

NEW AMERICA HIGH INCOME FUND INC  
Form N-CSR  
March 07, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act File No. 811-05399  
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THE NEW AMERICA HIGH INCOME FUND, INC.  
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(Exact Name of Registrant as Specified in Charter)

33 Broad Street, Boston, MA 02109  
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(Address of Principal Executive Offices) (Zip Code)

Richard E. Floor, Secretary  
The New America High Income Fund, Inc.  
33 Broad Street  
Boston, MA 02109

Registrant's telephone number, including area code: (617) 263-6400

Date of fiscal year end: December 31

Date of reporting period: July 1, 2004 to December 31, 2004

THE NEW  
AMERICA  
HIGH INCOME  
FUND, INC.

[THE NEW AMERICA HIGH INCOME FUND LOGO]

ANNUAL  
REPORT  
DECEMBER 31, 2004

February 1, 2005

DEAR FELLOW SHAREHOLDER,

This was a good year for our investors as the market value of the shares was little changed year-over-year, despite fluctuations during the period, and the dividend was stable throughout the year:

- The Fund's shares opened the year at a market price of \$2.16, a discount of -1.4% from the net asset value ("NAV") of \$2.19 per share.
- At year-end, the Fund's shares closed at a market price of \$2.19, a discount

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of -3.1% from the closing NAV of \$2.26.

- The Fund paid dividends totaling approximately \$.23 per common share, a dividend yield of 10.6% based on the beginning of year market price of \$2.16.

	TOTAL RETURNS FOR THE PERIODS ENDING DEC	
	1 YEAR	3 YEARS CU
New America High Income Fund (Stock Price and Dividends)*	12.80%	17.0
New America High Income Fund (NAV and Dividends)	14.60%	22.2
Lipper Closed-End Fund Leveraged High Yield Average	17.02%	55.9
CS First Boston High Yield Index	11.95%	47.6
10 Year U.S. Treasury Bond	4.87%	21.7

Sources: CS First Boston, Citigroup, Lipper, The New America High Income Fund, Inc,

- \* 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 share price and dividends will tend to differ from those derived from the underlying change in net asset value.

In prior shareholder letters, we have discussed the impact of the Fund's leverage on the Fund's performance. Again, we remind our fellow shareholders that in times of high yield market volatility, leverage creates greater volatility in the Fund's NAV than we would experience with an identical un-leveraged portfolio. When prices in the high yield bond market rise, the Fund's NAV may rise at a faster rate, however this positive effect becomes a negative effect when the market declines. One has only to look back to the period from 1998 through 2002 to judge the punishing impact of a poor market on a portfolio with leverage.

In 2004 the Fund's leverage was an important contributor to the common stock dividend. The Fund's leverage is in the form of Auction Term Preferred Stock (the "ATP"). The additional income contributed by the ATP is generated by the difference between the current cost of the leverage and the higher income earned on the portfolio assets attributable to the ATP. The dividend paid on the ATP is set at monthly auctions and fluctuates with short-term interest rates. The common stock dividend is principally affected by two factors, the current yield on the Fund's portfolio and the cost of the ATP. While we cannot control the portfolio yield, we have fixed the dividend cost of the ATP at 3.775% by entering into a 5 year interest rate swap. If the portfolio's current yield changes significantly, it is likely the Board of Directors will consider a change in the common stock dividend.

The portfolio had total net assets attributable to common stock and ATP ("TNA") of \$342 million at year-end, of which \$130 million were assets attributable to the ATP. The Fund is governed by the Investment Company Act of 1940 (the "1940 Act"). The 1940 Act limits the amount of leverage in the form of ATP that the Fund may employ to a maximum of 50% of the TNA. In addition, the Fund must comply with a number of asset coverage tests imposed by Moody's Investors Service and Fitch, Inc., both of which provide credit ratings for the Fund's ATP. During declining

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markets the Fund may reduce the amount of ATP outstanding to ensure that the ratio of the leverage to TNA continues to meet 1940 Act and rating agency requirements. If the Fund needs to reduce the ATP outstanding, it may have to raise the necessary cash by selling high yield portfolio securities, which may negatively impact the common stock dividend.

Despite the strong high yield market environment over the last two years, we remain reasonably positive about the stability of our portfolio under the management of Mark Vasselkiv, assisted by Paul Karpers and the able high yield team at T. Rowe Price Associates. Mark's and Paul's comments on the high yield market and portfolio strategy are outlined below.

### HIGH YIELD MARKET UPDATE

The high yield bond market delivered gains for 2004, on the heels of its strong results in 2003, marking the first time it has delivered double-digit returns in consecutive years since the 1996-1997 period. For the past two years the high yield asset class has enjoyed near perfect market conditions, to the benefit of high yield companies and investors alike. Corporate fundamentals showed improvement in a temperate economic climate, while investor demand for higher-yielding securities in an overall low interest rate environment continued to attract capital to the asset class and support prices. Returns were solid across the spectrum of ratings categories, but particularly strong among the lowest rated (CCC) credits. The good results have left the asset class with historically low absolute yields, and in our view, limited potential for additional capital appreciation in 2005. While the favorable trends most high yield companies have enjoyed seem likely to persist into the year, the high yield bond market now has little room to absorb negative surprises. With interest rates remaining low and credit spreads extremely tight, the potential for a repeat of 2004 performance seems highly unlikely.

A positive development in the latter months of the year put a strong exclamation point on the excellent performance high yield investors have enjoyed for over two years. Merger and acquisition activity in the U.S. has accelerated, and high yield companies are in many cases targets of investment grade corporations looking to consolidate their industries. The Fund benefited in the fourth quarter from Nextel's announced merger with Sprint, the planned roll up of International Steel Group and Ispat Inland by their high grade foreign buyer, Mittal, and the purchase of luxury retailer Barney's, completed in December by Jones Apparel Group. These deals and several others contributed to capital gains in the portfolio throughout the year. The Nextel announcement was particularly rewarding, as it was one of the Fund's largest positions.

While the pick-up in mergers was a more recent phenomenon that may carry into 2005, the pace of refinancing activity continued at a healthy clip throughout the year as corporate issuers looked to take advantage of low interest rates. Events from the gaming industry illustrate the impact such activity could likely have on the portfolio's level of income as we move into 2005. Two of our largest holdings, the Venetian and Wynn Resorts, pursued transactions that eliminated their high cost debt. Venetian, upon completing a highly successful IPO, announced a partial tender for a portion of an 11% bond issue, and may very well eliminate the remainder of the issue shortly. While Wynn, taking advantage of near insatiable investor appetite for gaming paper, replaced a 12% issue with a new bond offering a 6.625% coupon, though the organization has yet to open its first casino property. Throughout the year there were several large mergers announced among casino companies, including combinations among MGM and Mandalay Bay, Harrah's and Caesar's Palace, and Penn National and Argosy. We anticipate the companies will eliminate any legacy high cost debt with the successful closing of these deals. For example, bonds from Penn National carrying an 11.125% interest rate are expected to be called and replaced with a new issue that will carry a far lower coupon. The challenge will be reinvesting the

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proceeds from these mergers, tenders, and early redemptions in the gaming industry and elsewhere at attractive rates, as the universe of truly "high yielding" high yield debt grows evermore scarce.

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### STRATEGY UPDATE

We made few major structural changes in the portfolio throughout the year, but kept a bias toward higher quality securities in our research efforts and remained ever vigilant to what we see as a trend to higher interest rates. We are particularly concerned about the lack of adequate compensation offered by lower-rated CCC bonds. About half the CCC rated issues the Fund owns yield less than 8%, although in our view many of them carry single-B characteristics and deserve higher ratings from the agencies. With BB's earning about 6%, it seems to us to make little sense to own the most speculative credits. In fact, General Motors, rated BBB, though widely anticipated to be facing an eventual downgrade to below investment grade, yielded 6.8% at the time of the Fund's purchase, higher than most BB and single-B rated issues in the portfolio.

The telecommunications theme continued to play out well during the last three months of the year. Many of our top performers came from this sector, including AT&T, MCI, Qwest and Nextel. Given the strong performance of the AT&T bonds, we locked in profits and sold down the position in early December. In addition to the Nextel announcement, Western Wireless seems likely to be acquired by Alltel in 2005. We added a significant position to Rogers Communications in the fourth quarter, a high quality Canadian operator of wireless phone and cable television services.

We experienced no defaults and few major credit problems during the second half of the year and feel the quality of the positions in the Fund should allow this trend to continue into 2005. We are growing more cautious, however, with respect to interest rates and spreads, and see the first quarter as an ideal time to review the portfolio for interest rate sensitive paper and questionable situations that could run into trouble in the future. This includes any holdings created to finance leveraged buyout activity, given the increasingly aggressive behavior of private equity sponsors. Private equity investors that fund the purchase of companies by issuing high yield debt are doing highly levered deals and often paying themselves huge dividends through the issuance of subordinated bonds. We feel that both occurrences are a very poor omen for the high yield asset class, not necessarily in the coming year, but over the intermediate term. As always, our focus is two fold, seeking a high level of income while preserving the Fund's principal. While it has grown increasingly difficult to achieve these objectives in the present environment, we are still able to generate the occasional idea that appears to offer sufficient income relative to the underlying credit risk. Historically, when market conditions have been at their best for high yield investors, speculation has always crept into the asset class. We see this development occurring now, and we will be ever mindful to it and its consequences in our portfolio management decisions for the year ahead.

Thank you for your interest in the Fund.

Sincerely,

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

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

/s/ Paul  
Paul Karp  
Vice Pres  
T. Rowe P

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THE VIEWS EXPRESSED IN THIS UPDATE ARE AS OF THE DATE OF THIS LETTER. THESE VIEWS ARE SUBJECT TO CHANGE AT ANY TIME BASED ON MARKET OR OTHER CONDITIONS. THE FUND AND THE ADVISER DISCLAIM ANY DUTY TO UPDATE THESE VIEWS, WHICH MAY NOT BE RELIED UPON AS INVESTMENT ADVICE. IN ADDITION, REFERENCES TO SPECIFIC COMPANY SECURITIES SHOULD NOT BE REGARDED AS INVESTMENT RECOMMENDATIONS.

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### THE NEW AMERICA HIGH INCOME FUND, INC.

INDUSTRY SUMMARY DECEMBER 31, 2004	AS A PERCENT OF TOTAL INVESTMENTS
Telecommunications	10.47%
Containers, Packaging and Glass	8.69%
Oil and Gas	6.92%
Hotels, Motels, Inns and Gaming	6.88%
Broadcasting and Entertainment	6.32%
Utilities	6.29%
Printing and Publishing	5.97%
Chemicals, Plastic and Rubber	5.77%
Healthcare, Education and Childcare	4.97%
Mining, Steel, Iron and Non-Precious Metals	4.93%
Building and Real Estate	4.86%
Electronics	3.96%
Automobile	3.10%
Aerospace and Defense	2.43%
Diversified/Conglomerate Service	2.20%
Leisure, Amusement and Entertainment	1.95%
Diversified/Conglomerate Manufacturing	1.85%
Beverage, Food and Tobacco	1.77%
Ecological	1.56%
Personal, Food and Miscellaneous Services	1.45%
Personal Non-Durable Consumer Products	1.14%
Retail Stores	1.00%
Personal Transportation	0.79%
Finance	0.76%
Furnishings, Housewares, Durable Consumer Products	0.61%
Banking	0.57%
Machinery	0.36%
Farming and Agriculture	0.26%
Textiles and Leather	0.03%
Shipping	0.01%
Short-Term Investments	2.13%
Total Investments	100.00%
	=====

MOODY'S INVESTORS SERVICE RATINGS DECEMBER 31, 2004 (UNAUDITED)	AS A PERCENT OF TOTAL INVESTMENTS
Short Term Prime-1	2.13%

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B1	12.26%
B2	27.59%
B3	25.14%
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Total B	64.99%
	-----
Ba1	1.27%
Ba2	4.81%
Ba3	12.50%
	-----
Total Ba	18.58%
	-----
Baa1	0.50%
Baa2	0.47%
	-----
Total Baa	0.97%
	-----
Caa1	10.47%
Caa2	0.93%
Caa3	0.83%
	-----
Total Caa	12.23%
	-----
Unrated	0.92%
	-----
Equity	0.18%
	-----
Total Investments	100.00%
	=====

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SCHEDULE OF INVESTMENTS -- DECEMBER 31, 2004 (DOLLAR AMOUNTS IN THOUSANDS)

PRINCIPAL AMOUNT/UNITS	MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES-- 155.85% (d)		
AEROSPACE AND DEFENSE-- 3.88%		
\$ 850	Aviall, Inc., Senior Notes, 7.625%, 07/01/11	B1 \$ 905
525	BE Aerospace, Inc., Senior Subordinated Notes, 8%, 03/01/08	Caa3 524
1,125	BE Aerospace, Inc., Senior Subordinated Notes, 8.875%, 05/01/11	Caa3 1,184
2,500	GenCorp Inc., Senior Subordinated Notes, 9.50%, 08/15/13	Caa1 2,781
600	Sequa Corporation, Senior Notes,	

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	9%, 08/01/09	B1	680
650	TransDigm Inc., Senior Subordinated Notes,		
	8.375%, 07/15/11	B3	695
1,500	Vought Aircraft Industries, Inc., Senior Notes, 8%, 07/15/11	B2	1,455
			-----
			8,224
			-----
AUTOMOBILE -- 4.94%			
400	ADESA, Inc., Senior Subordinated Notes, 7.625%, 06/15/12	B1	422
225	Advanced Accessory Systems, LLC, Senior Notes, 10.75%, 06/15/11	B3	214
575	Asbury Automotive Group, Inc., Senior Subordinated Notes, 8%, 03/15/14	B3	572
50	Asbury Automotive Group, Inc., Senior Subordinated Notes, 9%, 06/15/12	B3	53
675	Autocam Corporation, Senior Subordinated Notes, 10.875%, 06/15/14	B3	672
600	Cooper Standard Automotive, Inc., Senior Subordinated Notes, 8.375%, 12/15/14 (g)	B3	600
590	Cummins, Inc., Senior Notes, 9.50%, 12/01/10	Ba2	671
350	Dura Operating Corporation, Senior Subordinated Notes, 9%, 05/01/09	B3	348
\$ 500	Hawk Corporation, Senior Notes, 8.75%, 11/01/14 (g)	B2	\$ 515
150	HLI Operating Company Inc., Senior Notes, 10.50%, 06/15/10	B1	161
550	J.B. Poindexter & Co., Inc., Senior Notes, 8.75%, 03/15/14 (g)	B1	588
450	MSX International, Inc., Senior Subordinated Notes, 11.375%, 01/15/08	Caa1	356
525	Navistar International Corporation, Senior Notes, 7.50%, 06/15/11	Ba3	563
1,125	Tenneco Automotive Inc., Senior Subordinated Notes, 8.625%, 11/15/14 (g)	B3	1,170
1,457	TRW Automotive Inc., Senior Notes, 9.375%, 02/15/13	Ba3	1,690
1,291	TRW Automotive Inc., Senior Subordinated Notes, 11%, 02/15/13	B1	1,557
350	Visteon Corporation, Senior Notes, 7%, 03/10/14	Ba1	338
			-----
			10,490
			-----
BANKING -- .90%			
675	Dollar Financial Group, Inc., Senior Notes, 9.75%, 11/15/11	B3	734

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1,100	Global Cash Access Inc., Senior Subordinated Notes, 8.75%, 03/15/12	Caa1	1,185
			-----
			1,919
			-----
BEVERAGE, FOOD AND TOBACCO -- 2.83%			
281	Agrilink Foods, Inc., Senior Subordinated Notes, 11.875%, 11/01/08	B3	292
925	B&G Foods, Inc., Senior Notes, 8%, 10/01/11	B2	985
400	Dole Food Company, Inc., Senior Notes 8.625%, 05/01/09	B2	434
700	Dole Food Company, Inc., Senior Notes 8.875%, 03/15/11	B2	764

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES-- CONTINUED			
\$ 1,175	Le-Nature's, Inc., Senior Subordinated Notes, 10.00%, 06/15/13 (g)	Caa1	\$ 1,304
400	Pierre Foods, Inc., Senior Subordinated Notes, 9.875%, 07/15/12 (g)	B3	414
950	Pinnacle Foods Holding Corporation, Senior Subordinated Notes, 8.25%, 12/01/13 (g)	B3	903
450	Reddy Ice Holdings, Inc., Senior Discount Notes, 10.50%, 10/15/12 (g) (h)	Caa1	309
550	Wornick Company, Senior Secured Notes, 10.875%, 07/15/11	B2	597
			-----
			6,002
			-----
BROADCASTING AND ENTERTAINMENT -- 10.09%			
275	AMC Entertainment, Inc., Senior Notes, 8.625%, 08/15/12 (g)	B2	304
800	CCO Holdings, LLC, Senior Notes, 8.75%, 11/15/13	B3	828
600	CCO Holdings, LLC, Senior Notes, 6.615%, 12/15/10 (g)	B3	599
825	Cablevision Systems Corporation, Senior Notes, 8%, 04/15/12 (g)	B3	879
800	Charter Communications Operating, LLC, Senior Secured		



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	Notes, 8%, 04/30/12 (g)	B2	834
100	Charter Communications Operating, LLC, Senior Secured Notes, 8.375%, 04/30/14 (g)	B2	105
250	Cinemark, Inc., Senior Discount Notes, 9.75%, 03/15/14 (g) (h)	Caa1	190
975	Cinemark, Inc., Senior Discount Notes, 9.75%, 03/15/14 (h)	Caa1	741
75	Cinemark USA, Inc., Senior Subordinated Notes, 9%, 02/01/13	B3	86
625	CSC Holdings, Inc., Senior Notes, 6.75%, 04/15/12 (g)	B1	642
2,625	CSC Holdings, Inc., Senior Notes, 7.625%, 04/01/11	B1	2,828
1,475	EchoStar DBS Corporation, Senior Notes, 6.625%, 10/01/14 (g)	Ba3	1,497
\$ 644	EchoStar DBS Corporation, Senior Notes, 9.125%, 01/15/09	Ba3	\$ 708
225	Fisher Communications, Inc., Senior Notes, 8.625%, 09/15/14 (g)	B2	243
375	Insight Midwest, L.P., Senior Notes, 9.75%, 10/01/09	B2	393
750	Insight Midwest, L.P., Senior Notes, 10.50%, 11/01/10	B2	822
825	Loews Cineplex Entertainment Corporation, Senior Subordinated Notes, 9%, 08/01/14 (g)	B3	895
600	Mediacom Broadband LLC, Senior Notes, 11%, 07/15/13	B2	645
25	Paxson Communications Corporation, Senior Subordinated Notes, 10.75%, 07/15/08	Caa1	26
2,475	Quebecor Media, Inc., Senior Notes, 11.125%, 07/15/11	B2	2,834
300	Rogers Cable Inc., Senior Secured Notes, 6.75%, 03/15/15 (g)	Ba3	305
825	Sinclair Broadcast Group, Inc., Senior Subordinated Notes, 8.75%, 12/15/11	B2	899
500	Spanish Broadcasting System, Inc., Senior Subordinated Notes, 9.625%, 11/01/09	Caa1	525
225	Universal City Florida Holding Co., Senior Notes, 7.20%, 05/1/10 (g)	B3	235
225	Universal City Florida Holding Co., Senior Notes, 8.375%, 05/1/10 (g)	B3	235
825	Videotron Ltee., Senior Notes, 6.875%, 01/15/14 (g)	Ba3	854
1,150	Warner Music Group, Senior Subordinated Notes, 7.375%, 04/15/14 (g)	B3	1,179
300	WDAC Subsidiary Corp., Senior Notes, 8.375%, 12/1/14 (g)	B2	297
656	XM Satellite Radio Inc., Senior Secured Notes, 12%, 06/15/10	Caa1	776
			-----
			21,404

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES-- CONTINUED			
BUILDING AND REAL ESTATE-- 7.75%			
\$ 1,000	ACIH Inc., Senior Discount Notes, 11.50%, 12/15/12 (g) (h)	B3	\$ 725
1,600	Associated Materials Inc., Senior Subordinated Notes, 9.75%, 04/15/12	Caa1	1,792
625	B.F. Saul Real Estate Investment Trust, Senior Secured Notes, 7.50%, 03/1/14	B3	644
700	Building Materials Corporation of America, Senior Notes, 7.75%, 08/01/14 (g)	B2	712
1,050	Collins & Aikman Floorcoverings, Inc., Senior Subordinated Notes, 9.75%, 02/15/10	Caa1	1,129
400	GEO Group, Inc., Senior Notes, 8.25%, 07/15/13	B1	428
825	Hovnanian Enterprises, Inc., Senior Subordinated Notes, 7.75%, 05/15/13	Ba3	892
750	LNR Property Corporation, Senior Subordinated Notes, 7.25%, 10/15/13	Caa1	844
375	LNR Property Corporation, Senior Subordinated Notes, 7.625%, 07/15/13	Caa1	425
775	Mobile Mini, Inc., Senior Notes, 9.50%, 07/01/13	B2	903
1,050	Norcraft Companies, L.P., Senior Subordinated Notes, 9%, 11/01/11	B3	1,134
325	Omega Healthcare Investors, Inc., Senior Notes, 7%, 04/01/14	B1	332
675	RMCC Acquisition Company, Senior Subordinated Notes, 9.50%, 11/01/12 (g)	Caa1	673
650	Shaw Group Inc., Senior Notes, 10.75%, 03/15/10	Ba3	718
750	Texas Industries, Inc., Senior Notes, 10.25%, 06/15/11	B1	870
550	U.S. Concrete, Inc., Senior Subordinated Notes, 8.375%, 04/1/14	B3	593
775	WII Components, Inc., Senior Notes, 10%, 02/15/12	B2	783
\$ 700	WCI Communities, Inc., Senior		

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	Subordinated Notes, 9.125%, 05/01/12	Ba3	\$	777
975	WCI Communities, Inc., Senior Subordinated Notes, 10.625%, 02/15/11	Ba3		1,087
225	Williams Scotsman, Inc., Senior Notes, 9.875%, 06/01/07	B3		225
675	Williams Scotsman, Inc., Senior Secured Notes, 10%, 08/15/08	B2		749
				-----
				16,435
				-----
CHEMICALS, PLASTICS AND RUBBER -- 9.20%				
525	ARCO Chemical Company, Senior Debentures, 10.25%, 11/01/10	B1		609
300	ARCO Chemical Company, Senior Notes, 9.80%, 02/01/20	B1		342
1,600	BCP Caylux Holdings Luxembourg S.C.A., Senior Subordinated Notes, 9.625%, 06/15/14 (g)	B3		1,798
675	Borden Chemical, Inc., Senior Secured Notes, 9%, 07/15/14 (g)	B3		748
1,650	Compass Minerals Group, Inc., Senior Subordinated Notes, 10%, 08/15/11	B3		1,856
75	Crystal US Holdings 3 LLC, Senior Discount Notes, 10%, 10/01/14 (g) (h)	Caa2		52
450	Crystal US Holdings 3 LLC, Senior Discount Notes, 10.50%, 10/01/14 (g) (h)	Caa2		308
475	Ethyl Corporation, Senior Notes, 8.875%, 05/01/10	B2		525
425	Freeport McMoran Resources, Senior Notes, 7%, 02/15/08	Caa1		444
600	Huntsman International LLC, Senior Notes, 9.875%, 03/01/09	B3		659
1,475	Huntsman LLC, Senior Secured Notes, 11.625%, 10/15/10	B2		1,740
1,300	Invista, Units, 9.25%, 05/01/12 (g)	B1		1,448
2,000	Koppers Inc., Senior Secured Notes, 9.875%, 10/15/13	B2		2,280
400	Lyondell Chemical Company, Senior Secured Notes, 9.50%, 12/15/08	B1		434

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PRINCIPAL AMOUNT/UNITS	MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
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CORPORATE DEBT SECURITIES -- CONTINUED

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\$	725	OMNOVA Solutions Inc., Senior Secured Notes, 11.25%, 06/01/10	B2	\$	816
	525	PolyOne Corporation, Senior Notes, 10.625%, 05/15/10	B3		592
	825	Resolution Performance Products, LLC, Senior Secured Notes, 9.50%, 04/15/10	B3		893
	1,475	Rhodia S.A., Senior Notes, 10.25%, 06/01/10	B3		1,674
	1,150	Rockwood Specialties Group, Inc., Senior Subordinated Notes, 10.625%, 05/15/11	B3		1,322
	200	VWR International, Inc., Senior Notes, 6.875%, 04/15/12	B3		210
	725	VWR International, Inc., Senior Subordinated Notes, 8%, 04/15/14	Caa1		772
					-----
					19,522
					-----
		CONTAINERS, PACKAGING AND GLASS -- 13.87%			
	700	AEP Industries, Inc., Senior Subordinated Notes, 9.875%, 11/15/07	B3		711
	800	Ball Corporation, Senior Notes, 6.875%, 12/15/12	Ba3		860
	950	Boise Cascade, LLC, Senior Subordinated, Notes, 7.125%, 10/15/14 (g)	B2		1,005
	775	BWAY Corporation, Senior Subordinated Notes, 10%, 10/15/10	B3		829
	575	Constar International, Inc. Senior Subordinated Notes, 11%, 12/01/12	Caa1		595
	1,300	Crown European Holdings, S.A., Senior Secured Notes, 9.50%, 03/01/11	B1		1,482
	1,725	Crown European Holdings, S.A., Senior Secured Notes, 10.875%, 03/01/13	B2		2,040
	500	Georgia-Pacific Corporation, Senior Notes, 8.875%, 02/01/10	Ba2		582
\$	2,850	Georgia-Pacific Corporation, Senior Notes, 9.375%, 02/01/13	Ba2	\$	3,331
	525	Graham Packaging Company, L.P., Senior Notes, 8.50%, 10/15/12 (g)	Caa1		551
	1,200	Graham Packaging Company, L.P., Senior Subordinated Notes, 9.875%, 10/15/14 (g)	Caa2		1,287
	450	Graphic Packaging International Inc., Senior Notes, 8.50%, 08/15/11	B2		490
	325	Graphic Packaging International Inc., Senior Subordinated, Notes, 9.50%, 08/15/13	B3		369
	350	Greif Brothers Corporation, Senior Subordinated Notes,			

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	8.875%, 08/1/12	B1	389
850	Jefferson Smurfit Corporation, (U.S.) Senior Notes, 7.50%, 06/01/13	B2	907
1,425	Longview Fibre Company, Senior Subordinated Notes, 10%, 01/15/09	B2	1,557
2,110	MDP Acquisitions Plc, Senior Notes, 9.625%, 10/01/12	B3	2,353
782	MDP Acquisitions Plc, Subordinated Notes, 15.50%, 10/01/13 (b)	Caal	919
475	Owens-Brockway Glass Container, Inc., Senior Notes, 8.25%, 05/15/13	B2	521
450	Owens-Brockway Glass Container, Inc., Senior Secured Notes, 7.75%, 05/15/11	B1	486
725	Owens-Brockway Glass Container, Inc., Senior Secured Notes, 8.75%, 11/15/12	B1	821
1,225	Owens-Brockway Glass Container, Inc., Senior Secured Notes, 8.875%, 02/15/09	B1	1,332
1,550	Plastipak Holdings, Inc., Senior Notes, 10.75%, 09/01/11	B3	1,748
1,025	Riverside Forest Products Ltd., Senior Notes, 7.875%, 03/01/14	B2	1,122
375	Silgan Holdings Inc., Senior Subordinated Notes, 6.75%, 11/15/13	B1	388

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES-- CONTINUED			
\$ 725	Solo Cup Company, Senior Subordinated Notes, 8.50%, 02/15/14	B3	\$ 749
100	Stone Container Corporation, Senior Notes, 9.75%, 02/01/11	B2	110
625	Stone Container Finance Company of Canada, Senior Notes, 7.375%, 07/15/14	B2	662
725	Tekni-Plex, Inc., Senior Secured Notes, 8.75%, 11/15/13 (g)	Caal	721
450	Western Forest Products, Inc., 15%, 07/28/09 (g)	(e)	507
			----- 29,424 -----
DIVERSIFIED/CONGLOMERATE MANUFACTURING -- 2.96%			
850	Aearo Company, Senior		

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	Subordinated Notes,		
	8.25%, 04/15/12	B3	875
275	AGCO Corporation, Senior Notes,		
	9.50%, 05/01/08	Ba3	293
850	Case New Holland Inc., Senior Notes,		
	9.25%, 08/01/11 (g)	Ba3	948
500	Columbus McKinnon Corporation,		
	Senior Subordinated Notes,		
	8.50%, 04/01/08	Caa1	501
550	Manitowoc Company, Inc., Senior		
	Notes, 7.125%, 11/01/13	B1	595
1,700	Rexnord Corp., Senior Subordinated		
	Notes, 10.125%, 12/15/12	B3	1,923
1,075	TriMas Corporation, Senior		
	Subordinated Notes,		
	9.875%, 06/15/12	B3	1,140
			-----
			6,275
			-----
DIVERSIFIED/CONGLOMERATE SERVICE -- 3.50%			
1,475	Brand Services, Inc., Senior		
	Subordinated Notes,		
	12%, 10/15/12	B3	1,652
1,225	Brickman Group, LTD, Senior		
	Subordinated Notes,		
	11.75%, 12/15/09	B2	1,433
864	Coinmach Corporation, Senior Notes,		
	9%, 02/01/10	B3	899
1,525	National Waterworks, Inc., Senior		
	Subordinated Notes,		
	10.50%, 12/01/12	B3	1,708
\$ 1,600	Synagro Technologies, Inc., Senior		
	Subordinated Notes,		
	9.50%, 04/01/09	B3	\$ 1,744
			-----
			7,436
			-----
ECOLOGICAL -- 2.48%			
1,575	Allied Waste North America, Inc.,		
	Senior Secured Notes,		
	7.875%, 04/15/13	B2	1,616
850	Allied Waste North America, Inc.,		
	Senior Secured Notes,		
	8.875%, 04/01/08	B2	905
1,625	Casella Waste Systems, Inc., Senior		
	Subordinated Notes,		
	9.75%, 02/01/13	B3	1,792
800	IESI Corporation, Senior		
	Subordinated Notes,		
	10.25%, 06/15/12	(e)	948
			-----
			5,261
			-----
ELECTRONICS -- 6.32%			
325	AMI Semiconductor, Inc., Senior		
	Subordinated Notes,		
	10.75%, 02/01/13	B3	379
700	Amkor Technology, Inc., Senior Notes,		
	9.25%, 02/15/08	B3	716

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200	Coleman Cable, Inc., Senior Notes, 9.875%, 10/01/12 (g)	B3	212
875	Fairchild Semiconductor Corporation, Senior Subordinated Notes, 10.50%, 02/01/09	B2	926
650	Freescale Semiconductor, Inc., Senior Notes, 6.875%, 07/15/11	Ba2	699
925	Freescale Semiconductor, Inc., Senior Notes, 7.125%, 07/15/14	Ba2	1,004
450	General Cable Corporation, Senior Notes, 9.50%, 11/15/10	B2	513
675	Invensys plc, Senior Notes, 9.875%, 03/15/11 (g)	B3	726
300	MagnaChip Semiconductor S.A., Senior Secured Notes, 6.875%, 12/15/11 (g)	Ba3	310
350	MagnaChip Semiconductor S.A., Senior Subordinated, Notes, 8%, 12/15/14 (g)	B2	365
375	New Asat Finance LLC, Senior Notes 9.25%, 02/01/11 (g)	B3	334
975	Sanmina-SCI Corporation, Senior Secured Notes, 10.375%, 01/15/10	Ba2	1,126

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES-- CONTINUED			
\$ 450	Semiconductor Note Participation Trust, 10%, 08/04/11 (g)	(e)	\$ 668
925	Sollectron Corporation, Senior Notes, 9.625%, 02/15/09	B1	1,016
350	STATS ChipPAC Ltd., Senior Notes, 6.75%, 11/15/11 (g)	Ba2	349
1,325	Stratus Technologies, Inc., Senior Notes, 10.375%, 12/01/08	B3	1,196
775	Superior Essex Communications LLC, Senior Notes, 9%, 04/15/12	B3	802
800	Telex Communications, Inc., Senior Secured Notes, 11.50%, 10/15/08	B3	868
1,050	UGS Corp., Senior Subordinated Notes, 10%, 06/01/12 (g)	B3	1,197
			-----
			13,406
			-----
FARMING AND AGRICULTURE-- .41%			
150	IMC Global Inc., Senior Notes, 10.875%, 06/01/08	B1	180
125	IMC Global Inc., Senior Notes,		

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	10.875%, 08/01/13	B1	156
100	IMC Global Inc., Senior Notes, 11.25%, 06/01/11	B1	116
397	United Agri Products, Inc., Senior Notes, 8.25%, 12/15/11 (g)	B1	426
			-----
			878
			-----
FINANCE -- 1.21%			
1,700	General Motors Acceptance Corporation, Senior Notes, 6.75%, 12/01/14	Baa1	1,700
800	Refco Financial Holdings LLC, Senior Subordinated Notes, 9%, 08/01/12 (g)	B3	872
			-----
			2,572
			-----
FURNISHINGS, HOUSEWARES, DURABLE CONSUMER PRODUCTS -- .97%			
775	MAAX Corporation, Senior Subordinated Notes, 9.75%, 06/15/12 (g)	B3	837
775	Sealy Mattress Company, Senior Subordinated Notes, 8.25%, 06/15/14	Caa1	814
\$ 650	Simmons Company, Senior Discount Notes, 10%, 12/15/14 (g) (h)	Caa2	\$ 398
			-----
			2,049
			-----
HEALTHCARE, EDUCATION AND CHILDCARE -- 7.92%			
900	Ameripath, Inc. Senior Subordinated Notes, 10.50%, 04/01/13	Caa1	956
875	AmerisourceBergen Corporation, Senior Notes, 8.125%, 09/01/08	Ba3	973
700	Biovail Corporation, Senior Subordinated Notes, 7.875%, 04/01/10	B2	724
375	Community Health Systems, Inc., Senior Subordinated Notes, 6.50%, 12/15/12 (g)	B3	378
1,425	Concentra Operating Corporation, Senior Subordinated Notes, 9.50%, 08/15/10	B3	1,614
825	Elan Finance plc, Senior Notes, 7.75%, 11/15/11(g)	B3	883
566	Fisher Scientific International Inc., Senior Subordinated Notes, 8.125%, 05/01/12	Ba3	631
575	Fresenius Medical Care Capital Trust IV, 7.875%, 06/15/11	Ba2	638
1,125	Genesis Healthcare Corporation, Senior Subordinated Notes, 8%, 10/15/13	B3	1,221
600	HCA Inc., Senior Notes, 6.375%, 01/15/15	Ba2	601
425	InSight Health Services Corp., Senior Subordinated Notes, 9.875%, 11/01/11	B3	429



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250	Inverness Medical Innovations, Inc., Senior Subordinated Notes, 8.75%, 02/15/12 (g)	Caa1	261
250	MedQuest, Inc., Senior Subordinated Notes, 11.875%, 08/15/12	B3	294
1,175	Omnicare, Inc., Senior Subordinated Notes, 8.125%, 03/15/11	Ba2	1,260
1,125	Quintiles Transnational Corp., Senior Subordinated Notes, 10%, 10/01/13	B3	1,260
450	Tenet Healthcare Corporation, Senior Notes, 6.50%, 06/01/12	B3	419

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES-- CONTINUED			
\$ 300	Tenet Healthcare Corporation, Senior Notes, 7.375%, 02/01/13	B3	\$ 291
175	Tenet Healthcare Corporation, Senior Notes, 9.875%, 07/01/14 (g)	B3	190
1,050	Triad Hospitals, Inc., Senior Subordinated Notes, 7%, 11/15/13	B3	1,071
775	US Oncology, Inc., Senior Notes, 9%, 08/15/12 (g)	B2	866
525	Vanguard Health Holding Company II, LLC, Senior Subordinated Notes, 9%, 10/01/14 (g)	Caa1	562
1,175	Vicar Operating Inc., Senior Subordinated Notes, 9.875%, 12/01/09	B2	1,287
			----- 16,809 -----
HOTELS, MOTELS, INNS AND GAMING -- 10.97%			
625	American Casino & Entertainment Properties LLC, Senior Secured Notes, 7.85%, 02/01/12	B2	667
1,000	Ameristar Casinos, Inc., Senior Subordinated Notes, 10.75%, 02/15/09	B2	1,115
450	Argosy Gaming Company, Senior Subordinated Notes, 7%, 01/15/14	B1	499
75	Argosy Gaming Company, Senior Subordinated Notes, 9%, 09/01/11	Ba3	84
1,000	Boyd Gaming Corporation, Senior Subordinated Notes,		

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	6.75%, 04/15/14	B1	1,052
500	Herbst Gaming, Inc., Senior Subordinated Notes,		
	7%, 11/15/14 (g)	B3	506
740	Host Marriott L.P., Senior Notes,		
	9.50%, 01/15/07	Ba3	810
975	Isle of Capri Casinos, Inc., Senior Subordinated Notes,		
	7%, 03/01/14	B2	1,002
1,625	John Q. Hammons Hotels, LP, First Mortgage Notes,		
	8.875%, 05/15/12	B2	1,844
3,275	La Quinta Properties, Inc., Senior Notes, 8.875%, 03/15/11	Ba3	3,652
\$ 275	MGM MIRAGE, Senior Notes,		
	6.75%, 09/01/12	Ba1	\$ 290
1,500	MGM MIRAGE, Senior Secured Notes, 6.875%, 02/06/08	Ba1	1,624
1,100	Mohegan Tribal Gaming Authority, Senior Subordinated Notes,		
	8%, 04/01/12	Ba3	1,200
1,625	Penn National Gaming, Inc., Senior Subordinated Notes,		
	11.125%, 03/01/08	B2	1,737
425	Premier Entertainment Biloxi LLC, Senior Secured Notes,		
	10.75%, 02/01/12	B3	465
75	Resorts International Hotel and Casino, Inc., Senior Notes,		
	11.50%, 03/15/09	B2	88
150	Scientific Games Corporation, Senior Subordinated Notes,		
	6.25%, 12/15/12 (g)	B1	151
525	Station Casinos, Inc., Senior Notes,		
	6%, 04/01/12	Ba3	537
125	Station Casinos, Inc., Senior Subordinated Notes,		
	6.50%, 2/01/14	B1	128
425	Station Casinos, Inc., Senior Subordinated Notes,		
	6.875%, 03/01/16	B1	444
3,275	Venetian Casino Resort, LLC, Senior Secured Notes,		
	11%, 06/15/10	B2	3,750
1,650	Wynn Las Vegas, LLC, Senior Secured Notes,		
	6.625%, 12/01/14 (g)	B2	1,634
			-----
			23,279
			-----
LEISURE, AMUSEMENT AND ENTERTAINMENT -- 3.11%			
800	AMF Bowling Worldwide, Inc. Senior Subordinated Notes,		
	10%, 03/01/10	B3	856
575	Equinox Holdings, Inc., Senior Notes,		
	9%, 12/15/09	B3	612
775	K2 Inc., Senior Notes,		
	7.375%, 07/01/14 (g)	Ba3	851
175	Riddell Bell Holdings, Inc., Senior Subordinated Notes,		
	8.375%, 10/01/12 (g)	B3	182

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600	Six Flags Inc., Senior Notes, 8.875%, 02/01/10	Caa1	611
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part of these financial statements.

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES-- CONTINUED			
\$ 375	Six Flags Inc., Senior Notes, 9.75%, 04/15/13	Caa1	\$ 383
800	Town Sports International, Inc., Senior Notes, 9.625%, 04/15/11	B2	844
1,925	Universal City Development Partners, Ltd., Senior Notes, 11.75%, 04/01/10	B2	2,267
			-----
			6,606
			-----
MACHINERY -- .58%			
1,150	JLG Industries, Inc., Senior Subordinated Notes, 8.375%, 06/15/12	B3	1,230
			-----
MINING, STEEL, IRON AND NON-PRECIOUS METALS-- 7.87%			
75	Algoma Steel Inc., Secured Notes, 11%, 12/31/09	(e)	84
700	Allegheny Technologies Inc., Senior Notes, 8.375%, 12/15/11	B3	773
825	Alpha Natural Resources, LLC, Senior Notes, 10%, 06/01/12 (g)	B3	941
450	Century Aluminum Company, Senior Notes, 7.50%, 08/15/14 (g)	B1	479
2,675	Earle M. Jorgensen Company, Senior Secured Notes, 9.75%, 06/01/12	B2	3,009
825	Euramax Internanational, Inc., Senior Subordinated Notes, 8.50%, 08/15/11	B2	879
675	Foundation PA Coal Company, Senior Notes, 7.25%, 08/01/14 (g)	B1	722
1,500	Gerdau Ameristeel Corporation, Senior Notes, 10.375%, 07/15/11	Ba3	1,759
375	IMCO Recycling Escrow Inc., Senior Notes, 9%, 11/15/14 (g)	B3	391
600	IPSCO, Inc., Senior Notes, 8.75%, 06/01/13	Ba2	690
423	Ispat Inland ULC, Senior Secured Notes, 9.75%, 04/01/14	B3	523
150	Joy Global Inc., Senior		

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	Subordinated Notes, 8.75%, 03/15/12	B1	168
725	Luscar Coal Ltd., Senior Notes, 9.75%, 10/15/11	Ba3	823
\$ 675	Massey Energy Company, Senior Notes, 6.625%, 11/15/10	Ba3	\$ 699
500	Neenah Foundry Company, Senior Secured Notes, 11%, 09/30/10 (g)	B2	552
2,000	Peabody Energy Corporation, Senior Notes, 6.875%, 03/15/13	Ba3	2,170
1,009	United States Steel Corporation, Senior Notes, 9.75%, 05/15/10	Ba2	1,155
850	Valmont Industries, Inc., Senior Subordinated Notes, 6.875%, 05/01/14	Ba3	882
			----- 16,699 -----
OIL AND GAS -- 11.05%			
2,300	AmeriGas Partners, L.P., Senior Notes, 8.875%, 05/20/11	B2	2,507
275	ANR Pipeline Company, Senior Notes, 8.875%, 03/15/10	B1	310
450	Chesapeake Energy Corporation, Senior Notes, 6.375%, 06/15/15 (g)	Ba3	465
175	Chesapeake Energy Corporation, Senior Notes, 7%, 08/15/14	Ba3	186
300	Chesapeake Energy Corporation, Senior Notes, 8.125%, 04/01/11	Ba3	325
875	Chesapeake Energy Corporation, Senior Notes, 9%, 08/15/12	Ba3	1,000
1,050	Compagnie Generale de Geophysique (CGG), Senior Notes, 10.625%, 11/15/07	Ba3	1,105
125	Compton Petroleum Corporation, Senior Notes, 9.90%, 05/15/09	B2	138
750	Denbury Resources, Inc., Senior Subordinated Notes, 7.50%, 04/01/13	B2	810
325	Dresser-Rand Group Inc., Senior Subordinated Notes, 7.375%, 11/01/11 (g)	B3	332
150	Encore Acquisition Company, Senior Subordinated Notes, 8.375%, 06/15/12	B2	167
1,725	Ferrellgas Partners L.P., Senior Notes, 8.75%, 06/15/12	B2	1,872
200	Hornbeck Offshore Services, Inc., Senior Notes, 6.125%, 12/01/14 (g)	Ba3	200
800	Inergy, L.P., Senior Notes, 6.875%, 12/15/14 (g)	B1	804

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 650	Magnum Hunter Resources, Inc., Senior Notes, 9.60%, 03/15/12	B2	\$ 738
250	MarkWest Energy Partners, L.P., Senior Notes, 6.875%, 11/01/14 (g)	B1	254
100	North American Energy Partners, Senior Notes, 8.75%, 12/01/11	B2	102
200	Northwest Pipeline Corporation, Senior Notes, 8.125%, 03/01/10	Ba2	222
375	Petroleum Geo-Services ASA, Senior Notes, 10%, 11/05/10	(e)	428
950	Petroleum Helicopters, Inc., Senior Notes, 9.375%, 05/01/09	B1	1,031
775	Plains Exploration & Production Co., L.P., Senior Subordinated Notes, 8.75%, 07/01/12	Ba3	868
600	Pride International, Inc., Senior Notes, 7.375%, 07/15/14	Ba2	656
500	Range Resources Corporation, Senior Subordinated Notes, 7.375%, 07/15/13	B3	539
375	Southern Natural Gas Company, Senior Notes, 8.875%, 03/15/10	B1	422
1,100	Stone Energy Corporation, Senior Subordinated Notes, 8.25%, 12/15/11	B2	1,188
850	Suburban Propane Partners, L.P., Senior Notes, 6.875%, 12/15/13	B1	867
400	Swift Energy Company, Senior Notes, 7.625%, 07/15/11	B1	433
925	Universal Compression, Inc., Senior Notes, 7.25%, 05/15/10	Ba3	990
175	Williams Companies, Inc., Senior Notes, 7.625%, 07/15/19	B1	193
3,700	Williams Companies, Inc., Senior Notes, 8.125%, 03/15/12	B1	4,283
			----- 23,435 -----
PERSONAL, FOOD AND MISCELLANEOUS SERVICES -- 2.32%			
175	El Pollo Loco, Inc., Senior Secured Notes, 9.25%, 12/15/09	B2	184
25	EPL Intermediate, Inc., Senior Discount Notes, 12.50%, 03/15/10 (h)	Caa1	16
425	FTD, Inc., Senior Subordinated Notes, 7.75%, 02/15/14	B3	438
\$ 600	Landry's Restaurants, Inc., Senior Notes, 7.50%, 12/15/14 (g)	B2	\$ 596
850	O'Charleys, Inc., Senior Subordinated Notes, 9%, 11/01/13	Ba3	914
250	Perkins Family Restaurants, L.P., Senior Notes,		

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	10.125%, 12/15/07	B1	259
1,475	TravelCenters of America, Inc., Senior Subordinated Notes, 12.75%, 05/01/09	B3	1,681
825	Worldspan, L.P., Senior Notes, 9.625%, 06/15/11	B2	829
			-----
			4,917
			-----
PERSONAL NON-DURABLE CONSUMER PRODUCTS-- 1.82%			
1,050	American Achievement Corporation, Senior Subordinated Notes, 8.25%, 04/01/12	B3	1,089
575	Chattem, Inc., Senior Subordinated Notes, 7%, 03/01/14	B2	592
325	Church & Dwight Company, Inc., Senior Subordinated Notes, 6%, 12/15/12 (g)	Ba3	331
1,675	Rayovac Corporation, Senior Subordinated Notes, 8.50%, 10/01/13	B3	1,859
			-----
			3,871
			-----
PERSONAL TRANSPORTATION -- 1.26%			
725	CHC Helicopter Corporation, Senior Subordinated Notes, 7.375%, 05/01/14	B2	763
1,625	Laidlaw International Inc., Senior Notes, 10.75%, 06/15/11	B2	1,901
			-----
			2,664
			-----
PRINTING AND PUBLISHING-- 9.52%			
450	Advanstar Communications Inc., Senior Notes, 10.75%, 08/15/10	B3	506
325	Advanstar Communications Inc., Senior Subordinated Notes, 12%, 02/15/11	Caa2	349
575	Advanstar Inc., Senior Discount Debentures, 15%, 10/15/11 (h)	(e)	486
525	Affinity Group Inc., Senior Subordinated Notes, 9%, 02/15/12	B3	568

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

PRINCIPAL AMOUNT/UNITS	MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
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CORPORATE DEBT SECURITIES -- CONTINUED

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\$	500	American Media Operations, Inc., Senior Subordinated Notes, 10.25%, 05/01/09	B3	\$	525
1,878		CanWest Media, Inc., Senior Subordinated Notes, 8%, 09/15/12 (g)	B2		2,014
950		CanWest Media, Inc., Senior Subordinated Notes, 10.625%, 05/15/11	B2		1,066
150		CBD Media LLC, Senior Subordinated Notes, 8.625%, 06/01/11	Caa1		159
1,137		Dex Media East LLC, Senior Subordinated Notes, 12.125%, 11/15/12	B2		1,387
825		Dex Media West LLC, Senior Notes, 8.50%, 08/15/10	B1		920
1,685		Dex Media West LLC, Senior Subordinated Notes, 9.875%, 08/15/13	B2		1,942
50		Haight's Cross Communications Operating Company, Senior Notes, 11.75%, 08/15/11	Caa1		57
175		Haight's Cross Communications Operating Company, Senior Notes, 11.75%, 08/15/11 (g)	Caa1		198
1,675		Houghton Mifflin Company, Senior Subordinated Notes, 9.875%, 02/01/13	Caa1		1,830
950		Jostens Intermediate Holding Corp., Senior Subordinated Notes, 7.625%, 10/1/12 (g)	B3		990
925		Liberty Group Operating, Inc., Senior Subordinated Notes, 9.375%, 02/01/08	Caa1		939
785		Mail-Well I Corporation, Senior Notes, 9.625%, 03/15/12	B1		867
675		Reader's Digest Association, Inc., Senior Notes, 6.50%, 03/01/11	Ba3		705
1,970		R.H. Donnelley Inc., Senior Subordinated Notes, 10.875%, 12/15/12	B2		2,339
1,675		Vertis, Inc., Senior Secured Notes, 9.75%, 04/01/09	B2		1,817
\$	500	Vertis, Inc., Senior Subordinated Notes, 13.50%, 12/07/09 (g)	Caa1	\$	530
					-----
					20,194
					-----

RETAIL STORES -- 1.56%

75		Alimentation Couche-Tard, Inc., Senior Subordinated Notes, 7.50%, 12/15/13	Ba3		81
575		Jean Coutu Group, Inc., Senior Notes, 7.625%, 08/01/12 (g)	B2		609
1,700		Jean Coutu Group, Inc., Senior Subordinated Notes, 8.50%, 08/01/14 (g)	B3		1,747
850		Nebraska Book Company, Inc., Senior Subordinated Notes, 8.625%, 03/15/12	Caa1		871

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			-----
			3,308
			-----
SHIPPING -- .02%			
50	Great Lakes Dredge and Dock Corporation, Senior Subordinated Notes, 7.75%, 12/15/13	Caa2	46
-----			
TELECOMMUNICATIONS -- 16.71%			
1,822	Alamosa (Delaware), Inc., Senior Notes, 11%, 07/31/10	Caa1	2,159
1,325	AT&T Corporation, Senior Notes, 9.05%, 11/15/11	Ba1	1,531
425	AT&T Corporation, Senior Notes, 9.75%, 11/15/31	Ba1	511
1,000	Call-Net Enterprises Inc., Senior Secured Notes 10.625%, 12/31/08	Caa3	998
825	Centennial Communications Corp., Senior Notes, 8.125%, 02/01/14	Caa1	850
350	Centennial Communications Corp., Senior Notes, 10.125%, 06/15/13	Caa1	393
1,025	Crown Castle International Corp., Senior Notes, 10.75%, 08/01/11	B3	1,115
1,025	Eircom Funding plc, Senior Subordinated Notes, 8.25%, 08/15/13	B1	1,153
75	FairPoint Communications, Inc., Senior Notes, 11.875%, 03/01/10	B3	88

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES-- CONTINUED			
\$ 400	FairPoint Communications, Inc., Senior Subordinated Notes, 12.50%, 05/01/10	Caa1	\$ 432
500	Horizon PCS, Inc., Senior Notes, 11.375%, 07/15/12 (g)	B3	562
275	Inmarsat Finance, plc, Senior Notes, 7.625%, 06/30/12	B2	286
950	IPC Information Systems, Inc., Senior Subordinated Notes, 11.50%, 12/15/09	B3	1,040
450	iPCS Escrow Company, Senior Notes, 11.50%, 05/01/12	B3	512
1,200	MCI, Inc., Senior Notes, 7.688%, 05/01/09	B2	1,245
1,650	MCI, Inc., Senior Notes, 8.735%, 05/01/14	B2	1,782



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3,075	NEXTEL Communications, Inc., Senior Notes, 6.875%, 10/31/13	Ba3	3,359
2,575	NEXTEL Communications, Inc., Senior Notes, 7.375%, 08/01/15	Ba3	2,849
725	Nextel Partners, Inc., Senior Notes, 8.125%, 7/01/11	B3	805
1,075	PanAmSat Corporation, Senior Notes, 9%, 08/15/14 (g)	B2	1,199
825	Primus Telecommunications Holding, Inc., Senior Notes, 8%, 01/15/14	B3	722
2,197	Qwest Services Corp., Senior Subordinated Notes, 14%, 12/15/10 (g)	Caa1	2,642
200	Rogers Wireless Inc., Senior Secured Notes, 6.375%, 03/01/14	Ba3	199
375	Rogers Wireless Inc., Senior Secured Notes, 7.50%, 03/15/15 (g)	Ba3	397
1,000	Rogers Wireless Inc., Senior Secured Notes, 9.625%, 05/01/11	Ba3	1,175
1,050	Rogers Wireless Inc., Senior Subordinated Notes, 8%, 12/15/12 (g)	B2	1,110
175	Rural Cellular Corporation, Senior Secured Notes, 8.25%, 03/15/12	B2	185
1,750	Time Warner Telecom, Inc., Senior Notes, 9.75%, 07/15/08	B3	1,772
\$ 1,025	TSI Telecommunications Services, Inc., Senior Subordinated Notes, 12.75%, 02/01/09	B3	\$ 1,166
675	UbiquiTel Operating Co., Senior Notes, 9.875%, 03/01/11	Caa1	756
900	US Unwired Inc., Senior Secured Notes, 10%, 06/15/12	Caa1	1,015
1,325	Western Wireless Corporation, Senior Notes, 9.25%, 07/15/13	Caa1	1,441
			----- 35,449 -----
TEXTILES AND LEATHER -- .05%			
100	Interface, Inc., Senior Subordinated Notes, 9.50%, 02/01/14	Caa3	109
UTILITIES -- 9.78%			
350	The AES Corporation, Senior Notes, 7.75%, 03/01/14	B2	379
725	The AES Corporation, Senior Notes, 9.375%, 09/15/10	B2	838
1,550	The AES Corporation, Senior Secured Notes, 9%, 05/15/15 (g)	B1	1,773
1,050	Allegheny Energy Supply Company, LLC, Senior Notes, 8.25%, 04/15/12 (g)	B3	1,187
1,500	CE Electric UK Funding Company, Senior Notes, 6.995%, 12/30/07 (g)	Baa3	1,591
1,500	CenterPoint Energy, Inc., Senior Notes, 7.25%, 09/01/10	Ba2	1,673

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1,125	Midwest Generation, LLC, Senior Secured Notes, 8.75%, 05/01/34	B1	1,277
1,850	NRG Energy, Inc., Senior Secured Notes, 8%, 12/15/13 (g)	B1	2,017
1,650	Orion Power Holdings, Inc., Senior Notes, 12%, 05/01/10	B2	2,095
375	PSEG Energy Holdings, L.L.C., Senior Notes, 8.50%, 06/15/11	Ba3	432
125	PSEG Energy Holdings, L.L.C., Senior Notes, 10%, 10/01/09	Ba3	148
700	Roseton-Danskammer 2001, Senior Secured Notes, 7.27%, 11/08/10	Caa2	705
1,725	Sierra Pacific Resources, Senior Notes, 8.625%, 03/15/14	B2	1,960
1,500	TECO Energy, Inc., Senior Notes, 7%, 05/01/12	Ba2	1,639
1,300	Texas Genco LLC, Senior Notes, 6.875%, 12/15/14 (g)	B1	1,344

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
CORPORATE DEBT SECURITIES-- CONTINUED			
\$ 1,575	TNP Enterprises, Inc., Subordinated Notes, 10.25%, 04/01/10	B2	\$ 1,681
			-----
			20,739
			-----
	TOTAL CORPORATE DEBT SECURITIES (Total cost of \$314,917)		330,652
			-----
SHARES			
PREFERRED STOCK -- .26% (d)			
BANKING -- 0.00%			
57,935	WestFed Holdings, Inc., Cumulative, Series A, Preferred Stock, 15.50% (a) (c) (f)	(e)	--
			-----
MINING, STEEL, IRON, NON-PRECIOUS METALS -- 0.00%			
18,000	Weirton Steel Corporation, Series C Preferred Stock (a) (f)	(e)	1
			-----
UTILITIES -- .26%			
500	NRG Energy, Inc., Convertible Preferred Stock, 4% (g)	B3	563
			-----
	TOTAL PREFERRED STOCK		

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	(Total cost of \$5,810)		564
		-----	
COMMON STOCK AND WARRANTS-- .03% (d)			
950 Barney's, Inc., Warrants exp.			
02/1/08 (f) (g)			61
27,474 WestFed Holdings, Inc.,			
Common Stock (a) (c) (f)			--
10,052 WKI Holding Company, Inc.,			
Common Stock (c) (f)			--
		-----	
TOTAL COMMON STOCK AND WARRANTS			61
(Total cost of \$2,295)		-----	
PRINCIPAL			
AMOUNT			
SHORT-TERM INVESTMENTS-- 3.40% (d)			
\$    7,208 Rabobank USA Financial Corporation,			
Commercial Paper, Due 01/03/05,			
Discount of 2.17%	P-1	\$	7,207
TOTAL SHORT-TERM INVESTMENTS			
(Total cost of \$7,207)			7,207
		-----	
TOTAL INVESTMENTS			
(Total cost of \$330,229)		\$	338,484
		=====	

- 
- (a) Denotes issuer is in bankruptcy proceedings.
  - (b) Security is a Pay-in-Kind bond. Income on this bond accrues based upon the interest method which results in a constant rate of interest being recognized.
  - (c) Security is valued at fair value using methods determined by the Board of Directors. The total value of these securities at December 31, 2004 was \$0.
  - (d) Percentages indicated are based on total net assets to common shareholders of \$212,165.
  - (e) Not rated.
  - (f) Non-income producing.
  - (g) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold, normally to qualified institutional buyers in transactions exempt from registration. Unless otherwise noted, 144A securities are deemed to be liquid. See Note 1(a) of the Notes to Financial Statements for valuation policy. Total market value of Rule 144A securities amounted to \$66,338 as of December 31, 2004.
  - (h) Securities are step interest bonds. Interest on these bonds accrue based on the interest method which results in a constant rate of interest being recognized.

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

THE NEW AMERICA HIGH INCOME FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES  
DECEMBER 31, 2004

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ASSETS: (Dollars in thousands, except per share amounts)	
INVESTMENTS IN SECURITIES, at value (Identified cost of \$330,229 see Schedule of Investments and Notes 1 and 2)	\$ 338,484
INTEREST RATE SWAP, at fair value (Note 6)	923
CASH	30
RECEIVABLES:	
Investment securities sold	587
Interest and dividends	6,449
PREPAID EXPENSES	30
	-----
Total assets	\$ 346,503
	-----
LIABILITIES:	
PAYABLES:	
Dividend on common stock	\$ 3,830
Dividend on preferred stock	130
Swap settlement payable	136
ACCRUED EXPENSES (Note 3)	242
	-----
Total liabilities	\$ 4,338
	-----
AUCTION TERM PREFERRED STOCK:	
\$1.00 par value, 1,000,000 shares authorized, 5,200 shares issued and outstanding, liquidation preference of \$25,000 per share (Notes 4 and 5)	\$ 130,000
	-----
NET ASSETS	\$ 212,165
	=====
REPRESENTED BY:	
COMMON STOCK:	
\$0.01 par value, 200,000,000 shares authorized, 93,868,118 shares issued and outstanding	\$ 939
CAPITAL IN EXCESS OF PAR VALUE	382,030
UNDISTRIBUTED (OVERDISTRIBUTED) NET INVESTMENT INCOME (Note 2)	(864)
ACCUMULATED NET REALIZED LOSS FROM SECURITIES TRANSACTIONS (Note 2)	(179,118)
NET UNREALIZED APPRECIATION ON INVESTMENTS AND INTEREST RATE SWAPS	9,178
	-----
NET ASSETS APPLICABLE TO COMMON STOCK (Equivalent to \$2.26 per share, based on 93,868,118 shares outstanding)	\$ 212,165
	=====

STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED  
DECEMBER 31, 2004

INVESTMENT INCOME: (Note 1) (Dollars in thousands)	
Interest income	\$ 26,862
Other income	815
Dividend income	87
	-----
Total investment income	\$ 27,764

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EXPENSES:	
Cost of leverage:	
Preferred and auction (Note 5)	\$ 317
Total cost of leverage	\$ 317
Professional services:	
Management (Note 3)	\$ 1,159
Custodian and transfer agent	290
Legal (Note 8)	275
Audit	70
Total professional services	\$ 1,794
Administrative:	
General administrative	\$ 453
Directors	166
NYSE	87
Shareholder communications	52
Shareholder meeting	40
Miscellaneous	31
Total administrative	\$ 829
Total expenses	\$ 2,940
Net investment income	\$ 24,824
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT ACTIVITIES:	
Realized gain on investments, net	\$ 2,165
Realized loss on interest rate swap agreement	(3,157)
Total net realized loss on investments and interest rate swap agreement	(992)
Net swap settlement disbursements (Note 6)	\$ (3,071)
Change in net unrealized appreciation on investments	\$ 3,495
Change in unrealized depreciation on interest rate swap agreements	6,263
Total change in net unrealized appreciation on investments and interest rate swap	\$ 9,758
Net gain on investments and interest rate swap	\$ 5,695
COST OF PREFERRED LEVERAGE	
Distributions to preferred stockholders	\$ (1,999)
Net increase in net assets resulting from operations	\$ 28,520

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

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## STATEMENTS OF CHANGES IN NET ASSETS

FROM OPERATIONS: (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Net investment income  
 Realized loss on investments, net  
 Net swap settlement disbursements  
 Change in net unrealized appreciation on investments and other  
 financial instruments  
 Distributions from net investment income related to preferred stock  
 Dividends to preferred stockholders

Net increase in net assets resulting from operations

FROM FUND SHARE AND AUCTION TERM PREFERRED STOCK TRANSACTIONS:

Proceeds from rights offering (23,397,095 shares), net of \$84 of offering costs in 2004 and  
 \$817 in 2003 (Note 9)  
 Offering costs and sales load from sale of Auction Term Preferred Stock Series C (Note 4)

Net asset value of 339,724 shares and 583,346 shares issued to common  
 stockholders for reinvestment of dividends in 2004 and 2003, respectively

Increase in net assets resulting from fund share transactions

DISTRIBUTIONS TO COMMON STOCKHOLDERS:

From net investment income (\$.23 and \$.22 per share in 2004 and 2003,  
 respectively)

Total net increase in net assets

NET ASSETS APPLICABLE TO COMMON STOCK:

Beginning of period

End of period (Including \$(864) and \$570 of undistributed net investment  
 income at December 31, 2004 and December 31, 2003, respectively)

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

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## FINANCIAL HIGHLIGHTS

### SELECTED PER SHARE DATA AND RATIOS

FOR EACH SHARE OF COMMON STOCK OUTSTANDING THROUGHOUT THE PERIOD

	2004	FOR THE YEARS ENDED DECEMBER 2003 (b)	2002	2001
	-----	-----	-----	-----
NET ASSET VALUE:				
Beginning of period	\$ 2.19	\$ 1.89	\$ 2.61	\$ 2.61

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NET INVESTMENT INCOME	-----	-----	-----
	.26	.26#	.37
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS			
	.09	.34	(.72)
DISTRIBUTIONS FROM NET INVESTMENT INCOME RELATED TO PREFERRED STOCK:			
	(.05)	(.06)	(.08)
	-----	-----	-----
TOTAL FROM INVESTMENT OPERATIONS	.30	.54	(.43)
	-----	-----	-----
DISTRIBUTIONS TO COMMON SHAREHOLDERS:			
From net investment income	(.23)	(.22)	(.29)
	-----	-----	-----
TOTAL DISTRIBUTIONS	(.23)	(.22)	(.29)
	-----	-----	-----
Effect of rights offering and related expenses; and Auction Term Preferred Stock offering costs and sales load			
	--	(.02)	--
	-----	-----	-----
NET ASSET VALUE:			
End of period	\$ 2.26	\$ 2.19	\$ 1.89
	=====	=====	=====
PER SHARE MARKET VALUE:			
End of period	\$ 2.19	\$ 2.16	\$ 2.01
	=====	=====	=====
TOTAL INVESTMENT RETURN+	12.80%	19.23%	(12.97)%
	=====	=====	=====

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

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	2004	FOR THE YEARS ENDED DECE	2002
	-----	2003 (b)	-----
NET ASSETS, END OF PERIOD, APPLICABLE TO COMMON STOCK (a)	\$ 212,165	\$ 204,705	\$ 131,170
	=====	=====	=====
NET ASSETS, END OF PERIOD, APPLICABLE TO PREFERRED STOCK (a)	\$ 130,000	\$ 130,000	\$ 100,000
	=====	=====	=====
TOTAL NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK, END OF PERIOD (a)	\$ 342,165	\$ 334,705	\$ 231,170
	=====	=====	=====
EXPENSE RATIOS:			
Ratio of preferred and other leverage expenses to average net assets*	.15%	.16%	.18%
Ratio of operating expenses to average net assets*	1.27%	1.56%	1.46%
	-----	-----	-----
RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS*	1.42%	1.72%	1.64%
	=====	=====	=====
RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS*	12.02%	12.81%	16.48%

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RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK	.87%	1.05%	.89%
RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK	7.38%	7.79%	8.91%
PORTFOLIO TURNOVER RATE	70.90%	120.47%	82.47%

(a) Dollars in thousands.

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

(c) As required, effective January 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing discount and premium on debt securities. This had no effect on net investment income per share and a \$.01 increase to net realized and unrealized loss per share for the year ended December 31, 2001. The effect of this change increased the ratio of net investment income to average net assets from 16.29% to 16.70%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

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

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

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

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

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### INFORMATION REGARDING SENIOR SECURITIES

	2004	2003	AS OF DECEMBER 31, 2002
	-----	-----	-----
TOTAL AMOUNT OUTSTANDING:			
Preferred Stock	\$ 130,000,000	\$ 130,000,000	\$ 100,000,000
ASSET COVERAGE:			
Per Preferred Stock Share (1)	\$ 65,801	\$ 64,366	\$ 57,793
INVOLUNTARY LIQUIDATION PREFERENCE:			
Preferred Stock Share (2)	\$ 25,000	\$ 25,000	\$ 25,000



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## APPROXIMATE MARKET VALUE:

Per Preferred Stock Share (2)	\$	25,000	\$	25,000	\$	25,000
-------------------------------	----	--------	----	--------	----	--------

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

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

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## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

### (1) SIGNIFICANT ACCOUNTING AND OTHER POLICIES

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

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

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

The Fund's financial statements have been prepared in conformity with accounting principles generally accepted in the United States for investment companies that require the management of the Fund to, among other things, make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

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

(a) VALUATION OF INVESTMENTS--Investments for which market quotations are readily available are stated at market value, which is determined by using the most recently quoted bid price provided by an independent pricing service or

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principal market maker. Independent pricing services provide market quotations based primarily on quotations from dealers and brokers, market transactions, accessing data from quotations services, offering sheets obtained from dealers and various relationships between securities. Short-term investments with original maturities of 60 days or less are stated at amortized cost, which approximates market value. Following procedures approved by the Board of Directors, investments for which market quotations are not readily available (primarily fixed-income corporate bonds and notes) are stated at fair value on the basis of subjective valuations furnished by securities dealers and brokers. Other investments, with a cost of approximately \$7,214,000 and a value of \$0, are valued in good faith at fair market value using methods determined by the Board of Directors.

(b) INTEREST AND DIVIDEND INCOME--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 for tax reporting purposes as required by federal income tax regulations. The Fund does not amortize market premiums or discounts

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for tax purposes. Dividend payments received in the form of additional securities are recorded on the ex-dividend date in an amount equal to the value of the security on such date.

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

(2) TAX MATTERS AND DISTRIBUTIONS

At December 31, 2004, the total cost of securities (including temporary cash investments) for federal income tax purposes was approximately \$331,405,000. Aggregate gross unrealized gain on securities in which there was an excess of value over tax cost was approximately \$15,779,000. Aggregate unrealized loss on securities in which there was an excess of tax cost over value was approximately \$8,700,000. Net unrealized gain on investments for tax purposes at December 31, 2004 was approximately \$7,079,000

At December 31, 2004, the Fund had approximate capital loss carryovers available to offset future capital gains, if any, to the extent provided by regulations:

CARRYOVER AVAILABLE	EXPIRATION DATE
-----	-----
\$ 35,581,000	December 31, 2007
21,821,000	December 31, 2008
67,043,000	December 31, 2009
45,239,000	December 31, 2010
7,387,000	December 31, 2011
125,000	December 31, 2012
-----	
\$ 177,196,000	
-----	

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

The tax character of distributions paid to common and preferred shareholders of approximately \$23,725,000 in 2004 was from ordinary income.

As of December 31, 2004, the components of distributable earnings on a tax basis were approximately:

Undistributed Net Investment Income	\$	443,000
Undistributed Long-Term Gain		--
Unrealized Gain	\$	8,001,000
Capital Losses Carry Forward and Post October Losses Deferred	\$	179,118,000

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.

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

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

The Fund has recorded several reclassifications in the capital accounts to present undistributed net investment income or accumulated net realized gains and losses on a tax basis, which is considered to be more informative to the shareholder. These reclassifications have no impact on the net asset value of the Fund.

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### (3) INVESTMENT ADVISORY AGREEMENT

T. Rowe Price Associates, Inc. (T. Rowe Price), the Fund's Investment Advisor, earned approximately \$1,159,000 in management fees during the year ended December 31, 2004. Management fees paid by the Fund to T. Rowe Price were calculated at 0.50% on the first \$50,000,000 of the Fund's average weekly net assets, 0.40% on the next \$50 million and 0.30% on average weekly net assets in excess of \$100 million. T. Rowe Price's fee is calculated based on assets attributable to the Fund's common and auction term preferred stock. At December 31, 2004, the fee payable to T. Rowe Price was approximately \$100,000, which was included in accrued expenses on the accompanying statement of assets and liabilities.

### (4) AUCTION TERM PREFERRED STOCK (ATP)

On October 17, 2003, the Fund issued 1,200 shares of Series C ATP. The underwriting discount of \$300,000 and offering expenses of \$358,000 were recorded as a reduction of the capital in excess of par value on common stock.

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The Fund had 5,200 shares of ATP issued and outstanding at December 31, 2004. The ATP's dividends are cumulative at a rate determined at an auction, and dividend periods will typically be 28 days unless notice is given for periods to be longer or shorter than 28 days. Dividend rates ranged from 1.08% to 2.55% for the year ended December 31, 2004. The average dividend rate as of December 31, 2004 was 2.47%.

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

### (5) ATP AUCTION-RELATED MATTERS

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

After each auction, BTC as auction agent will pay to each broker-dealer, from funds provided by the Fund, a maximum service charge at the annual rate of 0.25 of 1% or such other percentage subsequently agreed to by the Fund and the broker-dealers, of the purchase price of shares placed by such broker-dealers at such auction. In the event an auction scheduled to occur on an auction date fails to occur for any reason, the broker-dealers will be entitled to service charges as if the auction had occurred and all holders of shares placed by them had submitted valid hold orders. The Fund incurred approximately \$317,000 for service charges for the year ended December 31, 2004. This amount is included under the caption preferred and auction fees in the accompanying statement of operations.

### (6) INTEREST RATE SWAPS

The Fund entered into an interest payment swap arrangement with Fleet National Bank (Fleet) for the purpose of partially hedging its dividend payment obligations with respect to the ATP. Pursuant to the Swap Arrangement the Fund makes payments to Fleet on a monthly basis at a fixed annual rate. In exchange for such payment Fleet makes payments to the Fund on a

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monthly basis at a variable rate determined with reference to one month LIBOR. The variable rates ranged from 1.09% to 2.33% for the year ended December 31, 2004. The effective date, notional amount, maturity and fixed rate of the swap is as follows:

EFFECTIVE DATE	NOTIONAL CONTRACT AMOUNT	MATURITY	FIXED ANNUAL RATE
11/5/04	\$130 million	11/5/09	3.775%

Swap transactions, which involve future settlement, give rise to credit risk.

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Credit risk is the amount of loss the Fund would incur in the event counterparties failed to perform according to the terms of the contractual commitments. In the event of nonperformance by the counterparty, the Fund's dividend payment obligation with respect to the ATP would no longer be partially hedged. Therefore, the ATP dividend would no longer be partially fixed. In an unfavorable interest rate environment, the Fund would be subject to higher net ATP dividend payments, resulting in less income available for the common share dividend. The Fund does not anticipate nonperformance by any counterparty. While notional contract amounts are used to express the volume of interest rate swap agreements, the amounts potentially subject to credit risk, in the event of nonperformance by counterparties, are substantially smaller.

The Fund recognizes all freestanding derivative instruments in the balance sheet as either assets or liabilities and measures them at fair value. Any change in the unrealized gain or loss is recorded in current earnings. For the year ended December 31, 2004, the Fund's obligations under the swap agreements were more than the amount received from Fleet by approximately \$3,071,000 and such amount is included in the accompanying statement of operations.

In connection with the termination of an interest rate swap agreement during the year, the Fund also paid approximately \$3,157,000 to Fleet. This payment is reflected on the accompanying statement of operations as a realized loss on interest rate swap agreements.

The estimated fair value of the interest rate swap agreement at December 31, 2004 amounted to approximately \$923,000 of unrealized gain and is presented in the accompanying balance sheet.

### (7) PURCHASES AND SALES OF SECURITIES

Purchases and proceeds of sales or maturities of long-term securities during the year ended December 31, 2004 were approximately:

Cost of purchases	\$231,657,000
Proceeds of sales or maturities	\$230,267,000

### (8) RELATED PARTY TRANSACTIONS

A partner of Goodwin Procter LLP, counsel to the Fund, serves as a Director of the Fund. Fees earned by Goodwin Procter LLP amounted to approximately \$208,000 for the year ended December 31, 2004.

The Fund paid approximately \$311,000 during the year ended December 31, 2004 to two officers of the Fund for the provision of certain administrative services.

### (9) RIGHTS OFFERING

The Fund issued to stockholders of record as of the close of business on July 21, 2003, rights to subscribe for an aggregate of 23,397,095 shares of common stock, \$.01 par value per share, of the Fund. One right was issued for each three full shares of common stock beneficially held on the record date. The rights entitled a stockholder to acquire at the subscription price of \$1.81 per share one share for each right held. The subscription price was 94% of the average of the last reported sales price of the Fund's Common Stock on the New York Stock Exchange on August 18, 2003, the expiration date and the nine preceding business days. On August 22, 2003 the Fund completed its rights offering. Proceeds of approximately \$42,349,000 and

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shares of 23,397,095 were recorded. In addition, offering expense of approximately \$817,000 was netted against the rights offering proceeds in 2003 and \$84,000 in 2004.

### COMMON AND AUCTION TERM PREFERRED STOCK TRANSACTIONS

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

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

### COMPLIANCE CERTIFICATIONS

(Unaudited)

On May 25, 2004, your Fund submitted a CEO annual certification to the New York Stock Exchange (NYSE) on which the Fund's principal executive officer certified that he was not aware, as of that date, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures and internal control over financial reporting.

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### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying statement of assets and liabilities of The New America High Income Fund, Inc., including the schedule of investments, as of December 31, 2004, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended. These financial statements and financial highlights are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2004, by correspondence with custodians and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to

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above present fairly, in all material respects, the financial position of The New America High Income Fund, Inc. as of December 31, 2004, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Boston, Massachusetts  
February 17, 2005

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### DIRECTORS

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

### OFFICERS

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

### INVESTMENT ADVISOR

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

### ADMINISTRATOR

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

### CUSTODIAN

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

### TRANSFER AGENT

EquiServe Trust Company N.A.  
P.O. Box 43011  
Providence, RI 02940-3011  
(617) 328-5000 ext. 6406  
(800) 426-5523

### INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

KPMG LLP  
99 High Street  
Boston, MA 02110

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

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INFORMATION ABOUT THE FUND'S DIRECTORS AND OFFICERS

INDEPENDENT DIRECTORS

NAME, ADDRESS(1), AND DATE OF BIRTH	POSITION(S) HELD WITH FUND	TERM OF OFFICE(2) AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER PORTFO IN FU COMPLE OVERS BY DIR
Joseph L. Bower DOB: 09/21/38	Director	Director since 1988	Professor, Harvard Business School since 1963 - as Donald K. David Professor of Business Administration since 1986, Senior Associate Dean, Chair of the Doctoral Programs, Chair of the General Management Area, and currently, Chair of the General Manager Program.	1
Bernard J. Korman DOB: 10/13/31	Director	Director since 1987	Chairman of the Board of Directors of Philadelphia Health Care Trust.	1

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- (1) The address for each Director is c/o The New America High Income Fund, Inc. 33 Broad Street, Boston, MA 02109.
  - (2) Each Director serves as such until the next annual meeting of the Fund's stockholders and until the Director's successor shall have been duly elected and qualified.
  - (3) The New America High Income Fund, Inc. is not part of any fund complex.

NAME, ADDRESS(1), AND DATE OF BIRTH	POSITION(S) HELD WITH FUND	TERM OF OFFICE(2) AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER PORTFO IN FU COMPLE OVERS BY DIR
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Ernest E. Monrad(4) DOB: 5/30/30	Director	Director since 1988	Trustee since 1960 and Chairman of the Trustees from 1969 to May 2001 of Northeast Investors Trust; Chairman, Assistant Treasurer and a Director since 1981 of Northeast Investors Growth Fund; Director of Northeast Investment Management, Inc., Northeast Management & Research Co., Inc.	1
Marguerite A. Piret DOB: 5/10/48	Director	Director since 2004	President and Chief Executive Officer, Newbury, Piret & Company, Inc.	1

INTERESTED DIRECTORS AND OFFICERS

Robert F. Birch(5) DOB: 3/12/36	Director and President	Director since 1992	Mutual Fund Director	1
Richard E. Floor(6) DOB: 8/3/40	Director and Secretary	Director since 1987	Partner through his professional corporation with the law firm of Goodwin Procter LLP, Boston, Massachusetts	1

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- (1) The address for each Director is c/o The New America High Income Fund, Inc. 33 Broad Street, Boston, MA 02109.
- (2) Each Director serves as such until the next annual meeting of the Fund's stockholders and until the Director's successor shall have been duly elected and qualified.
- (3) The New America High Income Fund, Inc. is not part of any fund complex.
- (4) In accordance with the Fund's By-Laws, Mr. Monrad will not be seeking an additional term as a Fund Director at the 2005 Annual Meeting of Stockholders, but will instead elect Director Emeritus status at the end of his current term.
- (5) As the Fund's President, Mr. Birch is an interested person of the Fund within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").
- (6) Mr. Floor is an interested person of the Fund within the meaning of the 1940 Act because, through his professional corporation, Mr. Floor is a partner of Goodwin Procter LLP, counsel to the Fund.

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

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the officer's death or until the officer resigns or has been removed.

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EquiServe Trust Company N.A.  
P.O. Box 43011  
Providence, RI 02940-3011

3709-AR-05

### ITEM 2. CODE OF ETHICS.

As of December 31, 2003, the Fund has adopted a code of ethics, as defined in Item 2 of Form N-CSR, that applies to its Principal Executive Officer, Principal Financial Officer/Chief Financial Officer, Principal Accounting Officer, Vice President, Treasurer and Manager of Accounting and Finance. The code of ethics is posted on the Fund's web site at [www.newamerica-hyb.com](http://www.newamerica-hyb.com).

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Fund's Audit and Nominating Committee is comprised solely of Directors who are "independent" as such term has been defined by the Securities and Exchange Commission in regulations implementing Section 407 of the Sarbanes-Oxley Act. The Board of Directors (a) has determined that each member of the Audit and Nominating Committee is "financially literate" and has "accounting or related financial management experience" as these terms are used in the corporate governance standards of the New York Stock Exchange and (b) believes that each has substantial experience relating to the review of financial statements and the operations of audit committees. In addition, the Board of Directors has determined that based upon their review of her experience and education, Ms. Piret qualifies as an "audit committee financial expert", as that term has been defined by the instructions to this Item.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

**AUDIT FEES.** For fiscal 2004 and 2003, the aggregate fees billed by KPMG LLP ("KPMG"), the Fund's independent public accountants, for audit of the Fund's annual financial statements, review of the semi-annual financial statements and assistance in connection with the Fund's filing of the registration statements totaled \$50,000 and \$96,000, respectively.

**AUDIT-RELATED FEES.** KPMG billed \$15,000 and \$31,500 for fiscal 2004 and 2003, respectively, for assurance and related services that are reasonably related to the performance of the audit and review of the Fund's financial statements, including quarterly agreed upon procedures related to requirements of the Fund's articles supplementary.

**TAX FEES.** During fiscal 2004, KPMG's fees for its professional services related to preparation of the Fund's federal and state tax returns, review of excise distributions, and testing of quarterly asset diversification totaled \$7,250. During fiscal 2003, KPMG's fees for its professional services related to preparation of the Fund's federal and state tax returns, review of excise distributions, and testing of quarterly asset diversification totaled \$7,000.

**ALL OTHER FEES.** KPMG did not provide any other services to the Fund in 2004 or 2003 other than those listed above.

**NON-AUDIT FEES.** KPMG did not provide any other services to the Fund in

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2004 or 2003 other than those listed above. KPMG's fees for non-audit services in fiscal 2004 billed to T. Rowe Price Group, Inc. ("Price Group") and its subsidiaries totaled approximately \$418,600. KPMG's fees for non-audit services in fiscal 2003 billed to Price Group totaled \$257,500, other than fees billed for professional services rendered for the audit of the annual financial statements and the reviews of the financial statements included in Forms 10-Q. The Committee has considered and determined that the performance by KPMG of non-audit services to Price Group and its subsidiaries is compatible with maintaining that firm's independence in connection with serving as the Fund's independent public accountants.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The Fund has a separately-designated standing audit committee, the Audit and Nominating Committee, established by and amongst the Fund's Board of Directors for the purpose of overseeing the accounting and financial reporting processes of the Fund and audits of the Fund's financial statements. The Audit and Nominating Committee consists of the Fund's Directors who are not "interested persons" of the Fund within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act") - Joseph L. Bower, Bernard J. Korman, Ernest E. Monrad, and Marguerite A. Piret.

### ITEM 6.

This schedule is included as part of the report to shareholders filed under Item 1 of this Form.

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

#### PROXY VOTING POLICIES AND PROCEDURES

At its June 26, 2003 meeting, the Fund's Board of Directors authorized and directed T. Rowe Price, the Fund's investment adviser, to vote proxies relating to the Fund's portfolio securities in accordance with T. Rowe Price's proxy voting policies and procedures. T. Rowe Price, as an investment adviser with a fiduciary responsibility to the Fund, analyzes the proxy statements of issuers whose stock is owned by the Fund, if any.

PROXY ADMINISTRATION. The T. Rowe Price Proxy Committee develops T. Rowe Price's positions on all major corporate issues, creates guidelines, and oversees the voting process. The Proxy Committee, composed of portfolio managers, investment operations managers, and internal legal counsel, analyzes proxy policies based on whether they would adversely affect stockholders' interests and make a company less attractive to own. In evaluating proxy policies each year, the Proxy Committee relies upon its own fundamental research, independent research provided by third parties, and information presented by company managements and stockholder groups.

Once the Proxy Committee establishes its recommendations, they are distributed to the firm's portfolio managers as voting guidelines. Ultimately, the portfolio manager votes on the proxy proposals of companies in his or her portfolio. When portfolio managers cast votes that are counter to the Proxy Committee's guidelines, they are required to document their reasons in

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writing to the Proxy Committee. Annually, the Proxy Committee reviews T. Rowe Price's proxy voting process, policies, and voting records.

T. Rowe Price has retained Institutional Shareholder Services ("ISS"), an

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expert in the proxy voting and corporate governance area, to provide proxy advisory and voting services. These services include in-depth research, analysis, and voting recommendations as well as vote execution, reporting, auditing and consulting assistance for the handling of proxy voting responsibility and corporate governance-related efforts. While the Proxy Committee relies upon ISS research in establishing T. Rowe Price's voting guidelines--many of which are consistent with ISS positions--T. Rowe Price may deviate from ISS recommendations on general policy issues or specific proxy proposals.

FIDUCIARY CONSIDERATIONS. T. Rowe Price's decisions with respect to proxy issues are made in light of the anticipated impact of the issue on the desirability of investing in the portfolio company. Proxies are voted solely in the interests of the Fund or Fund stockholders. Practicalities involved with international investing may make it impossible at times, and at other times disadvantageous, to vote proxies in every instance.

CONSIDERATION GIVEN MANAGEMENT RECOMMENDATIONS. When determining whether to invest in a particular company, one of the key factors T. Rowe Price considers is the quality and depth of its management. As a result, T. Rowe Price believes that recommendations of management on most issues should be given weight in determining how proxy issues should be voted.

T. ROWE PRICE VOTING POLICIES. Specific voting guidelines have been established by the Proxy Committee for recurring issues that appear on proxies. The following is a summary of the more significant T. Rowe Price policies:

- ELECTION OF DIRECTORS. T. Rowe Price generally supports slates with a majority of independent directors and nominating committees chaired by an independent board member. T. Rowe Price withholds votes for inside directors serving on compensation and audit committees and for directors who miss more than one-fourth of the scheduled board meetings.
- EXECUTIVE COMPENSATION. T. Rowe Price's goal is to assure that a company's equity-based compensation plan is aligned with stockholders' long-term interests. While it evaluates most plans on a case-by-case basis, T. Rowe Price generally opposes compensation packages that provide what it views as excessive awards to a few senior executives or that contain excessively dilutive stock option plans. T. Rowe Price bases its review on criteria such as the costs associated with the plan, plan features, dilution to stockholders and comparability to plans in the company's peer group. T. Rowe Price generally opposes plans that give a company the ability to reprice options.
- ANTI-TAKEOVER AND CORPORATE GOVERNANCE ISSUES. T. Rowe Price generally opposes anti-takeover measures and other proposals designed to limit the ability of stockholders to act on possible transactions. When voting on

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corporate governance proposals, T. Rowe Price will consider the dilutive impact to stockholders and the effect on stockholder rights.

- SOCIAL AND CORPORATE RESPONSIBILITY ISSUES. T. Rowe Price generally votes with a company's management on social issues unless they have substantial economic implications for the company's business and operations that have not been adequately addressed by management.

MONITORING AND RESOLVING CONFLICTS OF INTEREST. The Proxy Committee is also

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responsible for monitoring and resolving possible material conflicts between the interests of T. Rowe Price and those of its clients with respect to proxy voting. Because T. Rowe Price's voting guidelines are pre-determined by the Proxy Committee using recommendations from ISS, an independent third party, application of the T. Rowe Price guidelines to vote clients' proxies should in most instances adequately address any possible conflicts of interest. However, for proxy votes inconsistent with T. Rowe Price guidelines, the Proxy Committee reviews all such proxy votes in order to determine whether the portfolio manager's voting rationale appears reasonable. The Proxy Committee also assesses whether any business or other relationships between T. Rowe Price and a portfolio company could have influenced an inconsistent vote on that company's proxy. Issues raising possible conflicts of interest are referred to designated members of the Proxy Committee for immediate resolution.

### ITEM 8.

Not applicable.

### ITEM 9. PURCHASE OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

### ITEM 11. CONTROLS AND PROCEDURES.

(a) The Fund's principal executive officer and principal financial officer concluded that the Fund disclosure controls and procedures (as defined in Rule 30a-3(c) under the 1940 Act) provide reasonable assurances that information required to be disclosed by the Fund on Form N-CSR is recorded, processed, summarized and reported within the required time periods and that information required to be disclosed by the Fund in the reports that it files or submits on Form N-CSR is accumulated and communicated to the Fund's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure, based on their evaluation of the disclosure controls and procedures as of a date within 90 days of the filing date of this report.

(b) There was no change in the Fund's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the Fund's second fiscal quarter of the period that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

### ITEM 12. EXHIBITS.

(a) (1) The code of ethics referenced in Item 2.

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(a) (2) The certifications required by Rule 30a-2(a) under the 1940 Act.

(a) (3) Not applicable.

(b) The certifications required by Rule 30a-2(b) under the 1940 Act.

SIGNATURES

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

The New America High Income Fund, Inc.

By: /s/ Robert F. Birch

-----  
Name: Robert F. Birch  
Title: President and Director  
Date: March 7, 2005

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

By: /s/ Robert F. Birch

-----  
Name: Robert F. Birch  
Title: President  
Date: March 7, 2005

By: /s/ Ellen E. Terry

-----  
Name: Ellen E. Terry  
Title: Treasurer  
Date: March 7, 2005