

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-CSRS

June 02, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-7920

Western Asset High Income Opportunity Fund Inc.  
(Exact name of registrant as specified in charter)

55 Water Street, New York, NY  
(Address of principal executive offices)

10041  
(Zip code)

Robert I. Frenkel, Esq.  
Legg Mason & Co., LLC  
300 First Stamford Place, 4<sup>th</sup> Floor  
Stamford, CT 06902  
(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 451-2010

Date of fiscal year September 30  
end:

Date of reporting period: March 31, 2008

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ITEM 1. REPORT TO STOCKHOLDERS.

The Semi-Annual Report to Stockholders is filed herewith.

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**SEMI-ANNUAL REPORT / MARCH 31, 2008**

**Western Asset High  
Income Opportunity  
Fund Inc.**

**(HIO)**

Managed by **WESTERN ASSET**

**INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE  
VALUE**

Fund objective

The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective.

What's inside

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**Legg Mason Partners Fund Advisor, LLC ( LMPFA ) is the Fund's investment manager and Western Asset Management Company ( Western Asset ) and Western Asset Management Company Limited ( Western Asset Limited ) are the Fund's subadvisers. LMPFA, Western Asset and Western Asset Company Limited are wholly-owned subsidiaries of Legg Mason, Inc.**

Letter from the chairman

Dear Shareholder,

The U.S. economy weakened significantly during the six-month reporting period ended March 31, 2008. Third quarter 2007 U.S. gross domestic product (GDP) growth was 4.9%, its strongest showing in four years. However, continued weakness in the housing market, an ongoing credit crunch and soaring oil and food prices then took their toll on the economy. During the fourth quarter of 2007, GDP growth was 0.6%. The U.S. Commerce Department then reported that its advance estimate for first quarter 2008 GDP growth was also a tepid 0.6%. While it was once debated whether or not the U.S. would fall into a recession, it is now generally assumed that a recession is likely, and that it may have already begun. Even areas of the economy that had once been fairly resilient have begun to falter, including the job market. The U.S. Department of Labor reported that payroll employment declined in each of the first three months of 2008 – the longest consecutive monthly decline since early 2003.

Ongoing issues related to the housing and subprime mortgage markets and an abrupt tightening in the credit markets prompted the Federal Reserve Board (Fed) to take aggressive and, in some cases, unprecedented actions during the reporting period. At its meeting in September 2007, the Fed reduced the federal funds rate from 5.25% to 4.75%. This marked the first reduction in the federal funds rate since June 2003. The Fed again lowered rates on five more occasions through the end of March 2008. Over this time, the federal funds rate fell to 2.25%. The Fed then reduced rates again on April 30, 2008, after the reporting period ended, to 2.00%. In its statement accompanying the April rate cut, the Fed stated:

Recent information indicates that economic activity remains weak. Household and business spending has been subdued and labor markets have softened further. Financial markets remain under considerable stress, and tight credit conditions and the deepening housing contraction are likely to weigh on economic growth over the next few quarters.

In addition to lowering short-term interest rates, the Fed took several actions to improve liquidity in the credit markets. In March 2008, the Fed established a new lending program allowing brokerage firms to borrow



Letter from the chairman *continued*

directly from its discount window. The Fed also increased the maximum term for discount window loans from 30 to 90 days. Then, in mid-March, the Fed played a major role in facilitating the purchase of Bear Stearns by JPMorgan Chase.

During the six-month reporting period, both short- and long-term Treasury yields experienced periods of volatility. This was due, in part, to mixed economic and inflation data, the fallout from the subprime mortgage market crisis and shifting expectations regarding the Fed's monetary policy. Within the bond market, investors were initially focused on the subprime segment of the mortgage-backed market. These concerns broadened, however, to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This turmoil triggered several flights to quality, causing Treasury yields to move sharply lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower).

Overall, during the six months ended March 31, 2008, two-year Treasury yields fell from 3.97% to 1.62%. Over the same time frame, 10-year Treasury yields fell from 4.59% to 3.45%. Short-term yields fell sharply in concert with the Fed's rate cuts while longer-term yields fell less dramatically due to inflationary concerns, resulting in a steepening of the U.S. yield curve during the reporting period. Looking at the six-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index<sup>v</sup>, returned 5.23%.

Increased investor risk aversion in November 2007 and again in the first quarter of 2008 caused the high-yield bond market to produce weak results over the six-month period ended March 31, 2008. During that period, the Citigroup High Yield Market Index<sup>vi</sup> returned -4.20%. While high-yield bond prices rallied several times during the period, several flights to quality dragged down the sector, although default rates continued to be low.

Despite increased investor risk aversion, emerging markets debt generated positive results, as the JPMorgan Emerging Markets Bond Index Global (EMBI Global)<sup>vii</sup> returned 3.29% over the six months ended March 31, 2008. Overall solid demand, an expanding global economy, increased domestic spending and the Fed's numerous rate cuts supported the emerging market debt asset class.

II Western Asset High Income Opportunity Fund Inc.

Performance review

For the six months ended March 31, 2008, Western Asset High Income Opportunity Fund Inc. returned -5.67% based on its net asset value ( NAV )<sup>viii</sup> and -8.35% based on its New York Stock Exchange ( NYSE ) market price per share. The Fund's unmanaged benchmark, the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index<sup>ix</sup>, and its former unmanaged benchmark, the Citigroup High Yield Market Index, returned -4.01% and -4.20%, respectively, for the same period. The Lipper High Current Yield Closed-End Funds Category Average<sup>x</sup> returned -10.99% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During this six-month period, the Fund made distributions to common shareholders totaling \$0.28 per share, which may have included a return of capital. The performance table shows the Fund's six-month total return based on its NAV and market price as of March 31, 2008. **Past performance is no guarantee of future results.**

**PERFORMANCE SNAPSHOT** as of March 31, 2008 (unaudited)

PRICE PER SHARE	6-MONTH TOTAL RETURN
\$6.33 (NAV)	-5.67%
\$5.66 (Market Price)	-8.35%

**All figures represent past performance and are not a guarantee of future results.**

Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

Information about your fund

Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to Financial Statements included in this report.

Looking for additional information?

The Fund is traded under the symbol HIO and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol XHIOX on most financial websites. *Barron's* and *The Wall Street Journal's* Monday edition both carry



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closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites, as well as [www.leggmason.com/individualinvestors](http://www.leggmason.com/individualinvestors).

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Western Asset High Income Opportunity Fund Inc. III

Letter from the chairman *continued*

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you meet your financial goals.

Sincerely,

**R. Jay Gerken, CFA**

Chairman, President and Chief Executive Officer

April 30, 2008

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

**RISKS:** The Fund invests in high-yield debt securities, which are subject to additional risks such as the increased risk of default and greater volatility because of the lower credit quality of the issuers. Fixed-income investments are subject to interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund's holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. In addition, the Fund may invest in foreign securities, which are subject to certain risks of overseas investing, including currency fluctuations and changes in political and economic conditions, which could result in significant fluctuations.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- i Gross domestic product ( GDP ) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Federal Reserve Board ( Fed ) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

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The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Fed) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

- iv The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- v The Lehman Brothers U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- vi The Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.
- vii The JPMorgan Emerging Markets Bond Index Global ( EMBI Global ) tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds, and local market instruments. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.
- viii NAV is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is at the Fund's market price as determined by supply of and demand for the Fund's shares.
- ix The Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Lehman Brothers U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- x Lipper, a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended March 31, 2008, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 5 funds in the Fund's Lipper category.

#### IV Western Asset High Income Opportunity Fund Inc.

Fund at a glance

**INVESTMENT BREAKDOWN (%)** As a percent of total investments    March 31, 2008

Schedule of investments (unaudited)

March 31, 2008

**WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.**

	FACE AMOUNT	SECURITY	VALUE
CORPORATE BONDS & NOTES	91.4%		
		<b>Aerospace &amp; Defense 1.7%</b>	
\$	850,000	DRS Technologies Inc., Senior Subordinated Notes: 6.625% due 2/1/16	\$ 835,123
	1,405,000	7.625% due 2/1/18	1,412,025
	4,235,000	Hawker Beechcraft Acquisition Co., 8.875% due 4/1/15(a)	4,351,462
	1,460,000	L-3 Communications Corp., Senior Subordinated Notes, 5.875% due 1/15/15	1,405,250
		<i>Total Aerospace &amp; Defense</i>	<i>8,003,860</i>
		<b>Airlines 2.5%</b>	
	297,069	Continental Airlines Inc., Pass-Through Certificates: 8.312% due 4/2/11	277,760
	930,000	7.339% due 4/19/14	827,700
	3,950,000	DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15(b)	3,910,500
	1,089,547	Delta Air Lines Inc., 8.954% due 8/10/14(b)	1,013,278
	1,045,000	United Airlines Inc., Pass-Through Certificates: 6.831% due 9/1/08	1,167,787
	2,268,135	7.811% due 10/1/09	2,625,843
	962,968	8.030% due 7/1/11	1,088,154
	460,000	6.932% due 9/1/11	549,700
		<i>Total Airlines</i>	<i>11,460,722</i>
		<b>Auto Components 1.8%</b>	
	970,000	Allison Transmission Inc.: 11.000% due 11/1/15(b)	848,750
	1,720,000	Senior Notes, 11.250% due 11/1/15(a)(b)	1,453,400
	1,820,000	Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13	1,028,300
	6,190,000	Visteon Corp., Senior Notes, 8.250% due 8/1/10	5,091,275
		<i>Total Auto Components</i>	<i>8,421,725</i>
		<b>Automobiles 1.6%</b>	
	505,000	Ford Motor Co., Debentures, 8.900% due 1/15/32	381,275
	1,330,000	General Motors Corp.: Notes, 7.200% due 1/15/11	1,113,875
	1,350,000	Senior Debentures: 8.250% due 7/15/23	951,750
	5,040,000	8.375% due 7/15/33	3,578,400
	2,125,000	Senior Notes, 7.125% due 7/15/13	1,641,562
		<i>Total Automobiles</i>	<i>7,666,862</i>
		<b>Building Products 1.7%</b>	
	5,640,000	Associated Materials Inc.: Senior Discount Notes, step bond to yield 12.271% due 3/1/14	3,877,500
	945,000	Senior Subordinated Notes, 9.750% due 4/15/12	921,375

See Notes to Financial Statements.

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## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Building Products 1.7% continued</b>	
\$ 1,390,000	Nortek Inc., Senior Subordinated Notes, 8.500% due 9/1/14	\$ 1,035,550
3,890,000	NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.354% due 3/1/14	1,906,100
	<i>Total Building Products</i>	<i>7,740,525</i>
	<b>Chemicals 1.5%</b>	
	Georgia Gulf Corp., Senior Notes:	
1,895,000	9.500% due 10/15/14	1,473,363
850,000	10.750% due 10/15/16	561,000
800,000	Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/15/14	852,000
1,440,000	Methanex Corp., Senior Notes, 8.750% due 8/15/12	1,551,600
2,870,000	Montell Finance Co. BV, Debentures, 8.100% due 3/15/27(b)	1,922,900
494,000	Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16	434,720
	<i>Total Chemicals</i>	<i>6,795,583</i>
	<b>Commercial Banks 0.4%</b>	
500,000	ATF Capital BV, Senior Notes, 9.250% due 2/21/14(b)	495,550
	TuranAlem Finance BV, Bonds:	
1,530,000	8.250% due 1/22/37(b)	1,203,804
470,000	8.250% due 1/22/37(b)	372,146
	<i>Total Commercial Banks</i>	<i>2,071,500</i>
	<b>Commercial Services &amp; Supplies 2.7%</b>	
3,155,000	Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11	2,729,075
855,000	Ashtead Holdings PLC, Secured Notes, 8.625% due 8/1/15(b)	688,275
4,100,000	DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13	4,192,250
2,150,000	Interface Inc., Senior Notes, 10.375% due 2/1/10	2,257,500
2,495,000	Rental Services Corp., Senior Notes, 9.500% due 12/1/14	2,095,800
1,110,000	US Investigations Services Inc., 11.750% due 5/1/16(b)	832,500
	<i>Total Commercial Services &amp; Supplies</i>	<i>12,795,400</i>
	<b>Communications Equipment 0.5%</b>	
3,140,000	Lucent Technologies Inc., Debentures, 6.450% due 3/15/29	2,260,800
	<b>Consumer Finance 4.0%</b>	
1,655,000	AmeriCredit Corp., 8.500% due 7/1/15	1,216,425
	Ford Motor Credit Co.:	
	Notes:	
925,000	7.875% due 6/15/10	806,928
2,535,000	8.708% due 4/15/12(c)	2,382,601
1,140,000	7.000% due 10/1/13	890,168

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

March 31, 2008

**WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.**

FACE AMOUNT	SECURITY	VALUE
	<b>Consumer Finance 4.0% <i>continued</i></b>	
	Senior Notes:	
\$ 1,037,000	8.050% due 6/15/11(c)	\$ 823,715
2,245,000	9.875% due 8/10/11	2,003,346
1,190,000	7.127% due 1/13/12(c)	881,008
1,140,000	8.000% due 12/15/16	893,681
	General Motors Acceptance Corp.:	
7,480,000	Bonds, 8.000% due 11/1/31	5,372,278
4,660,000	Notes, 6.875% due 8/28/12	3,544,396
	<i>Total Consumer Finance</i>	<i>18,814,546</i>
	<b>Containers &amp; Packaging 0.8%</b>	
	Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13	2,002,375
2,075,000		873,825
955,000	Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15(b)	9,063
725,000	Radnor Holdings Corp., Senior Notes, 11.000% due 3/15/10(d)(e)	842,400
810,000	Rock-Tenn Co., Senior Notes, 9.250% due 3/15/16(b)	3,727,663
	<i>Total Containers &amp; Packaging</i>	
	<b>Diversified Consumer Services 0.6%</b>	
	Education Management LLC/Education Management Finance Corp.:	
1,175,000	Senior Notes, 8.750% due 6/1/14	998,750
950,000	Senior Subordinated Notes, 10.250% due 6/1/16	760,000
1,225,000	Service Corp. International, Debentures, 7.875% due 2/1/13	1,243,375
	<i>Total Diversified Consumer Services</i>	<i>3,002,125</i>
	<b>Diversified Financial Services 3.2%</b>	
1,085,000	Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15(b)	797,475
1,250,000	CCM Merger Inc., Notes, 8.000% due 8/1/13(b)	1,056,250
2,400,000	Elyria Foundry Co./EH Acquisition Inc., 13.000% due 3/1/13(b)	2,328,000
	Leucadia National Corp., Senior Notes:	
1,220,000	8.125% due 9/15/15	1,232,200
450,000	7.125% due 3/15/17	428,625
820,000	LVB Acquisition Merger, 11.625% due 10/15/17(b)	824,100
500,000	LVB Acquisition Merger Subordinated Inc., 10.375% due 10/15/17(a)(b)	521,250
	Residential Capital LLC:	
1,115,000	6.908% due 4/17/09(b)(c)	418,125
710,000	8.875% due 6/30/15	347,900
1,990,000	Notes, 8.375% due 6/30/10	1,009,925
2,385,000	Senior Notes, 8.000% due 2/22/11	1,180,575
	TNK-BP Finance SA:	
1,525,000	7.875% due 3/13/18(b)	1,418,250
744,000	Senior Notes, 7.875% due 3/13/18(b)	690,990

See Notes to Financial Statements.



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## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Diversified Financial Services 3.2% continued</b>	
\$ 2,820,000	Vanguard Health Holdings Co. I LLC, Senior Discount Notes, step bond to yield 12.741% due 10/1/15	\$ 2,171,400
765,000	Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14	740,137
	<i>Total Diversified Financial Services</i>	<i>15,165,202</i>
	<b>Diversified Telecommunication Services 6.1%</b>	
385,000	Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28	309,925
160,000	Citizens Communications Co.: 7.050% due 10/1/46	110,400
2,185,000	Senior Notes, 7.875% due 1/15/27	1,884,562
330,000	FairPoint Communications Inc., 13.125% due 4/1/18(b)	318,450
1,555,000	GT Group Telecom Inc., Senior Discount Notes, 13.250% due 2/1/10(d)(e)(f)	0
	Hawaiian Telcom Communications Inc.:	
130,000	Senior Notes, 9.750% due 5/1/13	70,850
980,000	Senior Subordinated Notes, 12.500% due 5/1/15	357,700
3,745,000	Intelsat Bermuda Ltd., Senior Notes, 11.250% due 6/15/16	3,815,219
720,000	Intelsat Corp., Senior Notes, 9.000% due 8/15/14	729,000
	Level 3 Financing Inc.:	
420,000	6.704% due 2/15/15(c)	296,100
3,390,000	Senior Notes, 9.250% due 11/1/14	2,788,275
2,200,000	Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16(b)	2,145,000
	Qwest Communications International Inc.:	
500,000	7.250% due 2/15/11	482,500
	Senior Notes:	
250,000	6.565% due 2/15/09(c)	248,750
1,440,000	7.500% due 2/15/14	1,360,800
4,245,000	Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13(b)	2,992,725
3,607,000	Virgin Media Finance PLC, Senior Notes, 9.125% due 8/15/16	3,246,300
3,950,000	Wind Acquisition Finance SA, Senior Bonds, 10.750% due 12/1/15(b)	4,048,750
3,360,000	Windstream Corp., Senior Notes, 8.625% due 8/1/16	3,318,000
	<i>Total Diversified Telecommunication Services</i>	<i>28,523,306</i>
	<b>Electric Utilities 1.7%</b>	
2,350,000	Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10	2,579,125
3,720,000	Texas Competitive Electric Holding Co. LLC, 10.500% due 11/1/16(a)(b)	3,664,200
2,335,000	VeraSun Energy Corp., Senior Notes, 9.375% due 6/1/17(b)	1,611,150
	<i>Total Electric Utilities</i>	<i>7,854,475</i>
	<b>Electronic Equipment &amp; Instruments 0.3%</b>	
	NXP BV/NXP Funding LLC:	
575,000	Senior Notes, 9.500% due 10/15/15	474,375

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

March 31, 2008

**WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.**

FACE AMOUNT	SECURITY	VALUE
	<b>Electronic Equipment &amp; Instruments 0.3% <i>continued</i></b>	
	Senior Secured Notes:	
\$ 520,000	7.008% due 10/15/13(c)	\$ 430,950
760,000	7.875% due 10/15/14	699,200
	<i>Total Electronic Equipment &amp; Instruments</i>	<i>1,604,525</i>
	<b>Energy Equipment &amp; Services 2.4%</b>	
2,305,000	ANR Pipeline Co., Debentures, 9.625% due 11/1/21	3,097,959
1,900,000	Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16	1,833,500
1,810,000	Key Energy Services Inc., Senior Notes, 8.375% due 12/1/14(b)	1,814,525
625,000	Pride International Inc., Senior Notes, 7.375% due 7/15/14	653,125
60,000	Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32	65,856
3,270,000	Tennessee Gas Pipeline Co., Bonds, 8.375% due 6/15/32	3,730,056
	<i>Total Energy Equipment &amp; Services</i>	<i>11,195,021</i>
	<b>Food &amp; Staples Retailing 0.4%</b>	
1,506,000	Delhaize America Inc., Debentures, 9.000% due 4/15/31	1,817,355
	<b>Food Products 0.4%</b>	
	Dole Food Co. Inc., Senior Notes:	
2,025,000	7.250% due 6/15/10	1,569,375
575,000	8.875% due 3/15/11	468,625
	<i>Total Food Products</i>	<i>2,038,000</i>
	<b>Gas Utilities 0.6%</b>	
2,890,000	Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13	2,832,200
	<b>Health Care Equipment &amp; Supplies 0.2%</b>	
1,270,000	Advanced Medical Optics Inc., 7.500% due 5/1/17	1,098,550
	<b>Health Care Providers &amp; Services 5.4%</b>	
400,000	Community Health Systems Inc., Senior Notes, 8.875% due 7/15/15	403,500
1,640,000	DaVita Inc., Senior Subordinated Notes, 7.250% due 3/15/15	1,607,200
	HCA Inc.:	
3,920,000	Debentures, 7.500% due 11/15/95	2,850,636
	Notes:	
1,150,000	6.375% due 1/15/15	978,937
970,000	7.690% due 6/15/25	773,620
40,000	Senior Notes, 6.250% due 2/15/13	35,000
	Senior Secured Notes:	
1,640,000	9.250% due 11/15/16	1,705,600
2,885,000	9.625% due 11/15/16(a)	3,000,400
2,675,000	IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14	2,675,000

See Notes to Financial Statements.



## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Health Care Providers &amp; Services 5.4% continued</b>	
	Tenet Healthcare Corp., Senior Notes:	
\$ 2,310,000	6.375% due 12/1/11	\$ 2,096,325
90,000	6.500% due 6/1/12	79,875
4,250,000	7.375% due 2/1/13	3,814,375
	Universal Hospital Services Inc.:	
530,000	8.288% due 6/1/15(c)	474,350
1,990,000	8.500% due 6/1/15(a)	1,999,950
3,550,797	US Oncology Holdings Inc., Senior Notes, 7.949% due 3/15/12(a)(c)	2,751,868
	<i>Total Health Care Providers &amp; Services</i>	25,246,636
	<b>Hotels, Restaurants &amp; Leisure 3.8%</b>	
2,345,000	Buffets Inc., Senior Notes, 12.500% due 11/1/14(d)	82,075
1,450,000	Carrols Corp., Senior Subordinated Notes, 9.000% due 1/15/13	1,297,750
618,000	Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12	571,650
800,000	Downstream Development Quapaw, Senior Notes, 12.000% due 10/15/15(b)	636,000
1,095,000	El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13	1,062,150
445,000	Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., 10.250% due 6/15/15(b)	315,950
1,120,000	Harrah's Operating Co., Inc., 10.750% due 2/1/16(b)	949,200
1,540,000	Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14(d)	288,750
1,410,000	Indianapolis Downs LLC & Capital Corp., 11.000% due 11/1/12(b)	1,233,750
2,515,000	Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10	2,452,125
700,000	Mandalay Resort Group, Senior Subordinated Debentures, 7.625% due 7/15/13	649,250
	MGM MIRAGE Inc.:	
1,130,000	Notes, 6.750% due 9/1/12	1,053,725
	Senior Notes:	
360,000	7.500% due 6/1/16	325,800
955,000	7.625% due 1/15/17	873,825
225,000	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 6.875% due 2/15/15	182,250
2,135,000	Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14(b)	2,263,100
1,155,000	Sbarro Inc., Senior Notes, 10.375% due 2/1/15	964,425
	Snoqualmie Entertainment Authority, Senior Secured Notes:	
545,000	6.936% due 2/1/14(b)(c)	446,900
430,000	9.125% due 2/1/15(b)	369,800
	Station Casinos Inc.:	
	Senior Notes:	
80,000	6.000% due 4/1/12	66,000
1,865,000	7.750% due 8/15/16	1,510,650

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

March 31, 2008

**WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.**

FACE AMOUNT	SECURITY	VALUE
	<b>Hotels, Restaurants &amp; Leisure 3.8% <i>continued</i></b>	
	Senior Subordinated Notes:	
\$ 135,000	6.875% due 3/1/16	\$ 79,312
165,000	6.625% due 3/15/18	92,400
	<i>Total Hotels, Restaurants &amp; Leisure</i>	<i>17,766,837</i>
	<b>Household Durables 1.8%</b>	
200,000	American Greetings Corp., Senior Notes, 7.375% due 6/1/16	199,500
1,140,000	D.R. Horton Inc., Senior Notes, 8.000% due 2/1/09	1,125,750
1,950,000	Jarden Corp., Senior Subordinated Notes, 7.500% due 5/1/17	1,716,000
	K Hovnanian Enterprises Inc.:	
680,000	6.500% due 1/15/14	462,400
1,470,000	Senior Notes, 7.500% due 5/15/16	1,029,000
1,790,000	Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11	1,812,375
2,210,000	Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 10.128% due 9/1/12	1,944,800
	<i>Total Household Durables</i>	<i>8,289,825</i>
	<b>Household Products 0.3%</b>	
1,235,000	Visant Holding Corp., Senior Notes, 8.750% due 12/1/13	<i>1,160,900</i>
	<b>Independent Power Producers &amp; Energy Traders 8.7%</b>	
948,000	AES China Generating Co., Ltd., 8.250% due 6/26/10	895,360
	AES Corp.:	
3,585,000	8.000% due 10/15/17	3,647,737
1,855,000	Senior Notes, 9.500% due 6/1/09	1,923,635
	Dynegy Holdings Inc.:	
2,090,000	Senior Debentures, 7.625% due 10/15/26	1,781,725
1,890,000	Senior Notes, 7.750% due 6/1/19	1,776,600
320,000	Dynegy Inc., 7.670% due 11/8/16	320,602
	Edison Mission Energy, Senior Notes:	
1,670,000	7.750% due 6/15/16	1,728,450
1,150,000	7.200% due 5/15/19	1,141,375
1,785,000	7.625% due 5/15/27	1,686,825
15,370,000	Energy Future Holdings, Senior Notes, 11.250% due 11/1/17(a)(b)	15,293,150
	Mirant Mid Atlantic LLC, Pass-Through Certificates:	
500,936	9.125% due 6/30/17	554,160
964,551	10.060% due 12/30/28	1,109,234
1,600,000	Mirant North America LLC, Senior Notes, 7.375% due 12/31/13	1,624,000
	NRG Energy Inc., Senior Notes:	
500,000	7.250% due 2/1/14	495,000
6,120,000	7.375% due 2/1/16	6,012,900
165,000	7.375% due 1/15/17	160,875

See Notes to Financial Statements.

8 Western Asset High Income Opportunity Fund Inc. 2008 Semi-Annual Report

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
\$ 520,000	<b>Independent Power Producers &amp; Energy Traders 8.7% continued</b> TXU Corp., Senior Notes, 6.500% due 11/15/24	\$ 371,841
	<i>Total Independent Power Producers &amp; Energy Traders</i>	<i>40,523,469</i>
1,090,000	<b>IT Services 1.5%</b> Ceridian Corp., Senior Notes, 12.250% due 11/15/15(a)(b)	912,875
250,000	First Data Corp.: 5.625% due 11/1/11	193,308
2,390,000	9.875% due 9/24/15(b) SunGard Data Systems Inc.:	1,968,762
775,000	Senior Notes, 9.125% due 8/15/13	786,625
3,020,000	Senior Subordinated Notes, 10.250% due 8/15/15	3,050,200
	<i>Total IT Services</i>	<i>6,911,770</i>
730,000	<b>Machinery 0.3%</b> American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14	646,050
760,000	Terex Corp., Senior Subordinated Notes, 7.375% due 1/15/14	756,200
	<i>Total Machinery</i>	<i>1,402,250</i>
350,000	<b>Media 6.9%</b> Affinion Group Inc.:	349,563
2,720,000	Senior Notes, 10.125% due 10/15/13	2,638,400
	Senior Subordinated Notes, 11.500% due 10/15/15	
705,000	CCH I Holdings LLC/CCH I Holdings Capital Corp.:	363,075
950,000	Senior Accreting Notes, 12.125% due 1/15/15	484,500
8,745,000	Senior Notes, 11.750% due 5/15/14	6,121,500
795,000	CCH I LLC/CCH Capital Corp., Senior Secured Notes, 11.000% due 10/1/15	727,425
540,000	CCH II LLC/CCH II Capital Corp., Senior Notes, 10.250% due 9/15/10	322,650
850,000	Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12	515,313
2,930,000	Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11	2,900,700
1,390,000	Charter Communications Inc., 10.875% due 9/15/14(b)	966,050
	CMP Susquehanna Corp., 9.875% due 5/15/14	
80,000	CSC Holdings Inc.:	81,000
225,000	Senior Debentures: 8.125% due 8/15/09	206,438
	7.625% due 7/15/18	
1,320,000	Senior Notes: 8.125% due 7/15/09	1,336,500
840,000	7.625% due 4/1/11	834,750
760,000	6.750% due 4/15/12	737,200

See Notes to Financial Statements.



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Schedule of investments (unaudited) *continued*

March 31, 2008

**WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.**

FACE AMOUNT	SECURITY	VALUE
	<b>Media 6.9% <i>continued</i></b>	
\$ 1,416,000	Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, 9.875% due 8/15/13	\$ 1,235,460
1,890,000	DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13	1,925,437
2,575,000	Historic TW Inc., Senior Notes, 6.625% due 5/15/29	2,421,095
4,270,000	Idearc Inc., Senior Notes, 8.000% due 11/15/16	2,786,175
500	ION Media Networks Inc., 11.000% due 7/31/13	141
	R.H. Donnelley Corp.:	
1,475,000	Senior Discount Notes, 6.875% due 1/15/13	907,125
1,915,000	Senior Notes, 8.875% due 1/15/16	1,220,812
1,060,000	Sun Media Corp., 7.625% due 2/15/13	1,007,000
	TL Acquisitions Inc.:	
1,080,000	Senior Notes, 10.500% due 1/15/15(b)	934,200
1,790,000	Senior Subordinated Notes, step bond to yield 13.249% due 7/15/15(b)	1,288,800
	<i>Total Media</i>	<i>32,311,309</i>
	<b>Metals &amp; Mining 4.1%</b>	
6,320,000	Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17	6,722,900
880,000	Metals USA Holdings Corp., 10.729% due 7/1/12(a)(c)	660,000
2,870,000	Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15	2,826,950
490,000	Noranda Aluminum Acquisition Corp., 8.738% due 5/15/15(a)(b)(c)	387,100
1,310,000	Noranda Aluminum Holding Corp., Senior Notes, 10.488% due 11/15/14(a)(b)(c)	969,400
2,425,000	Novelis Inc., Senior Notes, 7.250% due 2/15/15	2,158,250
3,490,000	Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15(b)	3,315,500
795,000	Steel Dynamics Inc., 7.375% due 11/1/12(b)	806,925
1,695,000	Tube City IMS Corp., Senior Subordinated Notes, 9.750% due 2/1/15	1,500,075
	<i>Total Metals &amp; Mining</i>	<i>19,347,100</i>
	<b>Multiline Retail 1.5%</b>	
3,005,000	Dollar General Corp., Senior Subordinated Notes, 11.875% due 7/15/17(a)	2,644,400
	Neiman Marcus Group Inc.:	
150,000	7.125% due 6/1/28	132,000
3,975,000	Senior Subordinated Notes, 10.375% due 10/15/15	3,994,875
	<i>Total Multiline Retail</i>	<i>6,771,275</i>
	<b>Oil, Gas &amp; Consumable Fuels 8.7%</b>	
3,572,000	Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12	3,598,790
	Chesapeake Energy Corp., Senior Notes:	
2,845,000	6.625% due 1/15/16	2,802,325
140,000	6.500% due 8/15/17	135,800
1,180,000	6.250% due 1/15/18	1,132,800

See Notes to Financial Statements.



## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Oil, Gas &amp; Consumable Fuels 8.7% continued</b>	
\$ 570,000	Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15	\$ 581,400
666,223	Corral Finans AB, 5.758% due 4/15/10(a)(b)(c)	509,661
	El Paso Corp., Medium-Term Notes:	
690,000	7.800% due 8/1/31	711,900
4,965,000	7.750% due 1/15/32	5,124,054
	Enterprise Products Operating LP:	
425,000	7.034% due 1/15/68	361,372
1,310,000	Junior Subordinated Notes, 8.375% due 8/1/66	1,276,975
2,500,000	EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11	2,443,750
400,000	Forbes Energy Services, 11.000% due 2/15/15(b)	394,000
1,905,000	International Coal Group Inc., Senior Notes, 10.250% due 7/15/14	1,833,562
	Mariner Energy Inc., Senior Notes:	
940,000	7.500% due 4/15/13	907,100
555,000	8.000% due 5/15/17	532,800
1,175,000	OPTI Canada Inc., Senior Secured Notes, 8.250% due 12/15/14	1,169,125
1,075,000	Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13	1,109,938
	Petroplus Finance Ltd.:	
630,000	6.750% due 5/1/14(b)	578,025
1,150,000	Senior Note, 7.000% due 5/1/17(b)	1,032,125
2,905,000	SemGroup LP, Senior Notes, 8.750% due 11/15/15(b)	2,672,600
1,200,000	Southwestern Energy Co., Senior Notes, 7.500% due 2/1/18(b)	1,248,000
600,000	Teekay Shipping Corp., Senior Notes, 8.875% due 7/15/11	637,500
1,325,000	W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14(b)	1,235,562
1,275,000	Whiting Petroleum Corp., Senior Subordinated Notes, 7.000% due 2/1/14	1,268,625
	Williams Cos. Inc.:	
	Notes:	
2,580,000	7.875% due 9/1/21	2,808,975
2,780,000	8.750% due 3/15/32	3,224,800
1,125,000	Senior Notes, 7.625% due 7/15/19	1,206,562
	<i>Total Oil, Gas &amp; Consumable Fuels</i>	<i>40,538,126</i>
	<b>Paper &amp; Forest Products 3.1%</b>	
	Abitibi-Consolidated Co. of Canada:	
310,000	5.250% due 6/20/08	311,550
2,480,000	13.750% due 4/1/11(b)	2,548,200
	Senior Notes:	
410,000	7.750% due 6/15/11	223,450
775,000	8.375% due 4/1/15	403,000

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

March 31, 2008

**WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.**

FACE AMOUNT	SECURITY	VALUE
	<b>Paper &amp; Forest Products 3.1% continued</b>	
	Abitibi-Consolidated Inc.:	
\$ 1,500,000	6.950% due 4/1/08	\$ 1,500,000
1,030,000	7.875% due 8/1/09	870,350
1,270,000	Debentures, 7.400% due 4/1/18	565,150
570,000	Notes, 8.550% due 8/1/10	330,600
	Appleton Papers Inc.:	
125,000	Senior Notes, 8.125% due 6/15/11	120,938
2,410,000	Senior Subordinated Notes, 9.750% due 6/15/14	2,295,525
	NewPage Corp.:	
430,000	10.000% due 5/1/12(b)	438,600
3,505,000	Senior Secured Notes, 9.489% due 5/1/12(c)	3,487,475
675,000	Senior Subordinated Notes, 12.000% due 5/1/13	680,062
730,000	Newpage Holding Corp., 11.818% due 11/1/13(a)(c)	616,850
	<i>Total Paper &amp; Forest Products</i>	<i>14,391,750</i>
	<b>Pharmaceuticals 0.0%</b>	
4,870,000	Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12(d)(f)	18,263
	<b>Real Estate Investment Trusts (REITs) 0.4%</b>	
75,000	Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15	71,625
	Ventas Realty LP/Ventas Capital Corp., Senior Notes:	
610,000	6.500% due 6/1/16	591,700
1,405,000	6.750% due 4/1/17	1,380,413
	<i>Total Real Estate Investment Trusts (REITs)</i>	<i>2,043,738</i>
	<b>Real Estate Management &amp; Development 0.6%</b>	
1,270,000	Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15	685,800
	Realogy Corp.:	
450,000	10.500% due 4/15/14	304,875
1,480,000	11.000% due 4/15/14(a)	851,000
2,440,000	Senior Subordinated Notes, 12.375% due 4/15/15	1,098,000
	<i>Total Real Estate Management &amp; Development</i>	<i>2,939,675</i>
	<b>Road &amp; Rail 2.3%</b>	
2,740,000	Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Notes, 9.375% due 5/1/12	2,842,750
	Hertz Corp.:	
545,000	Senior Notes, 8.875% due 1/1/14	519,112
5,960,000	Senior Subordinated Notes, 10.500% due 1/1/16	5,609,850
	Kansas City Southern de Mexico, Senior Notes:	
1,180,000	7.625% due 12/1/13	1,115,100
520,000	7.375% due 3/1/14(b)	481,000

See Notes to Financial Statements.



## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
\$ 105,000	<b>Road &amp; Rail 2.3% continued</b> Kansas City Southern Railway, Senior Notes, 7.500% due 6/15/09	\$ 107,100
	<i>Total Road &amp; Rail</i>	<i>10,674,912</i>
580,000	<b>Semiconductors &amp; Semiconductor Equipment 0.1%</b> Freescale Semiconductor Inc., Senior Notes, 8.875% due 12/15/14	456,750
1,370,000	<b>Software 0.3%</b> Activant Solutions Inc., Senior Subordinated Notes, 9.500% due 5/1/16	1,157,650
	<b>Specialty Retail 0.8%</b> AutoNation Inc., Senior Notes:	
660,000	6.258% due 4/15/13(c)	544,500
345,000	7.000% due 4/15/14	307,913
1,250,000	Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12	1,025,000
365,000	Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15	374,125
	Michaels Stores Inc.:	
840,000	11.375% due 11/1/16	663,600
1,120,000	Senior Notes, 10.000% due 11/1/14	985,600
	<i>Total Specialty Retail</i>	<i>3,900,738</i>
340,000	<b>Textiles, Apparel &amp; Luxury Goods 0.0%</b> Simmons Co., Senior Discount Notes, step bond to yield 10.002% due 12/15/14	221,000
5,500,000	<b>Thriffs &amp; Mortgage Finance 1.0%</b> Ocwen Capital Trust I, Capital Securities, 10.875% due 8/1/27(e)	4,730,000
	<b>Tobacco 0.4%</b> Alliance One International Inc., Senior Notes:	
385,000	8.500% due 5/15/12	363,825
1,270,000	11.000% due 5/15/12	1,295,400
	<i>Total Tobacco</i>	<i>1,659,225</i>
1,140,000	<b>Trading Companies &amp; Distributors 1.1%</b> Ashtead Capital Inc., Notes, 9.000% due 8/15/16(b)	929,100
2,755,000	H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16	2,286,650
2,410,000	Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14(b)	2,048,500