container — 4.53%</b> |   |                |
| 425                      | AEP Industries, Inc., Senior Notes, 8.25%, 04/15/19                           | B3 433         |
| 200                      | Ardagh Packaging Finance plc, Senior Notes, 6%, 06/30/21 (g)                  | B3 197         |
| 400                      | Ardagh Packaging Finance plc, Senior Notes, 6.75%, 01/31/21 (g)               | B3 403         |
| 575                      | Ardagh Packaging Finance plc, Senior Notes, 7.25%, 5/15/24 (g)                | B3 588         |
| 787                      | Ardagh Finance Holdings S.A., Senior Notes, 8.375%, 06/15/19 (g)(h) (EUR)     | Caa2 891       |
| 1,286                    | Ardagh Finance Holdings S.A., Senior Notes, 8.625%, 06/15/19 (g)(h)           | Caa2 1,302     |
| 125                      | Ball Corporation, Senior Notes, 4%, 11/15/23                                  | Ba1 123        |
| 400                      | Beverage Packaging Holdings (Lux) II S.A., Senior Notes, 5.625%, 12/15/16 (g) | Caa2 401       |
| 275                      | Bormioli Rocco Holdings, Senior Notes, 10%, 08/01/18 (g) (EUR)                | B3 311         |

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

**Schedule of Investments — June 30, 2016 (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) |
|---|----------------------------|----------------|--|----------------------------|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b>                                      |                            |                |  |                            |                |
| \$ 700  |                            |                | \$ 1,220   |                            |                |
| Consolidated Container Company LLC, Senior Notes, 10.125%, 07/15/20 (g) . . . . . | Caa3                       | \$ 634         | Chesapeake Energy Corp., Senior Notes, 8%, 12/15/22 (g) . . . . .            | Caa1                       | \$ 1,039       |
| 100   |                            |                | 125  |                            |                |
| Crown Cork and Seal Company, Inc., Senior Notes, 7.375%, 12/15/26 . . . . .       | B1                         | 110            | Concho Resources, Inc., Senior Notes, 5.50%, 10/01/22 . . . . .              | Ba2                        | 126            |
| 325   |                            |                | 1,575  |                            |                |
| Pactiv Corporation, Senior Notes, 7.95%, 12/15/25 . . . . .                       | Caa2                       | 333            | Concho Resources, Inc., Senior Notes, 5.50%, 04/01/23 . . . . .              | Ba2                        | 1,579          |
| 425   |                            |                | 125  |                            |                |
| Reynolds Group Issuer, Inc., Senior Notes, 5.75%, 10/15/20 . . . . .              | B1                         | 439            | Concho Resources, Inc., Senior Notes, 6.50%, 01/15/22 . . . . .              | Ba2                        | 128            |
| 500   |                            |                | 700  |                            |                |
| Reynolds Group Issuer, Inc., Senior Notes, 7%, 7/15/24 (g) . . . . .              | Caa2                       | 514            | Concho Resources, Inc., Senior Notes, 7%, 01/15/21 . . . . .                 | Ba2                        | 721            |
| 1,600   |                            |                | 600  |                            |                |
| Reynolds Group Issuer, Inc., Senior Notes, 8.25%, 02/15/21 . . . . .              | Caa2                       | 1,668          | Continental Resources, Senior Notes, 4.90%, 06/01/44 . . . . .               | Ba3                        | 500            |
| 1,425   |                            |                | 825  |                            |                |
| SIG Combibloc Holdings, Senior Notes, 7.75%, 02/15/23 (g) (EUR) . . . . .         | Caa1                       | <u>1,662</u>   | CrownRock, L.P., Senior Notes, 7.125%, 04/15/21 (g) . . . . .                | B3                         | 846            |
|   |                            | <u>10,009</u>  | 1,175  |                            |                |
|   |                            |                | CrownRock, L.P., Senior Notes, 7.75%, 02/15/23 (g) . . . . .                 | B3                         | 1,222          |
|   |                            |                | 100  |                            |                |
| <b>Energy — 18.77%</b>  |                            |                | DCP Midstream Operating LP, Senior Notes, 5.60%, 04/01/44 . . . . .          | Ba1                        | 84             |
| 290   |                            |                | 300  |                            |                |
| Alberta Energy Company, Ltd., Senior Notes, 7.375%, 11/01/31 . . . . .            | Ba2                        | 289            | DCP Midstream, LLC, Senior Notes, 6.45%, 11/03/36 (g) . . . . .              | Ba2                        | 258            |
| 120   |                            |                | 100  |                            |                |
| Alberta Energy Company, Ltd., Senior Notes, 8.125%, 09/15/30 . . . . .            | Ba2                        | 128            | DCP Midstream, LLC, Senior Notes, 8.125%, 08/16/30 . . . . .                 | Ba2                        | 98             |
| 205   |                            |                | 125  |                            |                |
| Anadarko Petroleum Company, Senior Notes, 8.70%, 03/15/19 . . . . .               | Ba1                        | 234            | DCP Midstream, LLC, Senior Notes, 9.75%, 03/15/19 (g) . . . . .              | Ba2                        | 136            |
| 375   |                            |                | 260  |                            |                |
| Archrock Partners, Senior Notes, 6%, 04/01/21 . . . . .                           | B3                         | 336            | Devon Energy Corporation, Senior Notes, 7.95%, 04/15/32 . . . . .            | Ba2                        | 305            |
| 375   |                            |                | 70   |                            |                |
| Archrock Partners, Senior Notes, 6%, 10/01/22 . . . . .                           | B3                         | 330            | Devon Financing Corporation U.L.C., Senior Notes, 7.875%, 09/30/31 . . . . . | Ba2                        | 81             |
| 700   |                            |                | 890  |                            |                |
| Cenovus Energy, Inc., Senior Notes, 6.75%, 11/15/39 . . . . .                     | Ba2                        | 739            | Encana Corporation, Senior Notes, 6.50%, 05/15/19 . . . . .                  | Ba2                        | 948            |
| 725   |                            |                | 525  |                            |                |
| CGG SA, Senior Notes, 6.875%, 01/15/22 . . . . .                                  | Caa2                       | 315            | Encana Corporation, Senior Notes, 7.20%, 11/01/31 . . . . .                  | Ba2                        | 521            |
| 800   |                            |                | 550  |                            |                |
| Chenier Corpus Christi Holdings, LLC, Senior Notes, 7%, 06/30/24 (g) . . . . .    | Ba3                        | 822            | Energy Transfer Partners, L.P., Senior Notes, 9%, 04/15/19 . . . . .         | Baa3                       | 618            |

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

**Schedule of Investments — June 30, 2016 (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) |
|--|----------------------------|----------------|--|----------------------------|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b>   |                            |                |  |                            |                |
| \$ 190   |                            |                | \$ 825   |                            |                |
| Energy Transfer Partners, L.P., Senior Notes, 9.70%, 03/15/19                            | Baa3                       | \$ 216         | Pacific Exploration and Production Corporation, Senior Notes, 5.625%, 01/19/25 (a)(b)(g) | (e)                        | \$ 153         |
| 150  |                            |                | 270  |                            |                |
| EQT Corporation, Senior Notes, 8.125%, 06/01/19  | Baa3                       | 165            | Pacific Exploration and Production Corporation, Senior Notes, 12%, 12/22/17 (b)(i)       | (e)                        | 238            |
| 550  |                            |                | 75   |                            |                |
| Gibson Energy, Inc., Senior Notes, 6.75%, 07/15/21 (g)                                   | Ba2                        | 549            | Parsley Energy LLC, Senior Notes 6.25%, 06/01/24 (g)                                     | B3                         | 76             |
| 645  |                            |                | 1,075  |                            |                |
| Gulfport Energy Corporation, Senior Notes, 6.625%, 05/01/23                              | B2                         | 635            | Parsley Energy LLC, Senior Notes 7.50%, 2/15/22 (g)                                      | B3                         | 1,123          |
| 675  |                            |                | 1,550  |                            |                |
| Gulfport Energy Corporation, Senior Notes, 7.75%, 11/01/20                               | B2                         | 695            | Petrobras Global Finance, Senior Notes, 8.375%, 05/23/21                                 | B3                         | 1,597          |
| 175  |                            |                | 20   |                            |                |
| Hess Corporation, Senior Notes, 6%, 01/15/40   | Ba1                        | 181            | Pride International, Inc., Senior Notes, 6.875%, 08/15/20                                | B1                         | 19             |
| 70   |                            |                | 520  |                            |                |
| Hess Corporation, Senior Notes, 7.125%, 03/15/33   | Ba1                        | 77             | Pride International, Inc., Senior Notes, 8.50%, 06/15/19                                 | B1                         | 533            |
| 180  |                            |                | 125  |                            |                |
| Hess Corporation, Senior Notes, 7.30%, 08/15/31  | Ba1                        | 207            | QEP Resources, Inc., Senior Notes, 5.25%, 05/01/23                                       | B1                         | 115            |
| 1,355  |                            |                | 325  |                            |                |
| Hess Corporation, Senior Notes, 7.875%, 10/01/29   | Ba1                        | 1,614          | QEP Resources, Inc., Senior Notes, 6.875%, 03/01/21                                      | B1                         | 328            |
| 75   |                            |                | 875  |                            |                |
| Hess Corporation, Senior Notes, 8.125%, 02/15/19   | Ba1                        | 84             | Range Resources Corporation, Senior Subordinated Notes, 4.875%, 05/15/25                 | Ba3                        | 833            |
| 800  |                            |                | 175  |                            |                |
| Kosmos Energy Ltd., Senior Notes, 7.875%, 08/01/21 (g)                                   | (e)                        | 772            | Rockies Express Pipeline LLC, Senior Notes, 6%, 01/15/19 (g)                             | Ba2                        | 179            |
| 1,125  |                            |                | 730  |                            |                |
| Matador Resources Company, Senior Notes, 6.875%, 04/15/23                                | B3                         | 1,147          | Rowan Companies, Inc., Senior Notes, 7.875%, 08/01/19                                    | B1                         | 752            |
| 825  |                            |                | 325  |                            |                |
| MPLX LP, Senior Notes, 4.50%, 07/15/23 (g)   | Baa3                       | 802            | Sabine Pass LNG, L.P., Senior Notes, 5.75%, 05/15/24                                     | Ba2                        | 323            |
| 325  |                            |                | 175  |                            |                |
| Newfield Exploration Company, Senior Notes, 5.375%, 01/01/26                             | Ba3                        | 316            | Sabine Pass LNG, L.P., Senior Notes, 5.875%, 06/30/26 (g)                                | Ba2                        | 175            |
| 675  |                            |                | 1,050  |                            |                |
| Newfield Exploration Company, Senior Subordinated Notes, 5.75%, 01/30/22                 | Ba3                        | 680            | Sabine Pass LNG, L.P., Senior Notes, 6.25%, 03/15/22                                     | Ba2                        | 1,074          |
| 60   |                            |                | 1,725  |                            |                |
| Noble Energy, Inc., Senior Notes, 8.25%, 03/01/19  | Baa3                       | 69             | SESI, L.L.C., Senior Notes, 7.125%, 12/15/21   | B2                         | 1,660          |
| 75   |                            |                | 550  |                            |                |
| Nustar Logistics, L.P., Senior Notes, 4.80%, 09/01/20                                    | Ba1                        | 73             | Seven Generations Energy Ltd., Senior Notes, 6.75%, 05/01/23 (g)                         | B1                         | 556            |
| 1,725  |                            |                |  |                            |                |
| Pacific Exploration and Production Corporation, Senior Notes, 5.375%, 01/26/19 (a)(b)(g) | (e)                        | 319            |  |                            |                |

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

**Schedule of Investments — June 30, 2016 (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) |
|--|--|----------------|---------------------------|----------------------------|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b> |  |                |                           |                            |                |
| \$ 2,650                                     | Seven Generations Energy Ltd., Senior Notes, 8.25%, 05/15/20 (g) . . . . .       | B1             | \$ 2,746                  |                            |                |
| 650  | SM Energy Company, Senior Notes, 6.50%, 01/01/23 . . . . .                       | B3             | 601                       |                            |                |
| 550  | Southwestern Energy Company, Senior Notes, 4.05%, 01/23/20 . . . . .             | B1             | 540                       |                            |                |
| 125  | Southwestern Energy Company, Senior Notes, 4.95%, 01/23/25 . . . . .             | B1             | 120                       |                            |                |
| 850  | Southwestern Energy Company, Senior Notes, 7.50%, 02/01/18 . . . . .             | B1             | 905                       |                            |                |
| 600  | Sunoco L.P., Senior Notes, 6.25%, 04/15/21 (g) . . . . .                         | Ba3            | 600                       |                            |                |
| 75   | Sunoco L.P., Senior Notes, 6.375%, 04/01/23 (g) . . . . .                        | Ba3            | 74                        |                            |                |
| 1,450  | Targa Resources Partners L.P., Senior Notes, 4.25%, 11/15/23 . . . . .           | Ba3            | 1,305                     |                            |                |
| 800  | Targa Resources Partners L.P., Senior Notes, 5.25%, 05/01/23 . . . . .           | Ba3            | 758                       |                            |                |
| 675  | Targa Resources Partners L.P., Senior Notes, 6.75%, 03/15/24 (g) . . . . .       | Ba3            | 692                       |                            |                |
| 175  | Tesoro Logistics, L.P., Senior Notes, 6.125%, 10/15/21 . . . . .                 | Ba3            | 182                       |                            |                |
| 350  | Transocean, Inc., Senior Notes, 6%, 03/15/18 . . . . .                           | B2             | 355                       |                            |                |
| 250  | Transocean, Inc., Senior Notes, 8.125%, 12/15/21 . . . . .                       | B2             | 210                       |                            |                |
| 850  | WPX Energy, Inc., Senior Notes, 7.50%, 08/01/20 . . . . .                        | B3             | 846                       |                            |                |
| 715  | YPF Sociedad Anonima, Senior Notes, 8.50%, 03/23/21 (g) . . . . .                | B3             | 765                       |                            |                |
|  |  |                | <u>41,437</u>             |                            |                |
| <b>Entertainment &amp; Leisure — 1.06%</b>   |  |                |                           |                            |                |
| 425  | ClubCorp Club Operations, Inc., Senior Notes, 8.25%, 12/15/23 (g) . . . . .      | B3             | 423                       |                            |                |
| \$ 425                                       | Entertainment One, Ltd. Senior Notes, 6.875%, 12/15/22 (g) (GBP) . . . . .       | B1             | \$ 570                    |                            |                |
| 1,000  | Regal Entertainment Group, Senior Notes, 5.75%, 03/15/22 . . . . .               | B3             | 1,025                     |                            |                |
| 322  | WMG Acquisition Corporation, Senior Notes, 6%, 01/15/21 (g) . . . . .            | Ba3            | 332                       |                            |                |
|  |  |                | <u>2,350</u>              |                            |                |
|  |  |                | <b>Financial — 11.42%</b> |                            |                |
| 450  | Aircastle Limited, Senior Notes, 5.50%, 02/15/22 . . . . .                       | Ba1            | 470                       |                            |                |
| 125  | Ally Financial, Inc., Senior Notes, 5.125%, 09/30/24 . . . . .                   | Ba3            | 127                       |                            |                |
| 600  | Ally Financial, Inc., Senior Notes, 5.75%, 11/20/25 . . . . .                    | (e)            | 602                       |                            |                |
| 619  | Ally Financial, Inc., Senior Notes, 7.50%, 09/15/20 . . . . .                    | Ba3            | 693                       |                            |                |
| 625  | Ally Financial, Inc., Senior Notes, 8%, 11/01/31 . . . . .                       | Ba3            | 725                       |                            |                |
| 1,000  | Banco Bilbao Vizcaya Argentina, S.A., Senior Notes, 7%, 12/29/49 (EUR) . . . . . | (e)            | 952                       |                            |                |
| 1,000  | Banco Santander S.A., Senior Notes, 6.375%, 05/29/49 . . . . .                   | Ba1            | 860                       |                            |                |
| 1,575  | Citigroup, Inc. 5.95%, 12/29/49 . . . . .  | Ba2            | 1,528                     |                            |                |
| 300  | Citigroup, Inc. 6.25%, 12/29/49 . . . . .  | Ba2            | 307                       |                            |                |
| 250  | CNO Financial Group Inc., Senior Notes, 5.25%, 05/30/25 . . . . .                | Ba1            | 258                       |                            |                |
| 950  | Credit Agricole S.A., Senior Notes, 6.625%, 09/29/49 (g) . . . . .               | Ba2            | 864                       |                            |                |
| 1,200  | Discover Financial Services, Senior Notes, 10.25%, 07/15/19 . . . . .            | Ba1            | 1,427                     |                            |                |
| 300  | Garfunkelux Holdco 3 S.A., Senior Notes, 8.50%, 11/01/22 (g) (GBP) . . . . .     | B2             | 377                       |                            |                |
| 1,200  | Goldman Sachs Group, Inc. 5.375%, 12/29/49 . . . . .                             | Ba1            | 1,184                     |                            |                |
| 625  | HRG Group, Inc., Senior Notes, 7.875%, 07/15/19 . . . . .                        | Ba3            | 655                       |                            |                |

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

**Schedule of Investments — June 30, 2016 (Unaudited) — Continued** (Dollar Amounts in Thousands)

| Principal Amount/Units                       | Moody's Rating (Unaudited)  | Value (Note 1) |
|--|---|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b> |   |                |
| \$ 400                                       | HSBC Holdings, plc, Senior Notes, 6.875%, 12/29/49                      | Baa3 \$ 400    |
| 750  | Hub Holdings LLC, Senior Notes, 8.125%, 07/15/19 (g)                    | Caa2 718       |
| 900  | Hub International Limited, Senior Notes, 7.875%, 10/01/21 (g)           | Caa2 866       |
| 250  | Hub International Limited, Senior Notes, 9.25%, 02/15/21 (g)            | B3 261         |
| 650  | Icahn Enterprises, Senior Notes, 4.875%, 03/15/19                       | Ba3 637        |
| 450  | Icahn Enterprises, Senior Notes, 6%, 08/01/20                           | Ba3 444        |
| 1,650  | Intesa Sanpaolo Spa, 7.70%, 12/29/49 (g)                                | Ba3 1,446      |
| 1,465  | JP Morgan Chase & Co. 5.30%, 12/29/49                                   | Baa3 1,461     |
| 150  | National Financial Partnership, Senior Notes, 9%, 07/15/21 (g)          | Caa2 145       |
| 875  | Nationstar Mortgage LLC, Senior Notes, 6.50%, 07/01/21                  | B2 753         |
| 225  | Nationstar Mortgage LLC, Senior Notes, 7.875%, 10/01/20                 | B2 210         |
| 675  | Navient Corporation, Senior Notes, 5%, 10/26/20                         | Ba3 629        |
| 900  | Ocwen Financial Group, Senior Notes, 6.625%, 05/15/19                   | Caa1 617       |
| 850  | OneMain Financial Holdings, Inc., Senior Notes, 7.25%, 12/15/21 (g)     | B2 825         |
| 450  | Provident Funding Associates, L.P., Senior Notes, 6.75%, 06/15/21 (g)   | B1 428         |
| 1,125  | Quicken Loans, Inc., Senior Notes, 5.75%, 05/01/25 (g)                  | Ba2 1,094      |
| 205  | Royal Bank of Scotland Group, plc, Subordinated Notes, 6.125%, 12/15/22 | Ba2 213        |

| Principal Amount/Units         | Moody's Rating (Unaudited)   | Value (Note 1) |
|--------------------------------|--|----------------|
| \$ 675                         | Springleaf Finance Corporation, Senior Notes, 8.25%, 12/15/20            | B3 \$ 672      |
| 1,100                          | USI Inc., Senior Notes, 7.75%, 01/15/21 (g)                              | Caa2 1,078     |
| 375                            | Walter Investment Management Corporation, Senior Notes, 7.875%, 12/15/21 | Caa1 185       |
| 1,125                          | Wayne Merger Sub, LLC, Senior Notes, 8.25%, 08/01/23 (g)                 | Caa2 1,103     |
|                                |  | <u>25,214</u>  |
| <b>Food/Tobacco — 1.89%</b>    |  |                |
| 750                            | Dean Foods Company, Senior Notes, 6.50%, 03/15/23 (g)                    | B2 773         |
| 800                            | Minerva Luxembourg S.A., Senior Notes, 7.75%, 01/31/23 (g)               | B1 814         |
| 675                            | Pinnacle Foods Finance, L.L.C., Senior Notes, 5.875%, 01/15/24 (g)       | B2 707         |
| 525                            | Post Holdings, Inc., Senior Notes, 6.75%, 12/01/21 (g)                   | B3 555         |
| 825                            | Post Holdings, Inc., Senior Notes, 7.375%, 02/15/22                      | B3 867         |
| 425                            | Shearers Food, Inc., Senior Notes, 9%, 11/01/19 (g)                      | B1 448         |
|                                |  | <u>4,164</u>   |
| <b>Forest Products — 1.40%</b> |  |                |
| 275                            | Cascades, Inc., Senior Notes, 5.50%, 07/15/22 (g)                        | Ba3 267        |
| 1,150                          | Cascades, Inc., Senior Notes, 5.75%, 07/15/23 (g)                        | Ba3 1,113      |
| 325                            | Graphic Packaging International, Inc., Senior Notes, 4.75%, 04/15/21     | Ba2 340        |
| 625                            | Mercer International, Inc., Senior Notes, 7%, 12/01/19                   | B2 623         |
| 350                            | Mercer International, Inc., Senior Notes, 7.75%, 12/01/22                | B2 350         |
| 400                            | Norbord, Inc., Senior Notes, 6.25%, 04/15/23 (g)                         | Ba2 409        |
|                                |  | <u>3,102</u>   |

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

**Schedule of Investments — June 30, 2016 (Unaudited) — Continued** (Dollar Amounts in Thousands)

| Principal Amount/Units   | Moody's Rating (Unaudited) | Value (Note 1) |
|--|----------------------------|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b>   |                            |                |
| <b>Gaming — 4.51%</b>  |                            |                |
| \$ 550   |                            |                |
| Boyd Gaming Corporation, Senior Notes, 6.375%, 04/01/26 (g) . . . . .                          | B3                         | \$ 576         |
| 850  |                            |                |
| Cirsa Funding Luxembourg S.A., Senior Notes, 5.875%, 05/15/23 (g) (EUR) . . . . .              | B2                         | 949            |
| 875  |                            |                |
| Eldorado Resorts, Inc., Senior Notes, 7%, 08/01/23 . . . . .                                   | Caa1                       | 910            |
| 150  |                            |                |
| GLP Capital L.P., Senior Notes, 4.375%, 04/15/21 . . . . .                                     | Ba1                        | 155            |
| 275  |                            |                |
| GLP Capital L.P., Senior Notes, 5.375%, 04/15/26 . . . . .                                     | Ba1                        | 285            |
| 700  |                            |                |
| Great Canadian Gaming Corporation, Senior Notes, 6.625%, 07/25/22 (g) (CAD) . . . . .          | B1                         | 554            |
| 959  |                            |                |
| International Game Technology Plc, Senior Notes, 6.25%, 02/15/22 (g) . . . . .                 | Ba2                        | 976            |
| 800  |                            |                |
| International Game Technology Plc, Senior Notes, 6.50%, 02/15/25 (g) . . . . .                 | Ba2                        | 804            |
| 425  |                            |                |
| Intralot Finance Luxembourg S.A., Senior Notes, 9.75%, 08/15/18 (g) (EUR) . . . . .            | B1                         | 493            |
| 325  |                            |                |
| MGM Growth Properties Operating Partnership L.P., Senior Notes, 5.625%, 05/01/24 (g) . . . . . | B2                         | 342            |
| 600  |                            |                |
| MGM Resorts International, Senior Notes, 6%, 03/15/23 . . . . .                                | B1                         | 633            |
| 925  |                            |                |
| MGM Resorts International, Senior Notes, 6.625%, 12/15/21 . . . . .                            | B1                         | 999            |
| 375  |                            |                |
| Peninsula Gaming, LLC, Senior Notes, 8.375%, 02/15/18 (g) . . . . .                            | Caa1                       | 377            |
| 225  |                            |                |
| Rivers Pittsburgh Borrower, L.P., Senior Notes, 9.50%, 06/15/19 (g) . . . . .                  | B3                         | 231            |
| 275  |                            |                |
| Safari Holding Verwaltungs GmbH, Senior Notes, 8.25%, 02/15/21 (g) (EUR) . . . . .             | B2                         | 321            |

| Principal Amount/Units   | Moody's Rating (Unaudited) | Value (Note 1) |
|--|----------------------------|----------------|
| \$ 500   |                            |                |
| Scientific Games International Inc., Senior Notes, 7%, 01/01/22 (g) . . . . .        | Ba3                        | \$ 503         |
| 775  |                            |                |
| Shingle Springs Tribal Gaming Authority, Senior Notes, 9.75%, 09/01/21 (g) . . . . . | B2                         | 845            |
|  |                            | <u>9,953</u>   |
| <b>Health Care — 8.17%</b>   |                            |                |
| 450  |                            |                |
| AMAG Pharmaceuticals, Inc., Senior Notes, 7.875%, 09/01/23 (g) . . . . .             | B3                         | 401            |
| 560  |                            |                |
| Capsugel S.A., Senior Notes, 7%, 05/15/19 (g) . . . . .                              | Caa1                       | 562            |
| 275  |                            |                |
| Centene Escrow Corporation, Senior Notes, 5.625%, 02/15/21 (g) . . . . .             | Ba2                        | 287            |
| 175  |                            |                |
| Centene Escrow Corporation, Senior Notes, 6.125%, 02/15/24 (g) . . . . .             | Ba2                        | 186            |
| 125  |                            |                |
| Concordia Healthcare Corporation, Senior Notes, 9.50%, 10/21/22 (g) . . . . .        | Caa2                       | 117            |
| 450  |                            |                |
| Crimson Merger, Inc., Senior Notes, 6.625%, 05/15/22 (g) . . . . .                   | Caa2                       | 374            |
| 450  |                            |                |
| DPX Holdings BV, Senior Notes, 7.50%, 02/01/22 (g) . . . . .                         | Caa1                       | 458            |
| 725  |                            |                |
| Endo Finance LLC, Senior Notes, 6%, 07/15/23 (g) . . . . .                           | B3                         | 638            |
| 575  |                            |                |
| Endo Finance LLC, Senior Notes, 6%, 02/01/25 (g) . . . . .                           | B3                         | 499            |
| 150  |                            |                |
| HCA, Inc., Senior Notes, 5%, 03/15/24 . . . . .                                      | Ba1                        | 155            |
| 1,575  |                            |                |
| HCA, Inc., Senior Notes, 5.25%, 06/15/26 . . . . .                                   | Ba1                        | 1,634          |
| 275  |                            |                |
| Hill-Rom Holdings, Inc., Senior Notes, 5.75%, 09/01/23 (g) . . . . .                 | B1                         | 282            |
| 800  |                            |                |
| Iasis Healthcare Capital Senior Notes, 8.375%, 05/15/19 . . . . .                    | Caa1                       | 768            |
| 1,000  |                            |                |
| JLL/Delta Dutch Senior Notes, 8.75%, 05/01/20 (g) . . . . .                          | Caa2                       | 987            |
| 625  |                            |                |
| Kindred Healthcare, Inc., Senior Notes, 8%, 01/15/20 . . . . .                       | B3                         | 619            |

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

**Schedule of Investments — June 30, 2016 (Unaudited) — Continued** (Dollar Amounts in Thousands)

| Principal Amount/Units                       | Moody's Rating (Unaudited)  | Value (Note 1) |
|--|---|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b> |   |                |
| \$ 450                                       | Molina Healthcare, Inc., Senior Notes, 5.375%, 11/15/22 (g) . . . . .               | Ba3 \$ 450     |
| 225  | MPH Acquisition Holdings, Senior Notes, 7.125%, 06/01/24 (g) . . . . .              | Caa1 236       |
| 450  | MPT Operating Partnership, L.P., Senior Notes, 6.375%, 03/01/24 . . . . .           | Ba1 480        |
| 525  | MPT Operating Partnership, L.P., Senior Notes, 6.875%, 05/01/21 . . . . .           | Ba1 543        |
| 425  | Surgery Center Holdings, Senior Notes, 8.875%, 04/15/21 (g) . . . . .               | Caa2 438       |
| 575  | Synlab Bondco PLC, Senior Notes, 6.25%, 07/01/22 (g) (EUR) . . . . .                | B2 673         |
| 250  | Synlab Bondco PLC, Senior Notes, 8.25%, 07/01/23 (g) (EUR) . . . . .                | Caa1 281       |
| 300  | Tenet Healthcare Corporation, Senior Notes, 4.153%, 06/15/20 . . . . .              | Ba3 298        |
| 1,332  | Tenet Healthcare Corporation, Senior Notes, 6.75%, 06/15/23 . . . . .               | Caa1 1,279     |
| 575  | Tenet Healthcare Corporation, Senior Notes, 8.125%, 04/01/22 . . . . .              | Caa1 586       |
| 675  | Valeant Pharmaceuticals International, Senior Notes, 5.375%, 03/15/20 (g) . . . . . | B3 577         |
| 2,350  | Valeant Pharmaceuticals International, Senior Notes, 5.875%, 05/15/23 (g) . . . . . | B3 1,898       |
| 2,200  | Valeant Pharmaceuticals International, Senior Notes, 6.375%, 10/15/20 (g) . . . . . | B3 1,892       |
| 350  | Valeant Pharmaceuticals International, Senior Notes, 6.75%, 08/15/21 (g) . . . . .  | B3 299         |
| 150  | Valeant Pharmaceuticals International, Senior Notes, 7%, 10/01/20 (g) . . . . .     | B3 134         |
|  |   | <u>18,031</u>  |

| Principal Amount/Units                | Moody's Rating (Unaudited)  | Value (Note 1) |
|---------------------------------------|---|----------------|
| <b>Information Technology — 6.15%</b> |   |                |
| \$ 875                                | Ancestry.com Inc., Senior Notes, 9.625%, 10/15/18 (g) . . . . .               | Caa1 \$ 890    |
| 1,325                                 | Ancestry.com Inc., Senior Notes, 11%, 12/15/20 . . . . .                      | B3 1,421       |
| 1,700                                 | Bankrate, Inc., Senior Notes, 6.125%, 08/15/18 (g) . . . . .                  | B2 1,687       |
| 700                                   | Blue Coat Holdings, Inc., Senior Notes, 8.375%, 06/01/23 (g) . . . . .        | Caa2 791       |
| 11                                    | CommScope Holding Company, Inc., Senior Notes, 6.625%, 06/01/20 (g) . . . . . | B2 11          |
| 875                                   | CommScope Technologies LLC, Senior Notes, 6%, 06/15/25 (g) . . . . .          | B2 901         |
| 325                                   | Diamond 1 Finance Corporation, Senior Notes, 5.875%, 06/15/21 (g) . . . . .   | Ba2 332        |
| 525                                   | Diamond 1 Finance Corporation, Senior Notes, 7.125%, 06/15/24 (g) . . . . .   | Ba2 549        |
| 300                                   | Match Group, Inc., Senior Notes, 6.375%, 06/01/24 (g) . . . . .               | Ba3 310        |
| 575                                   | Match Group, Inc., Senior Notes, 6.75%, 12/15/22 (g) . . . . .                | Ba3 595        |
| 350                                   | Micron Technology, Inc., Senior Notes, 5.25%, 08/01/23 (g) . . . . .          | Ba3 299        |
| 675                                   | Microsemi Corporation, Senior Notes, 9.125%, 04/15/23 (g) . . . . .           | B2 744         |
| 400                                   | NXP B.V., Senior Notes, 5.75%, 02/15/21 (g) . . . . .                         | Ba2 414        |
| 350                                   | SS&C Technologies Holdings, Inc., Senior Notes, 5.875%, 07/15/23 . . . . .    | B3 359         |
| 200                                   | Veritas Bermuda Ltd., Senior Notes, 10.50%, 02/01/24 (g) . . . . .            | Caa1 170       |
| 1,425                                 | Western Digital Corporation, Senior Notes, 7.375%, 04/01/23 (g) . . . . .     | Ba1 1,518      |
| 1,764                                 | Western Digital Corporation, Senior Notes, 10.50%, 04/01/24 (g) . . . . .     | Ba2 1,887      |

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

**Schedule of Investments — June 30, 2016 (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) |
|--|----------------------------|----------------|--|----------------------------|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b>   |                            |                |  |                            |                |
| \$ 650   |                            |                | \$ 825   |                            |                |
| Zebra Technologies Corporation, Senior Notes, 7.25%, 10/15/22                        | B2                         | \$ 689         | BlueScope Steel (Finance) Limited, Senior Notes, 6.50%, 05/15/21 (g)           | Ba2                        | \$ 854         |
|  |                            | <u>13,567</u>  | 229 BlueScope Steel (Finance) Limited, Senior Notes, 7.125%, 05/01/18 (g)      | Ba2                        | 236            |
| <b>Lodging — 1.00%</b>   |                            |                | 1,125 Constellium NV, Senior Notes, 7.875%, 04/01/21 (g)                       | B2                         | 1,159          |
| 850 Hilton Worldwide Finance, Senior Notes, 5.625%, 10/15/21                         | Ba3                        | 880            | 675 Eldorado Gold Corporation, Senior Notes, 6.125%, 12/15/20 (g)              | B1                         | 668            |
| 1,325 Playa Resorts Holding B.V., Senior Notes, 8%, 08/15/20 (g)                     | Caa1                       | <u>1,332</u>   | 1,175 FMG Resources, Senior Notes, 9.75%, 03/01/22 (g)                         | Ba2                        | 1,287          |
|  |                            | <u>2,212</u>   | 475 Freeport McMoran, Inc., Senior Notes, 2.375%, 03/15/18                     | B1                         | 464            |
| <b>Manufacturing — 2.55%</b>   |                            |                | 225 Freeport McMoran, Inc., Senior Notes, 3.10%, 03/15/20                      | B1                         | 213            |
| 700 Accudyne Industries Borrower S.C.A., Senior Notes, 7.75%, 12/15/20 (g)           | Caa3                       | 618            | 325 Freeport McMoran, Inc., Senior Notes, 4%, 11/14/21                         | B1                         | 297            |
| 1,350 Apex Tool Group, Senior Notes, 7%, 02/01/21 (g)                                | Caa1                       | 1,174          | 450 Freeport McMoran, Inc., Senior Notes, 5.40%, 11/14/34                      | B1                         | 358            |
| 400 CNH Capital LLC, Senior Notes, 3.625%, 04/15/18                                  | Ba1                        | 401            | 1,775 HudBay Minerals, Inc., Senior Notes, 9.50%, 10/01/20                     | Caa1                       | 1,487          |
| 500 Gardner Denver Inc., Senior Notes, 6.875%, 08/15/21 (g)                          | Caa2                       | 453            | 825 Lundin Mining Corporation, Senior Notes, 7.50%, 11/01/20 (g)               | B1                         | 837            |
| 150 Manitowoc Food Service, Senior Notes, 9.50%, 02/15/24 (g)                        | Caa1                       | 167            | 225 Lundin Mining Corporation, Senior Notes, 7.875%, 11/01/22 (g)              | B1                         | 232            |
| 600 Milacron LLC, Senior Notes, 7.75%, 02/15/21 (g)                                  | Caa1                       | 615            | 1,075 Murray Energy Corporation, Senior Notes, 11.25%, 04/15/21 (g)            | C                          | 301            |
| 700 Pfeleiderer GmbH, Senior Notes, 7.875%, 08/01/19 (EUR)                           | B2                         | 804            | 425 Novelis, Inc., Senior Notes, 8.75%, 12/15/20                               | B2                         | 443            |
| 700 Sensata Technologies UK Financing Company plc, Senior Notes, 6.25%, 02/15/26 (g) | Ba3                        | 721            | 875 Nyrstar Netherlands Holdings B.V., Senior Notes, 8.50%, 09/15/19 (g) (EUR) | Caa1                       | 981            |
| 675 Terex Corporation, Senior Notes, 6%, 05/15/21                                    | B2                         | <u>673</u>     | 1,050 Ryerson Inc., Senior Secured Notes, 11%, 05/15/22 (g)                    | Caa1                       | 1,087          |
|  |                            | <u>5,626</u>   |  |                            |                |
| <b>Metals &amp; Mining — 6.73%</b>   |                            |                |  |                            |                |
| 350 Aleris International, Inc., Senior Notes, 7.875%, 11/01/20                       | Caa2                       | 307            |  |                            |                |
| 450 ArcelorMittal, Senior Notes, 10.85%, 06/01/19                                    | Ba2                        | 530            |  |                            |                |

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



**Schedule of Investments — June 30, 2016 (Unaudited) — Continued** (Dollar Amounts in Thousands)

| Principal Amount/Units                       | Moody's Rating (Unaudited)                                    | Value (Note 1) |
|--|---|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b> |   |                |
| \$ 375                                       | Teck Resources Limited, Senior Notes, 6%, 08/15/40            | Caa1 \$ 262    |
| 500  | Teck Resources Limited, Senior Notes, 6.25%, 07/15/41         | Caa1 357       |
| 325  | Teck Resources Limited, Senior Notes, 8%, 06/01/21 (g)        | B1 335         |
| 140  | Vale Overseas Limited, Senior Notes, 4.375%, 01/11/22         | Ba3 131        |
| 616  | Vale Overseas Limited, Senior Notes, 5.875%, 06/10/21         | Ba3 614        |
| 975  | Vale Overseas Limited, Senior Notes, 6.875%, 11/21/36         | Ba3 887        |
| 525  | Zekelman Industries, Senior Notes, 9.875%, 06/15/23 (g)       | Caa2 529       |
|  |   | <u>14,856</u>  |
| <b>Other Telecommunications — 2.32%</b>      |   |                |
| 600  | Century Link Inc., Senior Notes, 7.50%, 04/01/24              | Ba3 603        |
| 50   | Earthlink Inc., Senior Notes, 7.375%, 06/01/20                | Ba3 52         |
| 475  | Equinix, Inc., Senior Notes, 5.375%, 01/01/22                 | B1 489         |
| 250  | Equinix, Inc., Senior Notes, 5.75%, 01/01/25                  | B1 258         |
| 875  | Frontier Communications, Inc., Senior Notes, 8.875%, 09/15/20 | Ba3 934        |
| 625  | Level 3 Communications, Inc., Senior Notes, 5.75%, 12/01/22   | B2 636         |
| 225  | Level 3 Financing, Inc., Senior Notes, 5.25%, 03/15/26 (g)    | B1 220         |
| 725  | Level 3 Financing, Inc., Senior Notes, 5.375%, 01/15/24       | B1 730         |

| Principal Amount/Units                                | Moody's Rating (Unaudited)  | Value (Note 1) |
|---|---|----------------|
| \$ 250  | Level 3 Financing, Inc., Senior Notes, 5.625%, 02/01/23                   | B1 \$ 252      |
| 650   | Rackspace Hosting, Inc., Senior Notes, 6.50%, 01/15/24 (g)                | Ba1 643        |
| 300   | Zayo Group, LLC, Global Notes, 6.375%, 05/15/25                           | B3 308         |
|   |   | <u>5,125</u>   |
| <b>Publishing — 1.60%</b>                             |   |                |
| 625   | Cengage Learning, Inc., Senior Notes, 9.50%, 06/15/24 (g)                 | Caa1 637       |
| 225   | EMI Music Publishing Group, Senior Notes, 7.625%, 06/15/24 (g)            | B3 231         |
| 250   | Harland Clarke Holdings Corporation, Senior Notes, 6.875%, 03/01/20 (g)   | B1 231         |
| 325   | Harland Clarke Holdings Corporation, Senior Notes, 9.75%, 08/01/18 (g)    | B1 331         |
| 600   | McGraw Hill Global, Senior Notes, 7.875%, 05/15/24 (g)                    | B1 621         |
| 575   | MHGE Parent, LLC, Senior Notes, 8.50%, 08/01/19 (g)                       | Caa1 579       |
| 875   | Trader Corporation, Senior Notes, 9.875%, 08/15/18 (g)                    | B1 900         |
|   |   | <u>3,530</u>   |
| <b>Real Estate Investment Trust Securities — .12%</b> |   |                |
| 250   | VEREIT Operating Partnership, L.P., Senior Securities, 4.125%, 06/01/21   | Ba1 261        |
| <b>Restaurants — .90%</b>                             |   |                |
| 425   | 1011778 B.C. United Liability Company, Senior Notes, 4.625%, 01/15/22 (g) | Ba3 431        |
| 225   | KFC Holding Company, Senior Notes, 5%, 06/01/24 (g)                       | B1 230         |
| 450   | KFC Holding Company, Senior Notes, 5.25%, 06/01/26 (g)                    | B1 461         |

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

**Schedule of Investments — June 30, 2016 (Unaudited) — Continued** (Dollar Amounts in Thousands)

| Principal Amount/Units                       | Moody's Rating (Unaudited)  | Value (Note 1) |
|--|---|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b> |   |                |
| \$ 300                                       | P.F. Chang's China Bistro, Inc., Senior Notes, 10.25%, 06/30/20 (g) . . . . .       | Caa1 \$ 276    |
| 575  | Seminole Hard Rock Entertainment Inc., Senior Notes, 5.875%, 05/15/21 (g) . . . . . | B2 <u>581</u>  |
|  |   | <u>1,979</u>   |

**Retail — 2.25%**

|       |  |               |
|-------|--|---------------|
| 1,050 | Argos Merger, Inc., Senior Notes, 7.125%, 03/15/23 (g) . . . . .               | B3 1,079      |
| 150   | Claire's Stores, Inc., Senior Subordinated Notes, 10.50%, 06/01/17 . . . . .   | Ca 81         |
| 350   | JC Penney Corporation, Inc., Senior Notes, 5.875%, 07/01/23 (g) . . . . .      | B1 352        |
| 750   | JC Penney Corporation, Inc., Senior Notes, 8.125%, 10/01/19 . . . . .          | Caa2 775      |
| 325   | JoAnn Stores Holdings, Inc., Senior Notes, 9.75%, 10/15/19 (g) . . . . .       | Caa1 281      |
| 550   | JoAnn Stores LLC, Senior Notes, 8.125%, 03/15/19 (g) . . . . .                 | B3 527        |
| 400   | Kirk Beauty One GmbH, Senior Notes, 8.75%, 07/15/23 (g) (EUR) . . . . .        | Caa1 469      |
| 120   | Matalan Finance Plc, Senior Notes, 6.875%, 06/01/19 (g) (GBP) . . . . .        | B2 123        |
| 425   | New Look Secured Issuer Plc, Senior Notes, 6.50%, 07/01/22 (g) (GBP) . . . . . | B1 519        |
| 125   | New Look Senior Issuer Plc, Senior Notes, 8%, 07/01/23 (g) (GBP) . . . . .     | Caa1 144      |
| 725   | The Men's Warehouse, Inc., Senior Notes, 7%, 07/01/22 . . . . .                | B2 <u>608</u> |
|       |  | <u>4,958</u>  |

**Satellites — 1.28%**

|     |  |        |
|-----|--|--------|
| 775 | Hughes Satellite Systems, Inc., Senior Notes, 7.625%, 06/15/21 . . . . . | B3 834 |
|-----|--|--------|

| Principal Amount/Units | Moody's Rating (Unaudited)   | Value (Note 1) |
|------------------------|--|----------------|
| \$ 825                 | Intelsat Jackson Holdings Ltd., Senior Notes, 7.25%, 10/15/20 . . . . .  | Caa2 \$ 588    |
| 1,275                  | Intelsat Jackson Holdings Ltd., Senior Notes, 7.50%, 04/01/21 . . . . .  | Caa2 880       |
| 525                    | Intelsat Jackson Holdings Ltd., Senior Notes, 8%, 02/15/24 (g) . . . . . | B1 <u>520</u>  |
|                        |  | <u>2,822</u>   |

**Services — 7.68%**

|       |   |            |
|-------|---|------------|
| 525   | Acosta, Inc., Senior Notes, 7.75%, 10/01/22 (g) . . . . .                   | Caa1 463   |
| 350   | The ADT Corporation, Senior Notes, 4.125%, 06/15/23 . . . . .               | Ba2 327    |
| 600   | The ADT Corporation, Senior Notes, 6.25%, 10/15/21 . . . . .                | Ba2 637    |
| 550   | Alliance Data Systems Company, Senior Notes, 5.375%, 08/01/22 (g) . . . . . | (e) 525    |
| 250   | Ashtead Capital Inc., Senior Notes, 6.50%, 07/15/22 (g) . . . . .           | Ba3 258    |
| 825   | Avis Budget Car, Senior Notes, 5.25%, 03/15/25 (g) . . . . .                | B1 738     |
| 425   | Blueline Rental Finance, Senior Notes, 7%, 02/01/19 (g) . . . . .           | B3 364     |
| 1,625 | CEB, Inc., Senior Notes, 5.625%, 06/15/23 (g) . . . . .                     | Ba3 1,580  |
| 700   | Corelogic Inc., Senior Notes, 7.25%, 06/01/21 . . . . .                     | Ba3 726    |
| 750   | First Data Corporation, Senior Notes, 5.375%, 08/15/23 (g) . . . . .        | B1 759     |
| 3,425 | First Data Corporation, Senior Notes, 7%, 12/01/23 (g) . . . . .            | Caa1 3,476 |
| 675   | H&E Equipment Services, Senior Notes, 7%, 09/01/22 . . . . .                | B3 699     |
| 541   | Lender Processing Services, Inc., Senior Notes, 5.75%, 04/15/23 . . . . .   | Baa3 566   |
| 1,600 | Lincoln Finance Limited, Senior Notes, 6.875%, 04/15/21 (g) (EUR) . . . . . | B1 1,900   |

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

**Schedule of Investments — June 30, 2016 (Unaudited) — Continued** (Dollar Amounts in Thousands)

| Principal Amount/Units   | Moody's Rating (Unaudited) | Value (Note 1) |
|--|----------------------------|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b>   |                            |                |
| \$ 150   |                            |                |
| Loxam SAS, Senior Subordinated Notes, 7%, 07/23/22 (g) (EUR) . . . . .               | (e)                        | \$ 177         |
| 425  |                            |                |
| MSCI, Inc., Senior Notes, 5.25%, 11/15/24 (g) . . . . .                              | Ba2                        | 432            |
| 325  |                            |                |
| Nord Anglia Education Finance LLC, Senior Notes, 5.75%, 07/15/22 (g) (CHF) . . . . . | B1                         | 337            |
| 925  |                            |                |
| Outerwall, Inc., Senior Notes, 6%, 03/15/19 . . . . .                                | B1                         | 853            |
| 475  |                            |                |
| Prime Security One , LLC, Senior Notes, 4.875%, 07/15/32 (g) . . . . .               | (e)                        | 363            |
| 300  |                            |                |
| Prime Security Services Borrower, LLC, Senior Notes, 9.25%, 05/15/23 (g) . . . . .   | B3                         | 318            |
| 225  |                            |                |
| Sabre GLBL, Inc., Senior Notes, 5.375%, 04/15/23 (g) . . . . .                       | Ba3                        | 228            |
| 900  |                            |                |
| Safway Group Holding LLC, Senior Notes, 7%, 05/15/18 (g) . . . . .                   | B3                         | 902            |
| 650  |                            |                |
| Transworld Systems, Inc., Senior Notes, 9.50%, 08/15/21 (g) . . . . .                | Caa2                       | 315            |
|  |                            | <u>16,943</u>  |
| <b>Supermarkets — 1.92%</b>  |                            |                |
| 725  |                            |                |
| Albertsons Companies, LLC, Senior Notes, 6.625%, 06/15/24 (g) . . . . .              | B3                         | 749            |
| 325  |                            |                |
| Albertson's Inc., Senior Notes, 7.45%, 08/01/29 . . . . .                            | (e)                        | 317            |
| 200  |                            |                |
| Albertson's Inc., Senior Notes, 8%, 05/01/31 . . . . .                               | (e)                        | 198            |
| 1,325  |                            |                |
| Rite Aid Corporation, Senior Notes, 6.125%, 04/01/23 (g) . . . . .                   | B3                         | 1,418          |
| 1,300  |                            |                |
| Rite Aid Corporation, Senior Notes, 6.75%, 06/15/21 . . . . .                        | B3                         | 1,372          |
| 182  |                            |                |
| Safeway, Inc., Senior Notes, 7.25%, 02/01/31 . . . . .                               | B3                         | 175            |
|  |                            | <u>4,229</u>   |
| <b>Transportation — .40%</b>   |                            |                |
| 325  |                            |                |
| OPE KAG Finance, Senior Notes, 7.875%, 07/31/23 (g) . . . . .                        | B3                         | 321            |

| Principal Amount/Units   | Moody's Rating (Unaudited) | Value (Note 1) |
|--|----------------------------|----------------|
| \$ 125   |                            |                |
| Swissport Investments, S.A., Senior Notes, 6.75%, 12/15/21 (g) (EUR) . . . . .                         | B1                         | \$ 142         |
| 425  |                            |                |
| Watco Companies, LLC, Senior Notes, 6.375%, 04/01/23 (g) . . . . .                                     | B3                         | 421            |
|  |                            | <u>884</u>     |
| <b>Utilities — 3.50%</b>   |                            |                |
| 850  |                            |                |
| AES Corporation, Senior Notes, 5.50%, 03/15/24 . . . . .   | Ba3                        | 871            |
| 400  |                            |                |
| AES Corporation, Senior Notes, 6%, 05/15/26 . . . . .  | Ba3                        | 409            |
| 625  |                            |                |
| Calpine Corporation, Senior Notes, 5.375%, 01/15/23 . . . . .  | B2                         | 609            |
| 825  |                            |                |
| ContourGlobal Power Holdings S.A., Senior Notes, 5.125%, 06/15/21 (g) (EUR) . . . . .                  | (e)                        | 906            |
| 675  |                            |                |
| Dynergy Finance, Senior Notes, 6.75%, 11/01/19 . . . . .   | B3                         | 677            |
| 1,646  |                            |                |
| Energy Future Intermediate Holding Company, Senior Secured Notes, 11.75%, 03/01/22 (a)(b)(g) . . . . . | (e)                        | 1,930          |
| 1,150  |                            |                |
| NRG Energy, Inc., Senior Notes, 6.625%, 03/15/23 . . . . .   | B1                         | 1,133          |
| 675  |                            |                |
| NRG Energy, Inc., Senior Notes, 7.25%, 05/15/26 (g) . . . . .  | B1                         | 672            |
| 450  |                            |                |
| TerraForm Power Operating LLC, Senior Notes, 5.875%, 02/01/23 (g) . . . . .                            | Caa1                       | 428            |
| 100  |                            |                |
| TerraForm Power Operating LLC, Senior Notes, 6.125%, 06/15/25 (g) . . . . .                            | Caa1                       | 94             |
|  |                            | <u>7,729</u>   |
| <b>Wireless Communications — 5.41%</b>   |                            |                |
| 675  |                            |                |
| Arqiva Broadcasting, Senior Notes, 9.50%, 03/31/20 (g) (GBP) . . . . .                                 | B3                         | 953            |
| 400  |                            |                |
| Digicel Group Limited, Senior Notes, 6%, 04/15/21 (g) . . . . .  | B1                         | 342            |
| 250  |                            |                |
| Digicel Group Limited, Senior Notes, 7.125%, 04/01/22 (g) . . . . .                                    | Caa1                       | 186            |
| 1,375  |                            |                |
| Digicel Group Limited, Senior Notes, 8.25%, 09/30/20 (g) . . . . .                                     | Caa1                       | 1,145          |

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

**Schedule of Investments — June 30, 2016 (Unaudited) — Continued** (Dollar Amounts in Thousands)

| Principal Amount/Units                       | Moody's Rating (Unaudited)   | Value (Note 1) |
|--|--|----------------|
| <b>CORPORATE DEBT SECURITIES — continued</b> |  |                |
| \$ 500                                       | OTE Plc, Senior Notes, 7.875%, 02/07/18 (EUR) . . . . .                              | Caa2 \$ 590    |
| 825  | Sable International Finance Limited, Senior Notes, 6.875%, 08/01/22 (g) . . . . .    | Ba3 821        |
| 2,500  | Sprint Communications, Inc., Senior Notes, 8.75%, 03/15/32 . . . . .                 | Caa1 2,128     |
| 325  | TBG Global Pte. Ltd., Senior Notes, 5.25%, 02/10/22 . . . . .                        | (e) 327        |
| 275  | T-Mobile, USA, Inc., Senior Notes, 6%, 04/15/24 . . . . .                            | Ba3 285        |
| 300  | T-Mobile, USA, Inc., Senior Notes, 6.375%, 03/01/25 . . . . .                        | Ba3 314        |
| 175  | T-Mobile, USA, Inc., Senior Notes, 6.50%, 01/15/24 . . . . .                         | Ba3 184        |
| 2,400  | T-Mobile, USA, Inc., Senior Notes, 6.50%, 01/15/26 . . . . .                         | Ba3 2,532      |
| 180  | VB S1 Issuer LLC, Senior Notes, 6.901%, 06/15/46 (g) . . . . .                       | (e) 179        |
| 305  | Vimpelcom Holdings, Senior Notes, 5.20%, 02/13/19 (g) . . . . .                      | Ba3 314        |
| 1,725  | Wind Acquisition Holdings Finance S.A., Senior Notes, 7.375%, 04/23/21 (g) . . . . . | Caa1 1,652     |
|  |  | <u>11,952</u>  |
|  | <b>Total Corporate Debt Securities</b><br>(Total cost of \$289,257) . . . . .        | <u>285,826</u> |

**BANK DEBT SECURITIES — .22% (d)(f)**

|                      |  |            |
|----------------------|--|------------|
| <b>Energy — .22%</b> |  |            |
| 514                  | Hercules Offshore Inc., 10.50%, 05/06/20 (b) . . . . .               | (e) 489    |
|                      | <b>Total Bank Debt Securities</b><br>(Total cost of \$498) . . . . . | <u>489</u> |

**Shares**

**PREFERRED STOCK — .66% (d)(f)**

|                           |  |         |
|---------------------------|--|---------|
| <b>Health Care — .20%</b> |  |         |
| 539                       | Allergan Plc, Convertible, 5.50% . . . . . | (e) 449 |

| Shares                                | Moody's Rating (Unaudited)  | Value (Note 1) |
|---------------------------------------|---|----------------|
| <b>Wireless Communications — .46%</b> |   |                |
| 2,207                                 | American Tower Corporation, Convertible, 5.25% . . . . .          | (e) \$ 248     |
| 2,159                                 | American Tower Corporation, Convertible, 5.50% . . . . .          | (e) 243        |
| 2,800                                 | Crown Castle International Corp., Convertible, 4.50% . . . . .    | (e) 339        |
| 2,476                                 | T-Mobile US, Inc., Convertible, 5.50% . . . . .                   | (e) 182        |
|                                       | <b>Total Preferred Stock</b><br>(Total cost of \$1,381) . . . . . | <u>1,461</u>   |

**COMMON STOCK — 1.34% (d)(f)**

|        |  |              |
|--------|--|--------------|
| 17,400 | First Data Corporation (c) . . . . .                           | 193          |
| 3,000  | Howard Hughes Corporation (c) . . . . .                        | 343          |
| 6,025  | Liberty Broadband Corporation (c) . . . . .                    | 362          |
| 28,643 | NRG Energy, Inc . . . . .                                      | 429          |
| 6,750  | Pacific Exploration Corporation, Warrants (b)(c)(i) . . . . .  | 22           |
| 26,400 | Rowan Companies plc (c) . . . . .                              | 466          |
| 267    | Sentry Holdings A (c)(i) (GBP) . . . . .                       | —            |
| 59,572 | Sentry Holdings B (c)(i) (GBP) . . . . .                       | 40           |
| 15,600 | T-Mobile US, Inc. (c) . . . . .                                | 675          |
| 21,900 | YPF S.A. ADR . . . . .   | 420          |
|        |  | <u>2,950</u> |
|        | <b>Total Common Stock</b><br>(Total cost of \$3,015) . . . . . | <u>2,950</u> |

**TOTAL INVESTMENTS — 131.71% (d)**

(Total cost of \$294,151) . . . . . 290,726

**CASH AND OTHER ASSETS LESS LIABILITIES — (31.71)% (d)**

(70,001)

**NET ASSETS — 100.00% . . . . .** \$220,725

- (a) Denotes income is not being accrued.
- (b) Denotes issuer is in bankruptcy proceedings.
- (c) Non-income producing.
- (d) Percentages indicated are based on total net assets to common shareholders of \$220,725.
- (e) Not rated.
- (f) All of the Fund's investments and other assets are pledged as collateral in accordance with a credit agreement with The Bank of Nova Scotia.

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

**Schedule of Investments — June 30, 2016 (Unaudited) — Continued** (Dollar Amounts in Thousands)

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(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 \$167,620 as of June 30, 2016.

(h) Pay-In-Kind

(i) Level 3 in fair value hierarchy. See Note 1.

(CAD) Canadian Dollar

(CHF) Swiss Franc

(EUR) Euro

(GBP) British Pound

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

**Statement of Assets and Liabilities  
June 30, 2016 (Unaudited)**

(Dollars in thousands, except shares and per share amounts)

|  |                         |
|--|-------------------------|
| <b>Assets:</b>   |                         |
| INVESTMENTS IN SECURITIES, at value (Identified cost of \$294,151 see Schedule of Investments and Note 1) . . . . .                | \$290,726               |
| CASH . . . . .   | 2,008                   |
| <b>RECEIVABLES:</b>  |                         |
| Investment securities sold . . . . .   | 465                     |
| Interest and dividends . . . . .   | 5,351                   |
| PREPAID EXPENSES . . . . .   | 42                      |
| <b>UNREALIZED GAIN ON CURRENCY AND FORWARD CURRENCY EXCHANGE CONTRACTS (Notes 1 and 7) . . . . .</b>                               |                         |
|  | <u>579</u>              |
| Total assets . . . . .   | <u>\$299,171</u>        |
| <b>Liabilities:</b>  |                         |
| CREDIT AGREEMENT (Note 4) . . . . .  | \$ 76,000               |
| <b>PAYABLES:</b>   |                         |
| Investment securities purchased . . . . .  | 1,993                   |
| Dividend on common stock . . . . .   | 69                      |
| Interest on loan (Note 4) . . . . .  | 73                      |
| ACCRUED EXPENSES (Note 3) . . . . .  | 183                     |
| <b>UNREALIZED LOSS ON CURRENCY AND FOREIGN CURRENCY EXCHANGE CONTRACTS (Notes 1 and 7) . . . . .</b>                               |                         |
|  | <u>128</u>              |
| Total liabilities . . . . .  | <u>\$ 78,446</u>        |
| <b>Net Assets</b> . . . . .  | <u><u>\$220,725</u></u> |
| <b>Represented By:</b>   |                         |
| <b>COMMON STOCK:</b>   |                         |
| \$0.01 par value, 40,000,000 shares authorized, 23,368,918 shares issued and outstanding . . . . .                                 | \$ 234                  |
| CAPITAL IN EXCESS OF PAR VALUE . . . . .   | 268,521                 |
| UNDISTRIBUTED NET INVESTMENT INCOME (Note 2) . . . . .   | 1,387                   |
| ACCUMULATED NET REALIZED LOSS FROM SECURITIES TRANSACTIONS (Note 2) . . . . .  | (46,443)                |
| NET UNREALIZED DEPRECIATION ON INVESTMENTS AND FORWARD CURRENCY EXCHANGE CONTRACTS . . . . .                                       | <u>(2,974)</u>          |
| <b>Net Assets Applicable To Common Stock</b><br>(Equivalent to \$9.45 per share, based on 23,368,918 shares outstanding) . . . . . | <u><u>\$220,725</u></u> |

**Statement of Operations  
For the Six Months Ended  
June 30, 2016 (Unaudited)**

(Dollars in thousands)

|   |                        |
|---|------------------------|
| <b>Investment Income: (Note 1)</b>  |                        |
| Interest income . . . . .   | \$10,497               |
| Dividend income . . . . .   | 70                     |
| Total investment income . . . . .   | <u>\$10,567</u>        |
| <b>Expenses:</b>  |                        |
| <b>Cost of leverage:</b>  |                        |
| Interest expense (Note 4) . . . . .   | \$ 601                 |
| Loan fees (Note 4) . . . . .  | 8                      |
| Total cost of leverage . . . . .  | <u>\$ 609</u>          |
| <b>Professional services:</b>   |                        |
| Investment Advisor (Note 3) . . . . .   | \$ 523                 |
| Custodian and transfer agent . . . . .  | 162                    |
| Legal . . . . .   | 149                    |
| Audit . . . . .   | 29                     |
| Total professional services . . . . .   | <u>\$ 863</u>          |
| <b>Administrative:</b>  |                        |
| General administrative (Note 6) . . . . .   | \$ 228                 |
| Directors . . . . .   | 151                    |
| Insurance . . . . .   | 68                     |
| Shareholder communications . . . . .  | 19                     |
| Miscellaneous . . . . .   | 15                     |
| NYSE . . . . .  | 13                     |
| Total administrative . . . . .  | <u>\$ 494</u>          |
| Total expenses . . . . .  | <u>\$ 1,966</u>        |
| Net investment income . . . . .   | <u>\$ 8,601</u>        |
| <b>Realized and Unrealized Gain (Loss) on Investment Activities:</b>  |                        |
| Realized loss on investments and currencies, net . . . . .  | <u>\$(6,007)</u>       |
| Change in net unrealized appreciation/(depreciation) on investments and other financial instruments . . . . . | <u>\$18,619</u>        |
| Net gain on investments . . . . .   | <u>\$12,612</u>        |
| Net increase in net assets resulting from operations . . . . .  | <u><u>\$21,213</u></u> |

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

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

|  | Six Months<br>Ended<br>June 30, 2016<br>(Unaudited) | For the<br>Year Ended<br>December 31,<br>2015 |
|--|---|---|
| <b>From Operations:</b>  |   |   |
| Net investment income . . . . .  | \$ 8,601  | \$ 17,773                                     |
| Realized loss on investments and currencies, net . . . . .   | (6,007)   | (8,653)                                       |
| Change in net unrealized appreciation/(depreciation) on investments and other<br>financial instruments . . . . .   | <u>18,619</u>                                       | <u>(19,470)</u>                               |
| Net increase (decrease) in net assets resulting from operations . . . . .  | <u>\$ 21,213</u>                                    | <u>\$ (10,350)</u>                            |
| <b>Distributions to Common Stockholders:</b>   |   |   |
| From net investment income (\$.30 and \$.81 per share in 2016 and 2015, respectively) . . . . .  | <u>\$ (7,011)</u>                                   | <u>\$ (18,869)</u>                            |
| Total net increase (decrease) in net assets . . . . .  | <u>\$ 14,202</u>                                    | <u>\$ (29,219)</u>                            |
| <b>Net Assets Applicable to Common Stock:</b>  |   |   |
| Beginning of period . . . . .  | <u>\$206,523</u>                                    | <u>\$235,742</u>                              |
| End of period (Including \$1,387 and \$82 of undistributed net investment income/(loss)<br>at June 30, 2016 and December 31, 2015, respectively) . . . . . | <u>\$220,725</u>                                    | <u>\$206,523</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<br>Six Months<br>Ended<br>June 30, 2016<br>(Unaudited) | 2015           | 2014           | 2013           | 2012           | 2011           |
|---|--|----------------|----------------|----------------|----------------|----------------|
| NET ASSET VALUE:  |  |                |                |                |                |                |
| Beginning of period   | \$ 8.84  | \$10.09        | \$10.58        | \$10.49        | \$ 9.58        | \$10.17        |
| NET INVESTMENT INCOME   | .37  | .76            | .80            | .83            | .93            | 1.03           |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND<br>OTHER FINANCIAL INSTRUMENTS | .54  | (1.20)         | (.45)          | .12            | .96            | (.57)          |
| DISTRIBUTIONS FROM NET INVESTMENT INCOME RELATED TO<br>PREFERRED STOCK: (b)               | —  | —              | —              | —              | (.01)          | (.01)          |
| TOTAL FROM INVESTMENT OPERATIONS  | .91  | (.44)          | .35            | .95            | 1.88           | .45            |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS:   |  |                |                |                |                |                |
| From net investment income  | (.30)  | (.81)          | (.84)          | (.86)          | (.97)          | (1.04)         |
| TOTAL DISTRIBUTIONS   | (.30)  | (.81)          | (.84)          | (.86)          | (.97)          | (1.04)         |
| NET ASSET VALUE:  |  |                |                |                |                |                |
| End of period   | <u>\$ 9.45</u>   | <u>\$ 8.84</u> | <u>\$10.09</u> | <u>\$10.58</u> | <u>\$10.49</u> | <u>\$ 9.58</u> |
| PER SHARE MARKET VALUE:   |  |                |                |                |                |                |
| End of period   | <u>\$ 8.55</u>   | <u>\$ 7.66</u> | <u>\$ 8.94</u> | <u>\$ 9.65</u> | <u>\$10.45</u> | <u>\$10.21</u> |
| TOTAL INVESTMENT RETURN†  | <u>15.71%</u>  | <u>(5.68)%</u> | <u>1.02%</u>   | <u>.73%</u>    | <u>12.18%</u>  | <u>13.61%</u>  |

† Total investment return is calculated assuming a purchase of \$1,000 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 — Continued**

|  | For the<br>Six Months<br>Ended<br>June 30, 2016<br>(Unaudited) | 2015             | 2014             | 2013             | 2012             | 2011             |
|--|--|------------------|------------------|------------------|------------------|------------------|
| NET ASSETS, END OF PERIOD, APPLICABLE TO<br>COMMON STOCK (a) .....   | <u>\$220,725</u>   | <u>\$206,523</u> | <u>\$235,742</u> | <u>\$247,288</u> | <u>\$244,631</u> | <u>\$221,656</u> |
| NET ASSETS, END OF PERIOD, APPLICABLE TO<br>PREFERRED STOCK (a)(b) .....                                   | <u>—</u>   | <u>—</u>         | <u>—</u>         | <u>—</u>         | <u>—</u>         | <u>\$ 85,425</u> |
| TOTAL NET ASSETS APPLICABLE TO COMMON AND PREFERRED<br>STOCK, END OF PERIOD (a)(b) .....                   | <u>\$220,725</u>   | <u>\$206,523</u> | <u>\$235,742</u> | <u>\$247,288</u> | <u>\$244,631</u> | <u>\$307,081</u> |
| EXPENSE RATIOS:  |  |                  |                  |                  |                  |                  |
| Ratio of interest expense to average net assets* .....   | .57%**   | .42%             | .40%             | .43%             | .06%             | —                |
| Ratio of preferred and other leverage expenses to<br>average net assets* .....                             | .01%**   | .01%             | —                | —                | .04%             | .04%             |
| Ratio of operating expenses to average net assets* .....   | 1.29%**  | 1.20%            | 1.14%            | 1.23%            | 1.38%            | 1.42%            |
| RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS* .....   | <u>1.87%**</u>   | <u>1.63%</u>     | <u>1.54%</u>     | <u>1.66%</u>     | <u>1.48%</u>     | <u>1.46%</u>     |
| RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS* ..   | 8.20%**  | 7.65%            | 7.41%            | 7.82%            | 9.07%            | 10.10%           |
| RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS APPLICABLE<br>TO COMMON AND PREFERRED STOCK (b) .....        | —  | —                | —                | —                | 1.13%            | 1.07%            |
| RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS<br>APPLICABLE TO COMMON AND PREFERRED STOCK (b) ..... | —  | —                | —                | —                | 6.94%            | 7.41%            |
| PORTFOLIO TURNOVER RATE .....  | 39.74%   | 71.73%           | 48.26%           | 63.65%           | 69.91%           | 58.91%           |

(a) Dollars in thousands.

(b) In November 2012, the preferred stock was redeemed.

\* 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, 2016</u><br><u>(Unaudited)</u> | <u>2015</u>  | <u>2014</u>  | <u>As of December 31,</u><br><u>2013</u> |              | <u>2012</u> | <u>2011</u>  |
|--|--|--------------|--------------|--|--------------|-------------|--------------|
| <b>TOTAL AMOUNT OUTSTANDING:</b>                   |  |              |              |  |              |             |              |
| Preferred Stock .....                              | \$ —                                       | \$ —         | \$ —         | \$ —                                     | \$ —         | \$ —        | \$85,425,000 |
| Credit Agreement .....                             | \$76,000,000                               | \$80,000,000 | \$90,000,000 | \$100,000,000                            | \$85,425,000 | —           | —            |
| <b>ASSET COVERAGE:</b>                             |  |              |              |  |              |             |              |
| Per Preferred Stock Share (1) .....                | \$ —                                       | \$ —         | \$ —         | \$ —                                     | \$ —         | \$ —        | \$ 89,869    |
| Per \$1,000 borrowed under Credit Agreement (2) .. | \$ 3,904                                   | \$ 3,582     | \$ 3,619     | \$ 3,473                                 | \$ 3,864     | \$ 3,864    | —            |
| Credit Agreement Asset Coverage (3) .....          | 390%                                       | 358%         | 362%         | 347%                                     | 386%         | 386%        | —            |
| <b>INVOLUNTARY LIQUIDATION PREFERENCE:</b>         |  |              |              |  |              |             |              |
| Per Preferred Stock Share (4)(5) .....             | \$ —                                       | \$ —         | \$ —         | \$ —                                     | \$ —         | \$ —        | \$ 25,000    |
| <b>LIQUIDATION VALUE:</b>                          |  |              |              |  |              |             |              |
| Per Preferred Stock Share (4)(5) .....             | \$ —                                       | \$ —         | \$ —         | \$ —                                     | \$ —         | \$ —        | \$ 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) Calculated by subtracting the Fund's total liabilities excluding the amount borrowed under the credit facility, from the Fund's total assets and dividing such amount by the amount borrowed under the credit facility, (per \$1,000 of amount borrowed).

(3) Calculated by subtracting the Fund's total liabilities excluding the amount borrowed under the credit facility, from the Fund's total assets and dividing such amount by the amount borrowed under the credit facility.

(4) Plus accumulated and unpaid dividends.

(5) In November 2012, the Fund redeemed all outstanding shares of its preferred stock at the liquidation preference per share of \$25,000.

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

**Statement of Cash Flows** (Dollars in thousands)

|   | <b>For the<br/>Six Months<br/>Ended<br/>June 30, 2016<br/>(Unaudited)</b> |
|---|---|
| <b>Cash Flows From Operating Activities:</b>  |   |
| Purchases of portfolio securities . . . . .   | \$(114,208)   |
| Sales of portfolio securities . . . . .   | 117,330   |
| Net purchases, sales and maturities of short-term securities . . . . .  | 9   |
| Interest and dividends received . . . . .   | 10,361  |
| Operating expenses paid . . . . .   | <u>(1,971)</u>  |
| Net cash provided by operating activities . . . . .   | <u>\$ 11,521</u>  |
| <b>Cash Flows From Financing Activities:</b>  |   |
| Credit facility reduction . . . . .   | (4,000)   |
| Common stock dividends . . . . .  | <u>(9,181)</u>  |
| Net cash used by financing activities . . . . .   | <u>\$ (13,181)</u>  |
| <b>Net Decrease in Cash</b> . . . . .   | <u>\$ (1,660)</u>   |
| <b>Cash at Beginning of Period</b> . . . . .  | <u>3,668</u>  |
| <b>Cash at End of Period</b> . . . . .  | <u>\$ 2,008</u>   |
| <b>Reconciliation of Net Increase in Net Assets Resulting from Operations<br/>to Net Cash Provided by Operating Activities:</b> |   |
| Purchases of portfolio securities . . . . .   | \$(114,208)   |
| Sales of portfolio securities . . . . .   | 117,330   |
| Net purchases, sales and maturities of short-term securities . . . . .  | 9   |
| Net increase in net assets resulting from operations . . . . .  | 21,213  |
| Amortization of interest . . . . .  | (130)   |
| Net realized loss on investments and currencies . . . . .   | 6,007   |
| Change in net unrealized appreciation/(depreciation) on investments and other financial instruments . . . . .                   | (18,619)  |
| Increase in interest and dividend receivable . . . . .  | (76)  |
| Decrease in prepaid expenses . . . . .  | 53  |
| Decrease in accrued expenses and other payables . . . . .   | <u>(58)</u>   |
| Net cash provided by operating activities . . . . .   | <u>\$ 11,521</u>  |

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

## Notes to Financial Statements June 30, 2016 (Unaudited)

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### (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 follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946 “Financial Services Investment Companies.” 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*—Except as otherwise described below, the Fund’s investments are valued based on evaluated bid prices provided by an independent pricing service. Independent pricing services provide prices based primarily on quotations from dealers and brokers, market transactions, data accessed from quotations services, offering sheets obtained from dealers and various relationships among similar 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 the fair value of such investments. Following procedures approved by the Board of Directors, investments for which market prices are not yet provided by an independent pricing service (primarily newly issued fixed-income corporate bonds and notes) shall be valued at the most recently quoted bid price provided by a principal market maker for the security. Other investments for which market quotations are not readily available are valued in good faith at fair value using methods approved 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.

## Notes to Financial Statements — Continued

### June 30, 2016 (Unaudited)

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The Fund does not isolate that portion of the results of operations resulting from changes in foreign 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 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, 2016 (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, 2016 in valuing the Fund’s investments:

|                          | <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>(000’s)</u> | <u>Inputs</u>      | <u>Inputs</u>       | <u>(000’s)</u>     |
|                          | <u>(000’s)</u> | <u>(000’s)</u>     | <u>(000’s)</u>      | <u>(000’s)</u>     |
| <b>Investments</b>       |                |                    |                     |                    |
| Debt Securities*         | \$ —           | \$286,077          | \$238               | \$286,315          |
| Preferred Stock          |                |                    |                     |                    |
| Health Care              | 449            | —                  | —                   | 449                |
| Wireless                 |                |                    |                     |                    |
| Communications           | 1,012          | —                  | —                   | 1,012              |
| Common Stock             |                |                    |                     |                    |
| Building & Real          |                |                    |                     |                    |
| Estate                   | 343            | —                  | —                   | 343                |
| Cable                    | 362            | —                  | —                   | 362                |
| Energy                   | 886            | —                  | 22                  | 908                |
| Financial                | —              | —                  | 40                  | 40                 |
| Services                 | 193            | —                  | —                   | 193                |
| Utilities                | 429            | —                  | —                   | 429                |
| Wireless                 |                |                    |                     |                    |
| Communications           | 675            | —                  | —                   | 675                |
| <b>Total Investments</b> | <b>\$4,349</b> | <b>\$286,077</b>   | <b>\$300</b>        | <b>\$290,726</b>   |

**Notes to Financial Statements — Continued**  
**June 30, 2016 (Unaudited)**

| <u>Level 1</u>       | <u>Level 2</u>                       | <u>Level 3</u>                         | <u>Total Value</u> |
|----------------------|--------------------------------------|--|--------------------|
| <u>Quoted Prices</u> | <u>Significant Observable Inputs</u> | <u>Significant Unobservable Inputs</u> |                    |
| <u>(000's)</u>       | <u>(000's)</u>                       | <u>(000's)</u>                         | <u>(000's)</u>     |

Forward Currency Exchange Contracts

|      |        |      |        |
|------|--------|------|--------|
| \$ — | \$ 459 | \$ — | \$ 459 |
|------|--------|------|--------|

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

The Fund owned four Level 3 securities at June 30, 2016. They are identified on the Schedule of Investments with a footnote (i) and have a value of \$300,000. The value was determined by the Valuation Committee of the Fund's investment advisor, T. Rowe Price, under procedures approved by the Board of Directors. The techniques used to arrive at this valuation take into account the absence of trading, the occurrence of company specific or industry events, liquidity, broker coverage and other market factors.

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

|  | <u>Securities</u> |
|--|-------------------|
| Balance, December 31, 2015                       | \$ —              |
| Net purchases/(sales)                            | 260               |
| Change in unrealized appreciation (depreciation) | —                 |
| Realized gain (loss)                             | —                 |
| Transfers to Level 3 from Level 2                | <u>40</u>         |
| Balance, June 30, 2016                           | <u>\$300</u>      |

Level 1 and Level 2 assets are evaluated on a quarterly basis for changes in listings or delistings on national exchanges.

Transfers between levels are recognized at the value at the end of the reporting period. During the six months ended June 30, 2016, the Fund recognized no transfers between Levels 1 and 2.

**(2) Tax Matters and Distributions**

At June 30, 2016, the total cost of securities (including temporary cash investments) for federal income tax purposes was approximately \$294,223,000. Aggregate gross unrealized gain on securities in which there was

an excess of value over tax cost was approximately \$7,432,000. Aggregate gross unrealized loss on securities in which there was an excess of tax cost over value was approximately \$10,929,000. Net unrealized loss on investments for tax purposes at June 30, 2016 was approximately \$3,497,000.

At December 31, 2015, 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>Character</u> | <u>Expiration Date</u> |
|----------------------------|------------------|------------------------|
| \$ 2,073,000               |                  | December 31, 2016      |
| 26,830,000                 |                  | December 31, 2017      |
| 6,644,000                  | Short-term       | None                   |
| <u>2,266,000</u>           | Long-term        | None                   |
| <u>\$ 37,813,000</u>       |                  |                        |

As a result of the passage of the Regulated Investment Company Modernization Act of 2010 (the "Act"), losses incurred in this fiscal year and beyond retain their character as short-term or long-term, have no expiration date and are utilized before the capital losses incurred prior to the enactment of the Act. At December 31, 2015, the Fund had total capital loss carryforwards of \$37,813,000. At December 31, 2015, the Fund has post October capital loss deferrals of \$2,853,000 which will be recognized in 2016.

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 shareholders in 2015 and 2014 of approximately \$18,869,000 and \$19,513,000, respectively, was from ordinary income.

As of December 31, 2015, the components of distributable earnings on a tax basis were approximately:

|  |                       |
|--|-----------------------|
| Undistributed Ordinary income              | \$ 834,000            |
| Unrealized Loss Investments and Currencies | (22,400,000)          |
| Capital Losses Carry Forward               | (37,813,000)          |
| Post October Losses                        | <u>(2,853,000)</u>    |
|  | <u>\$(62,232,000)</u> |

## Notes to Financial Statements — Continued

### June 30, 2016 (Unaudited)

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, 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, 2015, permanent differences between book and tax accounting have been reclassified as follows:

Increase (decrease) in:

|  |               |
|--|---------------|
| Undistributed net investment income                        | \$ 1,246,000  |
| Capital in excess of par value                             | \$ 1,000      |
| Accumulated net realized loss from securities transactions | \$(1,247,000) |

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 2012-2014, or expected to be taken in the Fund's 2015 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 \$523,000 in management fees during the six months ended June 30, 2016. 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 stock and senior securities. At June 30, 2016, the fee payable to T. Rowe Price was approximately \$89,000, which was included in accrued expenses on the accompanying statement of assets and liabilities.

### (4) Bank Credit Agreement

The Fund has a credit agreement with The Bank of Nova Scotia pursuant to which the Fund may borrow up to an aggregate amount of \$100,000,000. During the six months ended June 30, 2016 the Fund had a net loan reduction of \$4,000,000. On June 30, 2016 the total amount outstanding on the loan was \$76,000,000. The term of the facility has been extended to October 2016. Amounts borrowed under the credit facility bear interest at an adjustable rate based on a margin above LIBOR. The rate paid on these borrowings is approximately 1.35% and will be in effect until July 8, 2016 at which time the rate will be reset. For the six months ended June 30, 2016 the weighted average rate on the loan was approximately 1.33% and the maximum amount borrowed during the period was \$90,000,000.

The Fund pays a commitment fee to The Bank of Nova Scotia at a rate of .15% per annum for any unused



**Notes to Financial Statements — Continued**  
**June 30, 2016 (Unaudited)**

portion of borrowings not to exceed \$100,000,000. For the six months ended June 30, 2016 the Fund paid approximately \$8,000 for this commitment.

The Fund has granted to The Bank of Nova Scotia a security interest in the investments and other assets of the Fund in accordance with the Credit Agreement.

**(5) Purchases and Sales of Securities**

Purchases and proceeds of sales or maturities of long-term securities during the six months ended June 30, 2016 were approximately:

|                                 |               |
|---------------------------------|---------------|
| Cost of purchases               | \$116,121,000 |
| Proceeds of sales or maturities | \$117,623,000 |

**(6) Related Party Transactions**

The Fund paid approximately \$96,000 during the six months ended June 30, 2016 to an officer of the Fund for the provision of certain administrative services.

**(7) Derivative Contracts (Unaudited) (Currency Amounts in Thousands)**

**Forward Currency Exchange Contracts**—As of June 30, 2016 the Fund had forward currency exchange contracts outstanding as follows:

| Counterparty   | Settlement Date |     | Receive (Deliver) | Asset  | Liability | Unrealized Appreciation (Depreciation) |
|--|-----------------|-----|-------------------|--------|-----------|--|
| Morgan Stanley   | 7/15/16         | GBP | 86                | \$ 114 | \$ 124    | \$ (10)                                |
| Barclays Bank  | 7/15/16         | GBP | 818               | 1,088  | 1,183     | (95)                                   |
| Westpac Banking  | 7/15/16         | GBP | (3,055)           | 4,355  | 4,067     | 288                                    |
| Barclays Bank  | 7/15/16         | GBP | (105)             | 155    | 139       | 16                                     |
| Standard Chartered Bank  | 8/19/16         | CHF | (343)             | 354    | 352       | 2                                      |
| JP Morgan  | 9/15/16         | EUR | 104               | 115    | 117       | (2)                                    |
| JP Morgan  | 9/15/16         | EUR | 104               | 116    | 118       | (2)                                    |
| Royal Bank of Scotland   | 9/15/16         | EUR | 130               | 144    | 147       | (3)                                    |
| Deutsche Bank  | 9/15/16         | EUR | 243               | 270    | 270       | —                                      |
| Standard Chartered Bank  | 9/15/16         | EUR | (14,509)          | 16,407 | 16,143    | 264                                    |
| Citibank   | 9/15/16         | EUR | (699)             | 787    | 778       | 9                                      |
| Bank of America  | 9/30/16         | CAD | (736)             | 562    | 570       | (8)                                    |
| <b>Net unrealized gain on open forward currency exchange contracts</b> |                 |     |                   |        |           | <b><u>\$459</u></b>                    |

**Notes to Financial Statements — Continued**  
**June 30, 2016 (Unaudited)**

**Fair Value of Derivative Instruments**—The fair value of derivative instruments as of June 30, 2016 was as follows:

|                            | <b>Asset Derivatives</b>   |                       |
|----------------------------|--|-----------------------|
|                            | <b>June 30, 2016</b>   |                       |
|                            | <b>Statement of Assets<br/>and Liabilities Location</b>                      | <b>Fair<br/>Value</b> |
| Forward currency contracts | Unrealized gain<br>on currency and<br>forward currency<br>exchange contracts | \$ 579                |
|                            | Unrealized loss<br>on currency and<br>forward currency<br>exchange contracts | (120)                 |

The effect of derivative instruments that are included on the Statement of Operations for the six months ended June 30, 2016 was as follows:

**Amount of Realized Gain on Derivatives**

|                            | Realized gain on<br>investments and<br>currencies, net |
|----------------------------|--|
| Forward currency contracts | \$55   |

**Change in Unrealized Appreciation on Derivatives**

|                            | Change in<br>net unrealized<br>appreciation<br>(depreciation) on<br>investments and other<br>financial instruments |
|----------------------------|--|
| Forward currency contracts | \$54   |

**(8) Recent Accounting Pronouncement**

In May 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-07 “Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)”. The amendments in ASU No. 2015-07 remove the requirement to categorize within the fair value hierarchy investments measured using the NAV practical expedient. The ASU also removes certain disclosure requirements for investments that qualify, but do not utilize, the NAV practical expedient. The amendments in the ASU are effective for fiscal years beginning after December 15, 2015, and interim periods within those years. Management has adopted this pronouncement and there is no impact on the Fund’s financial statements and related disclosures.

**(9) 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, 2016.

## **Notes to Financial Statements — Continued**

### **Supplemental Information (Unaudited)**

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#### **Availability of Portfolio Holdings**

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

#### **Compliance with CFTC Regulation of Transactions in Commodity Interests**

The Fund does not currently intend to engage in transactions in commodity interests such as futures contracts, options on futures contracts, and swaps. However, the Fund may in the future enter into interest rate transactions, such as swaps, caps, collars and floors for the purpose or with the effect of hedging its portfolio and/or its payment obligations with respect to senior securities. In addition, the Fund has reserved the right, subject to the approval of the Board of Directors, to purchase and sell financial futures contracts and options on such futures contracts for the purpose of hedging its portfolio securities (or portfolio securities which it expects to acquire) against anticipated changes in prevailing interest rates. To the extent it engages in transactions in commodity interests, the Fund expects their use to be limited such that the Fund may claim the exclusion from the definition of the term "commodity pool operator" available under Regulation 4.5 of the Commodity Futures Trading Commission under the Commodity Exchange Act, and will not therefor be subject to regulation as a pool operator under the Commodity Exchange Act.

#### **Common Stock Transactions**

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  
Stuart A. McFarland  
Marguerite A. Piret  
Oleg M. Pohotsky  
Ellen E. Terry

**Officer**

Ellen E. Terry – President, Treasurer, Secretary

**Investment Advisor**

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**Administrator**

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**Custodian**

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**Transfer Agent**

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Listed: NYSE  
Symbol: HYB  
Web site: [www.newamerica-hyb.com](http://www.newamerica-hyb.com)

# The New America High Income Fund, Inc.

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



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**Semi-Annual  
Report**

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**June 30, 2016**

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