

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-Q

February 25, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED

MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number **811-07920**

Western Asset High Income Opportunity Fund Inc.

(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, N.Y. 10018

(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

Registrant's telephone number, including area code: (888) 777-0102

Date of fiscal year end: **September 30**

Date of reporting period: **December 31, 2014**

ITEM 1. SCHEDULE OF INVESTMENTS.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FORM N-Q

DECEMBER 31, 2014

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited)

December 31, 2014

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|---------------|-------------|-----------------------------------|
| CORPORATE BONDS & NOTES - 89.3% | | | | |
| CONSUMER DISCRETIONARY - 17.4% | | | | |
| Automobiles - 0.2% | | | | |
| Chrysler Group LLC/CG Co.-Issuer Inc., Secured Notes | 8.250% | 6/15/21 | 1,140,000 | \$ 1,268,250 |
| Diversified Consumer Services - 0.5% | | | | |
| Service Corp. International, Senior Notes | 7.500% | 4/1/27 | 1,280,000 | 1,446,400 |
| StoneMor Partners LP/Cornerstone Family Services of WV, Senior Bonds | 7.875% | 6/1/21 | 920,000 | 943,000 ^(a) |
| <i>Total Diversified Consumer Services</i> | | | | 2,389,400 |
| Hotels, Restaurants & Leisure - 4.3% | | | | |
| 24 Hour Holdings III LLC, Senior Notes | 8.000% | 6/1/22 | 980,000 | 788,900 ^(a) |
| Bossier Casino Venture Holdco Inc. | 11.000% | 2/9/18 | 274,920 | 268,184 ^{(b)(c)} |
| Bossier Casino Venture Holdco Inc., Senior Secured Bonds | 14.000% | 2/9/18 | 1,692,952 | 1,440,533 ^{(a)(b)(c)(d)} |
| Boyd Gaming Corp., Senior Notes | 9.125% | 12/1/18 | 260,000 | 267,800 |
| Caesars Entertainment Operating Co. Inc., Senior Secured Notes | 11.250% | 6/1/17 | 740,000 | 546,120 |
| Caesars Entertainment Operating Co. Inc., Senior Secured Notes | 9.000% | 2/15/20 | 2,490,000 | 1,855,050 |
| Caesars Entertainment Resort Properties LLC, Secured Notes | 11.000% | 10/1/21 | 800,000 | 732,000 ^(a) |
| Carlson Travel Holdings Inc., Senior Notes | 7.500% | 8/15/19 | 520,000 | 525,200 ^{(a)(d)} |
| Carrolls Restaurant Group Inc., Senior Secured Notes | 11.250% | 5/15/18 | 1,400,000 | 1,512,000 |
| CCM Merger Inc., Senior Notes | 9.125% | 5/1/19 | 1,710,000 | 1,804,050 ^(a) |
| CEC Entertainment Inc., Senior Notes | 8.000% | 2/15/22 | 1,960,000 | 1,911,000 ^(a) |
| Downstream Development Quapaw, Senior Secured Notes | 10.500% | 7/1/19 | 1,320,000 | 1,234,200 ^(a) |
| Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., Senior Secured Notes | 10.250% | 6/15/15 | 445,000 | 5,585 ^{(a)(e)} |
| Greektown Holdings LLC/Greektown Mothership Corp., Senior Secured Notes | 8.875% | 3/15/19 | 1,010,000 | 1,012,525 ^(a) |
| Landry's Holdings II Inc., Senior Notes | 10.250% | 1/1/18 | 750,000 | 776,250 ^(a) |
| Landry's Inc., Senior Notes | 9.375% | 5/1/20 | 3,598,000 | 3,831,870 ^(a) |
| Paris Las Vegas Holding LLC/Harrah's Las Vegas LLC/Flamingo Las Vegas Holding LLC, Senior Secured Notes | 8.000% | 10/1/20 | 2,870,000 | 2,826,950 ^(a) |
| Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., Senior Secured Notes | 9.500% | 6/15/19 | 267,000 | 284,355 ^(a) |
| <i>Total Hotels, Restaurants & Leisure</i> | | | | 21,622,572 |
| Household Durables - 1.4% | | | | |
| Century Intermediate Holding Co. 2, Senior Notes | 9.750% | 2/15/19 | 1,980,000 | 2,088,900 ^{(a)(d)} |
| William Lyon Homes Inc., Senior Notes | 8.500% | 11/15/20 | 1,520,000 | 1,645,400 |
| William Lyon Homes PNW Finance Corp., Senior Notes | 7.000% | 8/15/22 | 1,190,000 | 1,201,900 ^(a) |
| Woodside Homes Co., LLC/Woodside Homes Finance Inc., Senior Notes | 6.750% | 12/15/21 | 2,020,000 | 2,020,000 ^(a) |

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

Total Household Durables

6,956,200

Media - 8.6%

| | | | | |
|---|--------|----------|-----------|------------------------|
| Altice SA, Senior Secured Notes | 7.750% | 5/15/22 | 840,000 | 843,675 ^(a) |
| Carmike Cinemas Inc., Secured Notes | 7.375% | 5/15/19 | 530,000 | 565,775 |
| CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes | 8.125% | 4/30/20 | 3,000,000 | 3,165,000 |
| Clear Channel Worldwide Holdings Inc., Senior Notes | 6.500% | 11/15/22 | 450,000 | 460,125 |
| CSC Holdings LLC, Senior Notes | 6.750% | 11/15/21 | 500,000 | 554,375 |
| DISH DBS Corp., Senior Notes | 7.875% | 9/1/19 | 1,085,000 | 1,234,188 |
| DISH DBS Corp., Senior Notes | 6.750% | 6/1/21 | 2,020,000 | 2,176,550 |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2014

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|---------------|--------------------------|-----------------------------|
| Media - (continued) | | | | |
| DISH DBS Corp., Senior Notes | 5.000% | 3/15/23 | 70,000 | \$ 67,900 |
| DISH DBS Corp., Senior Notes | 5.875% | 11/15/24 | 2,860,000 | 2,881,450 ^(a) |
| Gibson Brands Inc., Senior Secured Notes | 8.875% | 8/1/18 | 1,380,000 | 1,331,700 ^(a) |
| iHeartCommunications Inc., Senior Notes | 10.000% | 1/15/18 | 1,110,000 | 955,988 |
| MDC Partners Inc., Senior Notes | 6.750% | 4/1/20 | 250,000 | 258,438 ^(a) |
| New Cotai LLC/New Cotai Capital Corp., Senior Secured Notes | 10.625% | 5/1/19 | 1,617,634 | 1,722,780 ^{(a)(d)} |
| Numericable-SFR, Senior Secured Bonds | 6.000% | 5/15/22 | 2,710,000 | 2,728,292 ^(a) |
| Numericable-SFR, Senior Secured Bonds | 6.250% | 5/15/24 | 2,330,000 | 2,350,387 ^(a) |
| Ono Finance II PLC, Senior Bonds | 10.875% | 7/15/19 | 2,760,000 | 2,929,050 ^(a) |
| Time Warner Cable Inc., Senior Notes | 8.750% | 2/14/19 | 1,490,000 | 1,846,043 |
| Time Warner Cable Inc., Senior Notes | 8.250% | 4/1/19 | 678,000 | 830,733 |
| Univision Communications Inc., Senior Notes | 8.500% | 5/15/21 | 1,320,000 | 1,412,400 ^(a) |
| Univision Communications Inc., Senior Secured Notes | 6.875% | 5/15/19 | 1,430,000 | 1,492,562 ^(a) |
| Univision Communications Inc., Senior Secured Notes | 7.875% | 11/1/20 | 770,000 | 823,900 ^(a) |
| Univision Communications Inc., Senior Secured Notes | 6.750% | 9/15/22 | 217,000 | 233,275 ^(a) |
| UPC Holding BV, Junior Secured Subordinated Notes | 6.375% | 9/15/22 | 2,030,000 ^{EUR} | 2,665,196 ^(a) |
| UPCB Finance II Ltd., Senior Notes | 6.375% | 7/1/20 | 2,500,000 ^{EUR} | 3,180,163 ^(f) |
| Virgin Media Finance PLC, Senior Notes | 6.375% | 4/15/23 | 2,890,000 | 3,041,725 ^(a) |
| Virgin Media Finance PLC, Senior Notes | 6.000% | 10/15/24 | 2,000,000 | 2,100,000 ^(a) |
| WMG Acquisition Corp., Senior Notes | 6.750% | 4/15/22 | 1,620,000 | 1,482,300 ^(a) |
| <i>Total Media</i> | | | | 43,333,970 |
| Multiline Retail - 0.4% | | | | |
| Neiman Marcus Group LLC, Senior Secured Notes | 7.125% | 6/1/28 | 330,000 | 331,650 |
| Neiman Marcus Group Ltd. LLC, Senior Notes | 8.750% | 10/15/21 | 1,530,000 | 1,629,450 ^{(a)(d)} |
| <i>Total Multiline Retail</i> | | | | 1,961,100 |
| Specialty Retail - 1.7% | | | | |
| American Greetings Corp., Senior Notes | 7.375% | 12/1/21 | 1,220,000 | 1,281,000 |
| Edcon Pty Ltd., Senior Secured Notes | 9.500% | 3/1/18 | 2,180,000 | 1,711,300 ^(a) |
| Guitar Center Inc., Senior Secured Bonds | 6.500% | 4/15/19 | 3,530,000 | 3,053,450 ^(a) |
| Hot Topic Inc., Senior Secured Notes | 9.250% | 6/15/21 | 730,000 | 784,750 ^(a) |
| Spencer Spirit Holdings Inc., Senior Notes | 9.000% | 5/1/18 | 1,710,000 | 1,731,375 ^{(a)(d)} |
| <i>Total Specialty Retail</i> | | | | 8,561,875 |
| Textiles, Apparel & Luxury Goods - 0.3% | | | | |
| Chinos Intermediate Holdings A Inc., Senior Notes | 7.750% | 5/1/19 | 1,090,000 | 967,375 ^{(a)(d)} |
| Empire Today LLC/Empire Today Finance Corp., Senior Secured Notes | 11.375% | 2/1/17 | 810,000 | 607,500 ^(a) |
| <i>Total Textiles, Apparel & Luxury Goods</i> | | | | 1,574,875 |
| TOTAL CONSUMER DISCRETIONARY | | | | 87,668,242 |

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

CONSUMER STAPLES - 3.2%

Beverages - 0.7%

| | | | | |
|---|---------|--------|-----------|--------------------------|
| Carolina Beverage Group LLC/Carolina Beverage Group Finance Inc., Secured Notes | 10.625% | 8/1/18 | 1,140,000 | 1,134,300 ^(a) |
| Cott Beverages Inc., Senior Notes | 6.750% | 1/1/20 | 1,120,000 | 1,122,800 ^(a) |
| DS Services of America Inc., Secured Notes | 10.000% | 9/1/21 | 1,230,000 | 1,426,800 ^(a) |
| <i>Total Beverages</i> | | | | <i>3,683,900</i> |

Food & Staples Retailing - 0.3%

| | | | | |
|---|---------|----------|-----------|--------------------------|
| Beverages & More Inc., Senior Secured Notes | 10.000% | 11/15/18 | 1,640,000 | 1,531,350 ^(a) |
|---|---------|----------|-----------|--------------------------|

Food Products - 1.6%

| | | | | |
|--|--------|--------|-----------|--------------------------|
| Chiquita Brands International Inc./Chiquita Brands LLC, Senior Secured Notes | 7.875% | 2/1/21 | 786,000 | 847,898 |
| Dole Food Co. Inc., Senior Secured Notes | 7.250% | 5/1/19 | 1,570,000 | 1,568,037 ^(a) |
| Hearthside Group Holdings LLC/Hearthside Finance Co., Senior Notes | 6.500% | 5/1/22 | 1,510,000 | 1,479,800 ^(a) |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2014

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|-------------|-----------------------------|
| Food Products - (continued) | | | | |
| Simmons Foods Inc., Secured Notes | 7.875% | 10/1/21 | 1,910,000 | \$ 1,881,350 ^(a) |
| Sun Merger Sub Inc., Senior Notes | 5.875% | 8/1/21 | 1,380,000 | 1,411,050 ^(a) |
| Wells Enterprises Inc., Senior Secured Notes | 6.750% | 2/1/20 | 813,000 | 835,358 ^(a) |
| <i>Total Food Products</i> | | | | 8,023,493 |
| Household Products - 0.2% | | | | |
| Spectrum Brands Inc., Senior Notes | 6.625% | 11/15/22 | 580,000 | 618,425 |
| Spectrum Brands Inc., Senior Notes | 6.125% | 12/15/24 | 440,000 | 448,800 ^(a) |
| <i>Total Household Products</i> | | | | 1,067,225 |
| Media - 0.1% | | | | |
| SiTV LLC/SiTV Finance Inc., Senior Secured Notes | 10.375% | 7/1/19 | 330,000 | 307,725 ^(a) |
| Tobacco - 0.3% | | | | |
| Alliance One International Inc., Secured Notes | 9.875% | 7/15/21 | 1,500,000 | 1,346,250 |
| TOTAL CONSUMER STAPLES | | | | 15,959,943 |
| ENERGY - 14.5% | | | | |
| Energy Equipment & Services - 2.3% | | | | |
| Atwood Oceanics Inc., Senior Notes | 6.500% | 2/1/20 | 2,610,000 | 2,401,200 |
| CGG, Senior Notes | 7.750% | 5/15/17 | 138,000 | 119,025 |
| Exterran Partners LP/EXLP Finance Corp., Senior Notes | 6.000% | 10/1/22 | 490,000 | 421,400 ^(a) |
| FTS International Inc., Senior Secured Notes | 6.250% | 5/1/22 | 1,130,000 | 841,850 ^(a) |
| Gulfmark Offshore Inc., Senior Notes | 6.375% | 3/15/22 | 1,240,000 | 936,200 |
| Hercules Offshore Inc., Senior Notes | 7.500% | 10/1/21 | 1,100,000 | 489,500 ^(a) |
| Hercules Offshore Inc., Senior Notes | 6.750% | 4/1/22 | 2,470,000 | 1,074,450 ^(a) |
| KCA Deutag UK Finance PLC, Senior Secured Notes | 7.250% | 5/15/21 | 530,000 | 380,275 ^(a) |
| Parker Drilling Co., Senior Notes | 7.500% | 8/1/20 | 1,680,000 | 1,360,800 |
| Petroleum Geo-Services ASA, Senior Notes | 7.375% | 12/15/18 | 1,030,000 | 870,350 ^(a) |
| SESI LLC, Senior Notes | 7.125% | 12/15/21 | 1,320,000 | 1,273,800 |
| Sierra Hamilton LLC/Sierra Hamilton Finance Inc., Senior Secured Notes | 12.250% | 12/15/18 | 1,390,000 | 1,292,700 ^(a) |
| <i>Total Energy Equipment & Services</i> | | | | 11,461,550 |
| Oil, Gas & Consumable Fuels - 12.2% | | | | |
| Arch Coal Inc., Senior Notes | 7.250% | 6/15/21 | 1,880,000 | 556,950 |
| Atlas Pipeline Partners LP/Atlas Pipeline Finance Corp., Senior Notes | 6.625% | 10/1/20 | 470,000 | 480,575 |
| Berry Petroleum Co., Senior Notes | 6.375% | 9/15/22 | 2,230,000 | 1,705,950 |
| Blue Racer Midstream LLC/Blue Racer Finance Corp., Senior Notes | 6.125% | 11/15/22 | 890,000 | 861,075 ^(a) |
| California Resources Corp., Senior Notes | 5.500% | 9/15/21 | 990,000 | 851,400 ^(a) |
| California Resources Corp., Senior Notes | 6.000% | 11/15/24 | 1,370,000 | 1,164,500 ^(a) |
| Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes | 6.500% | 4/15/21 | 2,310,000 | 2,073,225 ^(a) |

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

| | | | | |
|--|---------|----------|-----------|-----------------------------|
| Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes | 7.625% | 1/15/22 | 360,000 | 334,800 |
| Carrizo Oil & Gas Inc., Senior Notes | 7.500% | 9/15/20 | 770,000 | 743,050 |
| Carrizo Oil & Gas Inc., Senior Notes | 7.500% | 9/15/20 | 190,000 | 183,350 ^(a) |
| Chesapeake Energy Corp., Senior Notes | 6.875% | 11/15/20 | 550,000 | 594,000 |
| Chesapeake Energy Corp., Senior Notes | 6.125% | 2/15/21 | 1,360,000 | 1,434,800 |
| Comstock Resources Inc., Senior Notes | 7.750% | 4/1/19 | 1,710,000 | 1,222,650 |
| Comstock Resources Inc., Senior Notes | 9.500% | 6/15/20 | 1,120,000 | 767,200 |
| CONSOL Energy Inc., Senior Notes | 8.250% | 4/1/20 | 1,550,000 | 1,613,937 |
| Corral Petroleum Holdings AB, Senior Notes | 15.000% | 12/31/17 | 2,490,964 | 2,213,844 ^{(a)(d)} |
| Crestwood Midstream Partners LP, Senior Notes | 6.125% | 3/1/22 | 1,570,000 | 1,507,200 |
| Dynagas LNG Partners LP/Dynagas Finance Inc., Senior Notes | 6.250% | 10/30/19 | 300,000 | 280,500 |
| El Paso Corp., Medium-Term Notes | 7.800% | 8/1/31 | 1,040,000 | 1,269,497 |
| Enterprise Products Operating LLC, Junior Subordinated Notes | 8.375% | 8/1/66 | 680,000 | 730,421 ^(g) |
| Globe Luxembourg SCA, Senior Secured Notes | 9.625% | 5/1/18 | 3,240,000 | 2,543,400 ^(a) |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2014

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|-------------|--------------------------------|
| Oil, Gas & Consumable Fuels - (continued) | | | | |
| Halcon Resources Corp., Senior Notes | 9.750% | 7/15/20 | 620,000 | \$ 468,100 |
| Halcon Resources Corp., Senior Notes | 8.875% | 5/15/21 | 5,690,000 | 4,310,175 |
| Kodiak Oil & Gas Corp., Senior Notes | 8.125% | 12/1/19 | 1,390,000 | 1,421,275 |
| Lonestar Resources America Inc., Senior Notes | 8.750% | 4/15/19 | 550,000 | 415,250 ^(a) |
| LUKOIL International Finance BV, Bonds | 6.356% | 6/7/17 | 140,000 | 133,083 ^(f) |
| Magnum Hunter Resources Corp., Senior Notes | 9.750% | 5/15/20 | 3,710,000 | 2,949,450 |
| MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes | 6.500% | 8/15/21 | 182,000 | 188,370 |
| MEG Energy Corp., Senior Notes | 6.375% | 1/30/23 | 2,620,000 | 2,351,450 ^(a) |
| Milagro Oil & Gas Inc., Secured Notes | 10.500% | 5/15/16 | 1,690,000 | 1,259,050 ^(e) |
| Murray Energy Corp., Senior Secured Notes | 9.500% | 12/5/20 | 1,080,000 | 1,085,400 ^(a) |
| Murray Energy Corp., Senior Secured Notes | 8.625% | 6/15/21 | 900,000 | 864,000 ^(a) |
| Natural Resource Partners LP/Natural Resource Partners Finance Corp., Senior Notes | 9.125% | 10/1/18 | 1,150,000 | 1,121,250 |
| New Gulf Resources LLC/NGR Finance Corp., Senior Secured Notes | 11.750% | 5/15/19 | 1,490,000 | 1,095,150 |
| Parsley Energy LLC/Parsley Finance Corp., Senior Notes | 7.500% | 2/15/22 | 2,110,000 | 2,009,775 ^(a) |
| Petrobras Global Finance BV, Senior Notes | 7.250% | 3/17/44 | 1,300,000 | 1,290,250 |
| Plains Exploration & Production Co., Senior Notes | 6.750% | 2/1/22 | 162,000 | 178,605 |
| Quicksilver Resources Inc., Senior Notes | 11.000% | 7/1/21 | 1,790,000 | 456,450 |
| Rice Energy Inc., Senior Notes | 6.250% | 5/1/22 | 1,250,000 | 1,168,750 ^(a) |
| RSP Permian Inc., Senior Notes | 6.625% | 10/1/22 | 2,730,000 | 2,552,550 ^(a) |
| Sabine Pass Liquefaction LLC, Senior Secured Notes | 5.750% | 5/15/24 | 1,270,000 | 1,252,537 |
| Samson Investment Co., Senior Notes | 9.750% | 2/15/20 | 1,440,000 | 603,900 |
| Sanchez Energy Corp., Senior Notes | 6.125% | 1/15/23 | 5,200,000 | 4,381,000 ^(a) |
| Shelf Drilling Holdings Ltd., Senior Secured Notes | 8.625% | 11/1/18 | 930,000 | 771,900 ^(a) |
| Sidewinder Drilling Inc., Senior Notes | 9.750% | 11/15/19 | 860,000 | 488,050 ^(a) |
| Summit Midstream Holdings LLC/Summit Midstream Finance Corp., Senior Notes | 7.500% | 7/1/21 | 630,000 | 664,650 |
| Teine Energy Ltd., Senior Notes | 6.875% | 9/30/22 | 580,000 | 452,400 ^(a) |
| Tennessee Gas Pipeline Co., Senior Notes | 8.375% | 6/15/32 | 3,270,000 | 4,307,787 |
| <i>Total Oil, Gas & Consumable Fuels</i> | | | | <i>61,372,931</i> |
| TOTAL ENERGY | | | | 72,834,481 |
| FINANCIALS - 10.1% | | | | |
| Banks - 4.7% | | | | |
| Bank of America Corp., Junior Subordinated | 6.500% | 10/23/24 | 810,000 | 826,524 ^{(g)(h)} |
| Barclays Bank PLC, Subordinated Notes | 10.179% | 6/12/21 | 1,930,000 | 2,597,703 ^(a) |
| Barclays Bank PLC, Subordinated Notes | 7.625% | 11/21/22 | 2,000,000 | 2,190,600 |
| Barclays PLC, Junior Subordinated Bonds | 8.250% | 12/15/18 | 420,000 | 431,306 ^{(g)(h)} |
| Citigroup Inc., Junior Subordinated Bonds | 6.300% | 5/15/24 | 650,000 | 641,875 ^{(g)(h)} |
| Credit Agricole SA, Junior Subordinated Notes | 7.875% | 1/23/24 | 700,000 | 714,461 ^{(a)(g)(h)} |
| Credit Agricole SA, Subordinated Notes | 8.375% | 10/13/19 | 1,660,000 | 1,921,450 ^{(a)(g)(h)} |
| HSBC Holdings PLC, Junior Subordinated Bonds | 6.375% | 9/17/24 | 790,000 | 798,888 ^{(g)(h)} |
| Intesa Sanpaolo SpA, Senior Notes | 3.625% | 8/12/15 | 2,680,000 | 2,716,601 ^(a) |

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

| | | | | |
|---|---------|---------|--------------------------|-----------------------------|
| JPMorgan Chase & Co., Junior Subordinated Bonds | 6.000% | 8/1/23 | 630,000 | 625,275 ^{(g)(h)} |
| JPMorgan Chase & Co., Junior Subordinated Notes | 6.100% | 10/1/24 | 800,000 | 800,000 ^{(g)(h)} |
| M&T Bank Corp., Junior Subordinated Bonds | 6.875% | 6/15/16 | 1,790,000 | 1,839,225 ^(h) |
| Novo Banco SA, Senior Notes | 5.875% | 11/9/15 | 500,000 ^{EUR} | 611,830 ^(f) |
| Royal Bank of Scotland Group PLC, Junior Subordinated Bonds | 7.648% | 9/30/31 | 1,210,000 | 1,415,700 ^{(g)(h)} |
| Royal Bank of Scotland Group PLC, Subordinated Notes | 6.100% | 6/10/23 | 1,470,000 | 1,597,001 |
| Royal Bank of Scotland NV, Subordinated Notes | 7.750% | 5/15/23 | 390,000 | 458,207 |
| Royal Bank of Scotland PLC, Subordinated Notes | 13.125% | 3/19/22 | 2,480,000 ^{AUD} | 2,374,565 ^{(f)(g)} |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2014

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|--------|---------------|------------------------|--------------------------------|
| Banks - (continued) | | | | |
| Santander Issuances SAU, Notes | 5.911% | 6/20/16 | 1,100,000 | \$ 1,148,745 ^(a) |
| <i>Total Banks</i> | | | | 23,709,956 |
| Capital Markets - 1.1% | | | | |
| Credit Suisse Group AG, Junior Subordinated Notes | 6.250% | 12/18/24 | 4,000,000 | 3,859,000 ^{(a)(g)(h)} |
| Goldman Sachs Group Inc., Subordinated Notes | 6.750% | 10/1/37 | 1,210,000 | 1,524,346 |
| <i>Total Capital Markets</i> | | | | 5,383,346 |
| Consumer Finance - 1.2% | | | | |
| Ally Financial Inc., Senior Notes | 8.000% | 3/15/20 | 1,133,000 | 1,339,773 |
| GMAC International Finance BV, Senior Bonds | 7.500% | 4/21/15 | 830,000 ^{EUR} | 1,020,674 ^(f) |
| SLM Corp., Medium-Term Notes, Senior Notes | 8.450% | 6/15/18 | 1,110,000 | 1,240,425 |
| SLM Corp., Medium-Term Notes, Senior Notes | 8.000% | 3/25/20 | 1,150,000 | 1,276,500 |
| Stearns Holdings Inc., Senior Secured Notes | 9.375% | 8/15/20 | 640,000 | 643,200 ^(a) |
| TMX Finance LLC/TitleMax Finance Corp., Senior Secured Notes | 8.500% | 9/15/18 | 570,000 | 481,650 ^(a) |
| <i>Total Consumer Finance</i> | | | | 6,002,222 |
| Diversified Financial Services - 1.8% | | | | |
| International Lease Finance Corp., Senior Notes | 8.625% | 9/15/15 | 820,000 | 856,900 |
| International Lease Finance Corp., Senior Notes | 8.750% | 3/15/17 | 100,000 | 111,000 |
| International Lease Finance Corp., Senior Notes | 8.875% | 9/1/17 | 4,200,000 | 4,746,000 |
| International Lease Finance Corp., Senior Notes | 8.250% | 12/15/20 | 1,860,000 | 2,245,950 |
| ZFS Finance USA Trust II, Bonds | 6.450% | 12/15/65 | 1,000,000 | 1,058,670 ^{(a)(g)} |
| <i>Total Diversified Financial Services</i> | | | | 9,018,520 |
| Insurance - 0.5% | | | | |
| Fidelity & Guaranty Life Holdings Inc., Senior Notes | 6.375% | 4/1/21 | 850,000 | 896,750 ^(a) |
| Liberty Mutual Group Inc., Junior Subordinated Bonds | 7.800% | 3/15/37 | 900,000 | 1,057,500 ^(a) |
| MetLife Capital Trust IV, Junior Subordinated Notes | 7.875% | 12/15/37 | 650,000 | 833,625 ^(a) |
| <i>Total Insurance</i> | | | | 2,787,875 |
| Real Estate Management & Development - 0.8% | | | | |
| Greystar Real Estate Partners LLC, Senior Secured Notes | 8.250% | 12/1/22 | 1,610,000 | 1,646,225 ^(a) |
| Howard Hughes Corp., Senior Notes | 6.875% | 10/1/21 | 2,130,000 | 2,215,200 ^(a) |
| <i>Total Real Estate Management & Development</i> | | | | 3,861,425 |
| TOTAL FINANCIALS | | | | 50,763,344 |
| HEALTH CARE - 5.9% | | | | |

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

Health Care Equipment & Supplies - 0.8%

| | | | | |
|---|--------|---------|-----------|---------------------------|
| ConvaTec Finance International SA, Senior Notes | 8.250% | 1/15/19 | 830,000 | 842,969 ^{(a)(d)} |
| Lantheus Medical Imaging Inc., Senior Notes | 9.750% | 5/15/17 | 2,970,000 | 2,862,337 |

Total Health Care Equipment & Supplies

3,705,306

Health Care Providers & Services - 4.5%

| | | | | |
|--|---------|----------|-----------|--------------------------|
| Acadia Healthcare Co. Inc., Senior Notes | 12.875% | 11/1/18 | 864,000 | 976,320 |
| Acadia Healthcare Co. Inc., Senior Notes | 6.125% | 3/15/21 | 720,000 | 738,000 |
| CHS/Community Health Systems Inc., Senior Notes | 8.000% | 11/15/19 | 2,390,000 | 2,557,300 |
| DJO Finance LLC/DJO Finance Corp., Senior Notes | 9.875% | 4/15/18 | 2,330,000 | 2,376,600 |
| ExamWorks Group Inc., Senior Notes | 9.000% | 7/15/19 | 2,050,000 | 2,193,500 |
| Fresenius Medical Care U.S. Finance Inc., Senior Notes | 6.500% | 9/15/18 | 280,000 | 310,800 ^(a) |
| Fresenius U.S. Finance II Inc., Senior Notes | 9.000% | 7/15/15 | 2,060,000 | 2,132,100 ^(a) |
| HCA Inc., Debentures | 7.500% | 11/15/95 | 3,920,000 | 3,782,800 |
| IASIS Healthcare LLC/IASIS Capital Corp., Senior Notes | 8.375% | 5/15/19 | 2,580,000 | 2,715,450 |
| Jaguar Holding Co. II/Jaguar Merger Sub Inc., Senior Notes | 9.500% | 12/1/19 | 530,000 | 570,412 ^(a) |
| Tenet Healthcare Corp., Senior Notes | 8.125% | 4/1/22 | 1,480,000 | 1,657,600 |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2014

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|--------|---------------|-------------|--------------------------|
| Health Care Providers & Services - (continued) | | | | |
| Tenet Healthcare Corp., Senior Secured Notes | 6.000% | 10/1/20 | 1,330,000 | \$ 1,431,519 |
| Universal Hospital Services Inc., Secured Notes | 7.625% | 8/15/20 | 1,470,000 | 1,271,550 |
| <i>Total Health Care Providers & Services</i> | | | | 22,713,951 |
| Pharmaceuticals - 0.6% | | | | |
| JLL/Delta Dutch Newco BV, Senior Notes | 7.500% | 2/1/22 | 1,450,000 | 1,477,188 ^(a) |
| Salix Pharmaceuticals Ltd., Senior Notes | 6.000% | 1/15/21 | 1,570,000 | 1,605,325 ^(a) |
| <i>Total Pharmaceuticals</i> | | | | 3,082,513 |
| TOTAL HEALTH CARE | | | | 29,501,770 |
| INDUSTRIALS - 13.8% | | | | |
| Aerospace & Defense - 1.3% | | | | |
| CBC Ammo LLC/CBC FinCo Inc., Senior Notes | 7.250% | 11/15/21 | 2,100,000 | 1,987,125 ^(a) |
| Ducommun Inc., Senior Notes | 9.750% | 7/15/18 | 1,010,000 | 1,085,750 |
| Erickson Inc., Secured Notes | 8.250% | 5/1/20 | 2,483,000 | 2,197,455 |
| GenCorp Inc., Secured Notes | 7.125% | 3/15/21 | 760,000 | 799,748 |
| LMI Aerospace Inc., Secured Notes | 7.375% | 7/15/19 | 710,000 | 695,800 ^(a) |
| <i>Total Aerospace & Defense</i> | | | | 6,765,878 |
| Air Freight & Logistics - 0.2% | | | | |
| XPO Logistics Inc., Senior Notes | 7.875% | 9/1/19 | 1,050,000 | 1,102,500 ^(a) |
| Airlines - 0.6% | | | | |
| Air Canada, Pass-Through Trust, Secured Notes | 6.625% | 5/15/18 | 560,000 | 574,784 ^(a) |
| American Airlines, Pass-Through Trust, Secured Notes | 7.000% | 1/31/18 | 586,663 | 627,729 ^(a) |
| Delta Air Lines Inc., Pass-Through Certificates, Secured Notes | 8.021% | 8/10/22 | 617,690 | 713,432 |
| Delta Air Lines Inc., Pass-Through Certificates, Subordinated Secured Notes | 9.750% | 12/17/16 | 302,297 | 341,595 |
| United Airlines Inc., Pass-Through Certificates, Notes | 5.500% | 10/29/20 | 416,751 | 431,338 |
| United Airlines Inc., Pass-Through Certificates, Secured Notes | 9.250% | 5/10/17 | 95,947 | 104,823 |
| <i>Total Airlines</i> | | | | 2,793,701 |
| Building Products - 0.4% | | | | |
| Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Notes | 6.875% | 2/15/21 | 1,460,000 | 1,394,300 ^(a) |
| Building Materials Corp. of America, Senior Notes | 6.750% | 5/1/21 | 600,000 | 636,000 ^(a) |
| Rearden G Holdings EINS GmbH, Senior Notes | 7.875% | 3/30/20 | 100,000 | 99,000 ^(a) |
| <i>Total Building Products</i> | | | | 2,129,300 |
| Commercial Services & Supplies - 2.3% | | | | |

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

| | | | | |
|---|---------|----------|-----------|-----------------------------|
| Garda World Security Corp., Senior Notes | 7.250% | 11/15/21 | 800,000 | 796,000 ^(a) |
| JM Huber Corp., Senior Notes | 9.875% | 11/1/19 | 860,000 | 950,300 ^(a) |
| Monitronics International Inc., Senior Notes | 9.125% | 4/1/20 | 3,280,000 | 3,113,950 |
| RSC Equipment Rental Inc./RSC Holdings III LLC, Senior Notes | 8.250% | 2/1/21 | 810,000 | 886,950 |
| Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes | 7.750% | 4/15/20 | 1,423,000 | 1,515,495 ^(a) |
| Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes | 7.750% | 4/15/20 | 891,000 | 948,915 ^(a) |
| United Rentals North America Inc., Senior Notes | 7.625% | 4/15/22 | 2,608,000 | 2,880,536 |
| West Corp., Senior Notes | 5.375% | 7/15/22 | 600,000 | 576,000 ^(a) |
| <i>Total Commercial Services & Supplies</i> | | | | <i>11,668,146</i> |
| Construction & Engineering - 1.4% | | | | |
| Ausdrill Finance Pty Ltd., Senior Notes | 6.875% | 11/1/19 | 1,240,000 | 1,023,000 ^(a) |
| Brundage-Bone Concrete Pumping Inc., Senior Secured Notes | 10.375% | 9/1/21 | 1,250,000 | 1,282,813 ^(a) |
| Michael Baker Holdings LLC/Michael Baker Finance Corp., Senior Notes | 8.875% | 4/15/19 | 1,580,000 | 1,532,600 ^{(a)(d)} |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2014

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|-------------|-----------------------------|
| Construction & Engineering - (continued) | | | | |
| Michael Baker International LLC/CDL Acquisition Co. Inc., Senior Secured Notes | 8.250% | 10/15/18 | 1,870,000 | \$ 1,870,000 ^(a) |
| Modular Space Corp., Secured Notes | 10.250% | 1/31/19 | 1,510,000 | 1,309,925 ^(a) |
| Odebrecht Finance Ltd., Senior Notes | 4.375% | 4/25/25 | 260,000 | 223,600 ^(a) |
| <i>Total Construction & Engineering</i> | | | | 7,241,938 |
| Electrical Equipment - 0.4% | | | | |
| International Wire Group Holdings Inc., Senior Secured Notes | 8.500% | 10/15/17 | 1,020,000 | 1,073,550 ^(a) |
| NES Rentals Holdings Inc., Senior Secured Notes | 7.875% | 5/1/18 | 930,000 | 948,600 ^(a) |
| <i>Total Electrical Equipment</i> | | | | 2,022,150 |
| Industrial Conglomerates - 0.3% | | | | |
| Leucadia National Corp., Senior Notes | 8.125% | 9/15/15 | 1,290,000 | 1,350,720 |
| Machinery - 1.3% | | | | |
| CTP Transportation Products LLC/CTP Finance Inc., Senior Secured Notes | 8.250% | 12/15/19 | 610,000 | 646,600 ^(a) |
| Dematic SA/DH Services Luxembourg Sarl, Senior Notes | 7.750% | 12/15/20 | 2,820,000 | 2,968,050 ^(a) |
| Gardner Denver Inc., Senior Notes | 6.875% | 8/15/21 | 550,000 | 530,750 ^(a) |
| Global Brass and Copper Inc., Senior Secured Notes | 9.500% | 6/1/19 | 1,260,000 | 1,367,100 |
| SPL Logistics Escrow LLC/SPL Logistics Finance Corp., Senior Secured Notes | 8.875% | 8/1/20 | 890,000 | 947,850 ^(a) |
| <i>Total Machinery</i> | | | | 6,460,350 |
| Marine - 1.0% | | | | |
| Horizon Lines LLC, Secured Notes | 15.000% | 10/15/16 | 1,093,078 | 1,060,226 ^{(c)(d)} |
| Horizon Lines LLC, Senior Secured Notes | 11.000% | 10/15/16 | 943,000 | 950,072 ^(c) |
| Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes | 8.125% | 11/15/21 | 1,510,000 | 1,479,800 ^(a) |
| Ultrapetrol Bahamas Ltd., Senior Secured Notes | 8.875% | 6/15/21 | 1,240,000 | 1,314,400 |
| <i>Total Marine</i> | | | | 4,804,498 |
| Road & Rail - 1.9% | | | | |
| Flexi-Van Leasing Inc., Senior Notes | 7.875% | 8/15/18 | 1,290,000 | 1,283,550 ^(a) |
| Florida East Coast Holdings Corp., Senior Notes | 9.750% | 5/1/20 | 1,770,000 | 1,770,000 ^(a) |
| Florida East Coast Holdings Corp., Senior Secured Notes | 6.750% | 5/1/19 | 950,000 | 942,875 ^(a) |
| Jack Cooper Holdings Corp., Senior Secured Notes | 9.250% | 6/1/20 | 2,450,000 | 2,560,250 ^(a) |
| Jurassic Holdings III Inc., Secured Notes | 6.875% | 2/15/21 | 860,000 | 804,100 ^(a) |
| Quality Distribution LLC/QD Capital Corp., Secured Notes | 9.875% | 11/1/18 | 2,173,000 | 2,276,217 |
| <i>Total Road & Rail</i> | | | | 9,636,992 |
| Trading Companies & Distributors - 0.6% | | | | |

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

| | | | | |
|---|---------|----------|-----------|-----------------------------|
| Ashtead Capital Inc., Senior Secured Notes | 6.500% | 7/15/22 | 1,340,000 | 1,430,450 ^(a) |
| H&E Equipment Services Inc., Senior Notes | 7.000% | 9/1/22 | 1,620,000 | 1,674,675 |
| <i>Total Trading Companies & Distributors</i> | | | | <i>3,105,125</i> |
| Transportation - 1.9% | | | | |
| CMA CGM, Senior Notes | 8.500% | 4/15/17 | 2,810,000 | 2,873,225 ^(a) |
| Hapag-Lloyd AG, Senior Notes | 9.750% | 10/15/17 | 1,700,000 | 1,742,500 ^(a) |
| Neovia Logistics Intermediate Holdings LLC/Logistics Intermediate Finance Corp., Senior Notes | 10.000% | 2/15/18 | 1,980,000 | 2,019,600 ^{(a)(d)} |
| Syncreon Group BV/Syncreon Global Finance US Inc., Senior Notes | 8.625% | 11/1/21 | 1,750,000 | 1,653,750 ^(a) |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2014

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|---------------|--------------------------|-----------------------------|
| Transportation - (continued) | | | | |
| Watco Cos., LLC/Watco Finance Corp., Senior Notes | 6.375% | 4/1/23 | 1,320,000 | \$ 1,313,400 ^(a) |
| <i>Total Transportation</i> | | | | 9,602,475 |
| Transportation Infrastructure - 0.2% | | | | |
| Aguila 3 SA, Senior Secured Notes | 7.875% | 1/31/18 | 870,000 | 843,900 ^(a) |
| TOTAL INDUSTRIALS | | | | 69,527,673 |
| INFORMATION TECHNOLOGY - 2.5% | | | | |
| Electronic Equipment, Instruments & | | | | |
| Components - 0.3% | | | | |
| Interface Security Systems Holdings Inc./Interface Security Systems LLC, Senior Secured Notes | 9.250% | 1/15/18 | 1,340,000 | 1,360,100 |
| Internet Software & Services - 0.6% | | | | |
| Ancestry.com Inc., Senior Notes | 9.625% | 10/15/18 | 710,000 | 699,350 ^{(a)(d)} |
| Ancestry.com Inc., Senior Notes | 11.000% | 12/15/20 | 1,070,000 | 1,210,438 |
| Zayo Group LLC/Zayo Capital Inc., Senior Secured Notes | 8.125% | 1/1/20 | 891,000 | 947,801 |
| <i>Total Internet Software & Services</i> | | | | 2,857,589 |
| IT Services - 1.5% | | | | |
| Compiler Finance Subordinated Inc., Senior Notes | 7.000% | 5/1/21 | 1,410,000 | 1,219,650 ^(a) |
| First Data Corp., Secured Notes | 8.250% | 1/15/21 | 860,000 | 924,500 ^(a) |
| First Data Corp., Senior Notes | 12.625% | 1/15/21 | 2,310,000 | 2,748,900 |
| First Data Corp., Senior Subordinated Notes | 11.750% | 8/15/21 | 1,545,000 | 1,780,612 |
| Interactive Data Corp., Senior Notes | 5.875% | 4/15/19 | 830,000 | 827,925 ^(a) |
| <i>Total IT Services</i> | | | | 7,501,587 |
| Software - 0.1% | | | | |
| Audatex North America Inc., Senior Notes | 6.000% | 6/15/21 | 720,000 | 745,200 ^(a) |
| TOTAL INFORMATION TECHNOLOGY | | | | 12,464,476 |
| MATERIALS - 8.8% | | | | |
| Chemicals - 0.8% | | | | |
| Eco Services Operations LLC/Eco Finance Corp., Senior Notes | 8.500% | 11/1/22 | 780,000 | 795,600 ^(a) |
| HIG BBC Intermediate Holdings LLC/HIG BBC Holdings Corp., Senior Notes | 10.500% | 9/15/18 | 770,000 | 750,750 ^{(a)(d)} |
| Kerling PLC, Senior Secured Notes | 10.625% | 2/1/17 | 1,048,000 ^{EUR} | 1,284,492 ^(a) |
| KP Germany Erste GmbH, Senior Secured Notes | 11.625% | 7/15/17 | 420,000 ^{EUR} | 546,876 ^(a) |
| KP Germany Erste GmbH, Senior Secured Notes | 11.625% | 7/15/17 | 320,000 ^{EUR} | 416,668 ^(f) |

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

| | | | | |
|--|--------|----------|-----------|-----------------------------|
| <i>Total Chemicals</i> | | | | 3,794,386 |
| Construction Materials - 0.2% | | | | |
| Hardwoods Acquisition Inc., Senior Secured Notes | 7.500% | 8/1/21 | 1,290,000 | 1,277,100 ^(a) |
| Containers & Packaging - 3.0% | | | | |
| Ardagh Finance Holdings SA, Senior Notes | 8.625% | 6/15/19 | 1,294,366 | 1,281,422 ^{(a)(d)} |
| Ardagh Packaging Finance PLC, Senior Notes | 9.125% | 10/15/20 | 1,130,000 | 1,209,100 ^(a) |
| Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes | 6.250% | 1/31/19 | 480,000 | 470,400 ^(a) |
| Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes | 9.125% | 10/15/20 | 2,170,000 | 2,311,050 ^(a) |
| Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes | 7.000% | 11/15/20 | 254,118 | 257,929 ^(a) |
| Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes | 6.750% | 1/31/21 | 1,520,000 | 1,516,200 ^(a) |
| Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes | 6.000% | 6/30/21 | 680,000 | 651,100 ^(a) |
| BWAY Holding Co., Senior Notes | 9.125% | 8/15/21 | 1,610,000 | 1,618,050 ^(a) |
| Coveris Holdings SA, Senior Notes | 7.875% | 11/1/19 | 1,780,000 | 1,842,300 ^(a) |
| Pactiv LLC, Senior Bonds | 8.375% | 4/15/27 | 2,560,000 | 2,598,400 |
| PaperWorks Industries Inc., Senior Secured Notes | 9.500% | 8/15/19 | 1,030,000 | 1,033,863 ^(a) |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2014

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|--------------------------|------------------------------|
| Containers & Packaging - (continued) | | | | |
| Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer (Luxembourg) SA, Senior Notes | 8.500% | 5/15/18 | 280,000 | \$ 287,000 |
| <i>Total Containers & Packaging</i> | | | | <i>15,076,814</i> |
| Metals & Mining - 3.9% | | | | |
| ArcelorMittal, Senior Notes | 6.000% | 3/1/21 | 465,000 | 485,344 |
| ArcelorMittal, Senior Notes | 6.750% | 2/25/22 | 340,000 | 364,650 |
| Barmingo Finance Pty Ltd., Senior Notes | 9.000% | 6/1/18 | 1,300,000 | 1,189,500 ^(a) |
| Coeur Mining Inc., Senior Notes | 7.875% | 2/1/21 | 1,850,000 | 1,466,125 |
| Evraz Group SA, Notes | 9.500% | 4/24/18 | 100,000 | 90,250 ^(a) |
| Evraz Group SA, Senior Notes | 9.500% | 4/24/18 | 100,000 | 90,750 ^(f) |
| FMG Resources (August 2006) Pty Ltd., Senior Notes | 8.250% | 11/1/19 | 440,000 | 402,050 ^(a) |
| FMG Resources (August 2006) Pty Ltd., Senior Notes | 6.875% | 4/1/22 | 1,770,000 | 1,480,162 ^(a) |
| Midwest Vanadium Pty Ltd., Senior Secured Notes | 11.500% | 2/15/18 | 1,570,000 | 251,200 ^{(a)(c)(e)} |
| Mirabela Nickel Ltd., Subordinated Notes | 1.000% | 9/10/44 | 16,962 | 0 ^{(b)(c)(i)} |
| Prince Mineral Holding Corp., Senior Secured Notes | 13.000% | 12/15/19 | 1,280,000 | 1,312,000 ^(a) |
| Rain CII Carbon LLC/CII Carbon Corp., Senior Secured Notes | 8.250% | 1/15/21 | 2,260,000 | 2,322,150 ^(a) |
| Ryerson Inc./Joseph T. Ryerson & Son Inc., Senior Secured Notes | 9.000% | 10/15/17 | 2,040,000 | 2,101,200 |
| Schaeffler Holding Finance BV, Senior Secured Bonds | 6.875% | 8/15/18 | 880,000 | 921,800 ^{(a)(d)} |
| Schaeffler Holding Finance BV, Senior Secured Notes | 6.875% | 8/15/18 | 1,050,000 ^{EUR} | 1,324,551 ^{(a)(d)} |
| Schaeffler Holding Finance BV, Senior Secured Notes | 6.750% | 11/15/22 | 1,730,000 | 1,816,500 ^{(a)(d)} |
| St. Barbara Ltd., Senior Secured Notes | 8.875% | 4/15/18 | 1,010,000 | 818,100 ^(a) |
| SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., Senior Notes | 7.375% | 2/1/20 | 610,000 | 636,687 ^(a) |
| SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., Senior Notes | 7.375% | 2/1/20 | 270,000 | 281,813 ^(a) |
| Thompson Creek Metals Co. Inc., Senior Notes | 12.500% | 5/1/19 | 1,050,000 | 1,047,375 |
| Thompson Creek Metals Co. Inc., Senior Secured Notes | 9.750% | 12/1/17 | 990,000 | 1,034,550 |
| Vedanta Resources PLC, Senior Notes | 6.750% | 6/7/16 | 200,000 | 207,500 ^(a) |
| <i>Total Metals & Mining</i> | | | | <i>19,644,257</i> |
| Paper & Forest Products - 0.9% | | | | |
| Appvion Inc., Secured Notes | 9.000% | 6/1/20 | 3,480,000 | 2,401,200 ^(a) |
| Resolute Forest Products Inc., Senior Notes | 5.875% | 5/15/23 | 1,060,000 | 1,012,300 |
| Verso Paper Holdings LLC/Verso Paper Inc., Senior Secured Notes | 11.750% | 1/15/19 | 1,070,000 | 1,075,350 |
| Verso Paper Holdings LLC/Verso Paper Inc., Senior Secured Notes | 11.750% | 1/15/19 | 232,000 | 198,360 |
| <i>Total Paper & Forest Products</i> | | | | <i>4,687,210</i> |
| TOTAL MATERIALS | | | | 44,479,767 |
| TELECOMMUNICATION SERVICES - 9.1% | | | | |
| Diversified Telecommunication Services - 4.9% | | | | |
| Axtel SAB de CV, Senior Secured Notes, Step Bond | 8.000% | 1/31/20 | 129,000 | 125,291 ^(a) |

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

| | | | | |
|---|--------|----------|-----------|--------------------------|
| CCOH Safari LLC, Senior Bonds | 5.500% | 12/1/22 | 180,000 | 183,150 |
| CCOH Safari LLC, Senior Bonds | 5.750% | 12/1/24 | 290,000 | 293,988 |
| CenturyLink Inc., Senior Notes | 5.800% | 3/15/22 | 2,350,000 | 2,449,875 |
| Cogent Communications Holdings Inc., Senior Secured Notes | 8.375% | 2/15/18 | 1,660,000 | 1,743,000 ^(a) |
| Intelsat Jackson Holdings SA, Senior Bonds | 5.500% | 8/1/23 | 3,380,000 | 3,372,057 |
| Intelsat Jackson Holdings SA, Senior Notes | 7.250% | 10/15/20 | 2,750,000 | 2,911,562 |
| Intelsat Jackson Holdings SA, Senior Notes | 7.500% | 4/1/21 | 670,000 | 719,413 |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2014

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|--------|---------------|-------------|--------------------------|
| Diversified Telecommunication Services - (continued) | | | | |
| Level 3 Financing Inc., Senior Notes | 7.000% | 6/1/20 | 130,000 | \$ 137,638 |
| Level 3 Financing Inc., Senior Notes | 8.625% | 7/15/20 | 2,350,000 | 2,546,812 |
| Level 3 Financing Inc., Senior Notes | 6.125% | 1/15/21 | 630,000 | 655,200 |
| UBS Luxembourg SA for OJSC Vimpel Communications, Loan Participation Notes | 8.250% | 5/23/16 | 130,000 | 126,100 ^(f) |
| Unitymedia Hessen GmbH & Co. KG/Unitymedia NRW GmbH, Senior Secured Notes | 7.500% | 3/15/19 | 430,000 | 452,575 ^(a) |
| Verizon Communications Inc., Senior Notes | 5.150% | 9/15/23 | 1,830,000 | 2,022,176 |
| Windstream Corp., Senior Notes | 7.750% | 10/1/21 | 1,070,000 | 1,096,750 |
| Windstream Corp., Senior Notes | 7.500% | 4/1/23 | 4,330,000 | 4,330,000 |
| Windstream Corp., Senior Notes | 6.375% | 8/1/23 | 1,840,000 | 1,727,300 |
| <i>Total Diversified Telecommunication Services</i> | | | | 24,892,887 |
| Wireless Telecommunication Services - 4.2% | | | | |
| Sprint Capital Corp., Senior Notes | 6.875% | 11/15/28 | 2,900,000 | 2,566,500 |
| Sprint Capital Corp., Senior Notes | 8.750% | 3/15/32 | 5,335,000 | 5,188,287 |
| Sprint Communications Inc., Senior Notes | 6.000% | 12/1/16 | 200,000 | 209,580 |
| Sprint Communications Inc., Senior Notes | 9.000% | 11/15/18 | 2,770,000 | 3,157,523 ^(a) |
| Sprint Corp., Senior Notes | 7.875% | 9/15/23 | 2,860,000 | 2,837,692 |
| Syniverse Holdings Inc., Senior Notes | 9.125% | 1/15/19 | 1,455,000 | 1,524,113 |
| T-Mobile USA Inc., Senior Notes | 6.542% | 4/28/20 | 560,000 | 580,300 |
| T-Mobile USA Inc., Senior Notes | 6.731% | 4/28/22 | 400,000 | 413,500 |
| T-Mobile USA Inc., Senior Notes | 6.000% | 3/1/23 | 2,550,000 | 2,562,750 |
| Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, Senior Notes | 7.748% | 2/2/21 | 2,010,000 | 1,690,410 ^(a) |
| VimpelCom Holdings BV, Senior Notes | 7.504% | 3/1/22 | 590,000 | 480,850 ^(a) |
| <i>Total Wireless Telecommunication Services</i> | | | | 21,211,505 |
| TOTAL TELECOMMUNICATION SERVICES | | | | 46,104,392 |
| UTILITIES - 4.0% | | | | |
| Electric Utilities - 1.5% | | | | |
| AES Red Oak LLC, Secured Notes | 9.200% | 11/30/29 | 4,200,000 | 4,620,000 |
| GenOn REMA LLC, Pass-Through Certificates | 9.237% | 7/2/17 | 453,761 | 484,390 |
| GenOn REMA LLC, Pass-Through Certificates | 9.681% | 7/2/26 | 2,220,000 | 2,364,300 |
| Midwest Generation LLC, Pass-Through Certificates | 8.560% | 1/2/16 | 393,263 | 397,195 |
| <i>Total Electric Utilities</i> | | | | 7,865,885 |
| Gas Utilities - 0.3% | | | | |
| Southern Natural Gas Co., Senior Notes | 8.000% | 3/1/32 | 60,000 | 77,933 |
| Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes | 7.375% | 3/15/20 | 1,330,000 | 1,386,525 |

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

Total Gas Utilities

1,464,458

Independent Power and Renewable Electricity

Producers - 2.2%

| | | | | |
|--|---------|----------|-----------|---------------------------|
| Atlantic Power Corp., Senior Notes | 9.000% | 11/15/18 | 960,000 | 955,200 |
| Calpine Corp., Senior Secured Notes | 7.875% | 1/15/23 | 1,139,000 | 1,261,443 ^(a) |
| Dynegy Roseton LLC/Dynegy Danskammer LLC Pass-Through Trust, Escrow Receipt | | | 380,000 | 0 ^{(b)(c)(e)(i)} |
| First Wind Holdings Inc., Senior Secured Notes | 10.250% | 6/1/18 | 2,680,000 | 2,850,850 ^(a) |
| Foresight Energy LLC/Foresight Energy Corp., Senior Notes | 7.875% | 8/15/21 | 2,320,000 | 2,302,600 ^(a) |
| Mirant Mid Atlantic LLC, Pass-Through Certificates | 9.125% | 6/30/17 | 95,144 | 100,852 |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2014

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|-------------|------------------------------|
| Independent Power and Renewable Electricity | | | | |
| Producers - (continued) | | | | |
| Mirant Mid Atlantic LLC, Pass-Through Certificates | 10.060% | 12/30/28 | 3,303,832 | \$ 3,551,620 |
| <i>Total Independent Power and Renewable Electricity Producers</i> | | | | <i>11,022,565</i> |
| TOTAL UTILITIES | | | | 20,352,908 |
| TOTAL CORPORATE BONDS & NOTES | | | | |
| (Cost - \$453,511,537) | | | | 449,656,996 |
| COLLATERALIZED MORTGAGE OBLIGATIONS - 0.1% | | | | |
| Countrywide Home Loan Mortgage Pass-Through Trust, 2004-HYB5 7A1 | | | | |
| (Cost - \$509,394) | | | | 634,866 ^(g) |
| CONVERTIBLE BONDS & NOTES - 0.3% | | | | |
| MATERIALS - 0.3% | | | | |
| Chemicals - 0.1% | | | | |
| Hercules Inc., Junior Subordinated Bonds | 6.500% | 6/30/29 | 420,000 | 391,146 |
| Metals & Mining - 0.2% | | | | |
| Mirabela Nickel Ltd., Senior Secured Bonds | 9.500% | 6/24/19 | 1,130,252 | 932,458 ^{(a)(c)(d)} |
| TOTAL CONVERTIBLE BONDS & NOTES | | | | |
| (Cost - \$1,516,174) | | | | 1,323,604 |
| SENIOR LOANS - 2.3% | | | | |
| CONSUMER DISCRETIONARY - 0.5% | | | | |
| Hotels, Restaurants & Leisure - 0.3% | | | | |
| Equinox Holdings Inc., Second Lien Term Loan | 9.750% | 7/31/20 | 1,290,000 | 1,315,800 ^{(j)(k)} |
| Specialty Retail - 0.1% | | | | |
| Gymboree Corp., Initial Term Loan | 5.000% | 2/23/18 | 620,000 | 409,200 ^{(j)(k)} |
| Textiles, Apparel & Luxury Goods - 0.1% | | | | |
| TOMS Shoes LLC, Term Loan B | 6.500% | 10/28/20 | 830,000 | 766,366 ^{(j)(k)} |
| TOTAL CONSUMER DISCRETIONARY | | | | 2,491,366 |
| CONSUMER STAPLES - 0.1% | | | | |

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

| | | | | |
|--|---------|----------|-----------|--------------------------------|
| Food Products - 0.1% | | | | |
| AdvancePierre Foods Inc., Second Lien Term Loan | 9.500% | 10/10/17 | 550,000 | 544,500 ^{(j)(k)} |
| ENERGY - 0.2% | | | | |
| Oil, Gas & Consumable Fuels - 0.2% | | | | |
| Westmoreland Coal Co., Term Loan B | 7.500% | 10/16/20 | 800,000 | 786,000 ^{(j)(k)} |
| HEALTH CARE - 0.7% | | | | |
| Health Care Providers & Services - 0.7% | | | | |
| CRC Health Corp., Second Lien Term Loan | 9.000% | 9/28/21 | 1,090,000 | 1,116,569 ^{(j)(k)} |
| Physiotherapy Associates Holdings Inc., Exit Term Loan | 11.000% | 1/2/17 | 1,152,453 | 1,151,013 ^{(e)(j)(k)} |
| Radnet Management Inc., Second Lien Term Loan | 8.000% | 3/25/21 | 1,350,000 | 1,343,250 ^{(j)(k)} |
| TOTAL HEALTH CARE | | | | 3,610,832 |
| MATERIALS - 0.2% | | | | |
| Chemicals - 0.2% | | | | |
| Kronos Inc., Second Lien Term Loan | 9.750% | 4/30/20 | 980,000 | 1,001,438 ^{(j)(k)} |
| UTILITIES - 0.6% | | | | |
| Independent Power and Renewable Electricity | | | | |
| Producers - 0.6% | | | | |
| Energy Future Intermediate Holding Co., LLC, DIP Term Loan | 4.250% | 6/19/16 | 3,055,640 | 3,060,416 ^{(j)(k)} |
| TOTAL SENIOR LOANS | | | | |
| (Cost - \$11,562,620) | | | | 11,494,552 |
| SOVEREIGN BONDS - 0.1% | | | | |
| Colombia - 0.0% | | | | |
| Republic of Colombia, Senior Notes | 7.375% | 3/18/19 | 100,000 | 118,000 |
| Turkey - 0.1% | | | | |
| Republic of Turkey, Senior Notes | 7.000% | 6/5/20 | 12,000 | 13,983 |
| Republic of Turkey, Senior Notes | 6.875% | 3/17/36 | 377,000 | 467,480 |
| <i>Total Turkey</i> | | | | 481,463 |

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2014

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|--------|---------------|--------------------|---|
| Venezuela - 0.0% Bolivarian Republic of Venezuela, Senior Notes | 7.750% | 10/13/19 | 10,000 | \$ 4,490 ^(f) |
| TOTAL SOVEREIGN BONDS | | | | |
| (Cost - \$489,910) | | | | 603,953 |
| | | | | SHARES |
| COMMON STOCKS - 2.3% CONSUMER DISCRETIONARY - 0.3% Automobiles - 0.3% Ford Motor Co. | | | 88,227 | 1,367,519 |
| Hotels, Restaurants & Leisure - 0.0% Bossier Casino Venture Holdco Inc. | | | 86,730 | 0 ^{*(b)(c)(i)} |
| TOTAL CONSUMER DISCRETIONARY | | | | 1,367,519 |
| ENERGY - 0.1% Energy Equipment & Services - 0.1% KCAD Holdings I Ltd. | | | 275,927,431 | 568,686 ^{*(b)(c)} |
| FINANCIALS - 1.0% Banks - 1.0% Citigroup Inc. JPMorgan Chase & Co. | | | 64,503 24,776 | 3,490,257 1,550,482 |
| TOTAL FINANCIALS | | | | 5,040,739 |
| HEALTH CARE - 0.3% Health Care Providers & Services - 0.3% Physiotherapy Associates Holdings Inc. | | | 16,100 | 1,336,300 ^{*(b)(c)} |
| INDUSTRIALS - 0.6% Marine - 0.6% DeepOcean Group Holding AS Horizon Lines Inc., Class A Shares | | | 106,322 758,779 | 2,603,678 ^{*(b)(c)} 478,866 ^{*(c)} |
| TOTAL INDUSTRIALS | | | | 3,082,544 |
| MATERIALS - 0.0% Metals & Mining - 0.0% Mirabela Nickel Ltd. | | | 3,464,533 | 81,507 ^{*(b)} |

TOTAL COMMON STOCKS

(Cost - \$14,559,476) 11,477,295

PREFERRED STOCKS - 1.8%

ENERGY - 0.2%

Oil, Gas & Consumable Fuels - 0.2%

| | | | |
|-----------------------|--------|--------|---------|
| Rex Energy Corp. | 6.000% | 9,400 | 502,054 |
| SandRidge Energy Inc. | 8.500% | 12,000 | 511,200 |

TOTAL ENERGY 1,013,254

See Notes to Schedule of Investments.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2014

| SECURITY | RATE | SHARES | VALUE |
|---|-----------------|-------------|-----------------------------|
| FINANCIALS - 1.6% | | | |
| Consumer Finance - 1.1% | | | |
| GMAC Capital Trust I | 8.125% | 216,388 | \$ 5,708,315 ^(g) |
| Diversified Financial Services - 0.5% | | | |
| Citigroup Capital XIII | 7.875% | 92,250 | 2,452,005 ^(g) |
| TOTAL FINANCIALS | | | 8,160,320 |
| TOTAL PREFERRED STOCKS | | | |
| (Cost - \$9,895,546) | | | 9,173,574 |
| | | | |
| | EXPIRATION DATE | WARRANTS | |
| WARRANTS - 0.1% | | | |
| Jack Cooper Holdings Corp. | 12/15/17 | 2,184 | 349,440 ^{*(a)} |
| Jack Cooper Holdings Corp. | 5/6/18 | 1,018 | 162,880 ^{*(a)} |
| TOTAL WARRANTS | | | |
| (Cost - \$55,657) | | | 512,320 |
| TOTAL INVESTMENTS BEFORE SHORT-TERM | | | |
| INVESTMENTS | | | |
| (Cost - \$492,100,314) | | | 484,877,160 |
| | | | |
| | MATURITY DATE | FACE AMOUNT | |
| SHORT-TERM INVESTMENTS - 1.1% | | | |
| Repurchase Agreements - 1.1% | | | |
| Barclays Capital Inc. repurchase agreement dated 12/31/14; Proceeds at maturity - \$5,500,009; (Fully collateralized by U.S. government obligations, 2.125% due 12/31/21; Market value - \$5,610,461) | | | |
| (Cost - \$5,500,000) | 0.030% | 1/2/15 | 5,500,000 |
| TOTAL INVESTMENTS - 97.4% | | | |
| (Cost - \$497,600,314#) | | | 490,377,160 |
| Other Assets in Excess of Liabilities - 2.6% | | | 12,893,711 |

TOTAL NET ASSETS - 100.0%

\$ 503,270,871

Face amount denominated in U.S. dollars, unless otherwise noted.

* Non-income producing security.

- (a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (b) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).
- (c) Illiquid security.
- (d) Payment-in-kind security for which the issuer has the option at each interest payment date of making interest payments in cash or additional debt securities.
- (e) The coupon payment on these securities is currently in default as of December 31, 2014.
- (f) Security is exempt from registration under Regulation S of the Securities Act of 1933. Regulation S applies to securities offerings that are made outside of the United States and do not involve direct selling efforts in the United States. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (g) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (h) Security has no maturity date. The date shown represents the next call date.
- (i) Value is less than \$1.
- (j) Interest rates disclosed represent the effective rates on senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
- (k) Senior loans may be considered restricted in that the Fund ordinarily is contractually obligated to receive approval from the agent bank and/or borrower prior to the disposition of a senior loan.

Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

AUD Australian Dollar

EUR Euro

OJSC Open Joint Stock Company

This Schedule of Investments is unaudited and is intended to provide information about the Fund's portfolio holdings as of the date of the schedule. Other information regarding the Fund is available in the Fund's most recent annual or semi-annual shareholder report.

See Notes to Schedule of Investments.

Notes to Schedule of Investments (unaudited)

1. Organization and significant accounting policies

Western Asset High Income Opportunity Fund Inc. (the Fund) was incorporated in Maryland and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund seeks high current income. Capital appreciation is a secondary objective.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

(a) Investment valuation. The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment's fair value. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. When the Fund holds securities or other assets that are denominated in a foreign currency, the Fund will normally use the currency exchange rates as of 4:00 p.m. (Eastern Time). If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund's Board of Directors.

The Board of Directors is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North American Fund Valuation Committee (the Valuation Committee). The Valuation Committee, pursuant to the policies adopted by the Board of Directors, is responsible for making fair value determinations, evaluating the effectiveness of the Fund's pricing policies, and reporting to the Board of Directors. When determining the reliability of third party pricing information for investments owned by the Fund, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer's financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts' research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Directors, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Directors quarterly.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

Notes to Schedule of Investments (unaudited) (continued)

GAAP establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are summarized in the three broad levels listed below:

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)
The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used in valuing the Fund's assets and liabilities carried at fair value:

| DESCRIPTION | ASSETS | | | TOTAL |
|-------------------------------------|----------------------------|---|--|----------------|
| | QUOTED PRICES (LEVEL 1) | OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | |
| Long-term investments : | | | | |
| Corporate bonds & notes: | | | | |
| Consumer discretionary | | \$ 85,959,525 | \$ 1,708,717 | \$ 87,668,242 |
| Materials | | 44,479,767 | 0* | 44,479,767 |
| Utilities | | 20,352,908 | 0* | 20,352,908 |
| Other corporate bonds & notes | | 297,156,079 | | 297,156,079 |
| Collateralized mortgage obligations | | 634,866 | | 634,866 |
| Convertible bonds & notes | | 1,323,604 | | 1,323,604 |
| Senior loans | | 11,494,552 | | 11,494,552 |
| Sovereign bonds | | 603,953 | | 603,953 |
| Common stocks: | | | | |
| Consumer discretionary | \$ 1,367,519 | | 0* | 1,367,519 |
| Energy | | | 568,686 | 568,686 |
| Health care | | | 1,336,300 | 1,336,300 |
| Industrials | 478,866 | | 2,603,678 | 3,082,544 |
| Materials | | | 81,507 | 81,507 |
| Financials | 5,040,739 | | | 5,040,739 |
| Preferred stocks: | | | | |
| Energy | 511,200 | 502,054 | | 1,013,254 |
| Financials | 8,160,320 | | | 8,160,320 |
| Warrants | | 512,320 | | 512,320 |
| Total long term investments | \$ 15,558,644 | \$ 463,019,628 | \$ 6,298,888 | \$ 484,877,160 |
| Short-term investments | | 5,500,000 | | 5,500,000 |
| Total investments | \$ 15,558,644 | \$ 468,519,628 | \$ 6,298,888 | \$ 490,377,160 |

Other financial instruments:

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

| | | | | | | | | |
|----------------------------|----|------------|---------|-------------|----|-----------|----|-------------|
| Forward currency contracts | | \$ | 281,012 | | \$ | 281,012 | | |
| Total | \$ | 15,558,644 | \$ | 468,800,640 | \$ | 6,298,888 | \$ | 490,658,172 |

LIABILITIES

| DESCRIPTION | QUOTED PRICES (LEVEL 1) | OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | TOTAL | |
|------------------------------|------------------------------------|--|--|--------------|--------|
| Other financial instruments: | | | | | |
| Futures contracts | \$ | 31,303 | | \$ | 31,303 |

See Schedule of Investments for additional detailed categorizations.

* Amount represents less than \$1.

Notes to Schedule of Investments (unaudited) (continued)

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

| INVESTMENTS IN SECURITIES | CORPORATE BONDS & NOTES | | | CONVERTIBLE | SENIOR | TOTAL |
|---|-------------------------|---------------|---------------------|---------------|------------|--------------|
| | CONSUMER | DISCRETIONARY | MATERIALS UTILITIES | BONDS & NOTES | LOANS | |
| Balance as of September 30, 2014 | \$ 1,768,140 | \$ 0* | \$ 0* | \$ 1,079,000 | \$ 463,846 | \$ 3,310,986 |
| Accrued premiums/discounts | 6,698 | | | | | 6,698 |
| Realized gain (loss) | | | | | | |
| Change in unrealized appreciation (depreciation) ¹ | (124,598) | | | (197,794) | | (322,392) |
| Purchases | 58,477 | | | 51,252 | | 109,729 |
| Sales | | | | | (463,846) | (463,846) |
| Transfers into Level 3 | | | | | | |
| Transfers out of Level 3 ² | | | | (932,458) | | (932,458) |
| Balance as of December 31, 2014 | \$ 1,708,717 | \$ 0* | \$ 0* | | | \$ 1,708,717 |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at December 31, 2014 ¹ | \$ (124,598) | | | | | \$ (124,598) |

| INVESTMENTS IN SECURITIES | CONSUMER | | COMMON STOCKS | | | TOTAL |
|---|---------------|----------------|---------------|--------------|-----------|----------------|
| | DISCRETIONARY | ENERGY | HEALTH CARE | INDUSTRIALS | MATERIALS | |
| Balance as of September 30, 2014 | \$ 0* | \$ 2,537,705 | \$ 772,800 | \$ 3,014,016 | | \$ 6,324,521 |
| Accrued premiums/discounts | | | | | | |
| Realized gain (loss) | | | | | | |
| Change in unrealized appreciation (depreciation) ¹ | | (1,969,019) | 563,500 | (410,338) | | (1,815,857) |
| Purchases | | | | | | |
| Sales | | | | | | |
| Transfers into Level 3 ³ | | | | | \$ 81,507 | 81,507 |
| Transfers out of Level 3 | | | | | | |
| Balance as of December 31, 2014 | \$ 0* | \$ 568,686 | \$ 1,336,300 | \$ 2,603,678 | \$ 81,507 | \$ 4,590,171 |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at December 31, 2014 ¹ | | \$ (1,969,018) | \$ 563,500 | \$ (410,338) | | \$ (1,815,856) |

The Fund's policy is to recognize transfers between levels as of the end of the reporting period.

* Amount represents less than \$1.

¹ Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

² Transferred out of Level 3 as a result of the availability of a quoted price in an active market for an identical investment or the availability of other significant observable inputs.

³ Transferred into of Level 3 as a result of the unavailability of a quoted price in an active market for an identical investment or the unavailability of other significant observable inputs.

2. Investments

At December 31, 2014, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

| | |
|-------------------------------|----------------|
| Gross unrealized appreciation | \$ 19,922,988 |
| Gross unrealized depreciation | (27,146,142) |
| Net unrealized depreciation | \$ (7,223,154) |

At December 31, 2014, the Fund had the following open futures contracts:

| | Number of Contracts | Expiration Date | Basis Value | Market Value | Unrealized Depreciation |
|-----------------------------|------------------------|--------------------|----------------|-----------------|----------------------------|
| Contracts to Sell: | | | | | |
| U.S. Treasury 10-Year Notes | 33 | 3/15 | \$ 4,152,994 | \$ 4,184,297 | \$ (31,303) |

At December 31, 2014, the Fund had the following open forward foreign currency contracts:

| Currency Purchased | Currency Sold | Counterparty | Settlement Date | Unrealized Appreciation |
|-----------------------|------------------|----------------------------|--------------------|----------------------------|
| USD 6,372,507 | EUR 5,091,493 | Citibank, N.A. | 2/13/15 | \$ 209,116 |
| USD 2,137,077 | EUR 1,706,017 | Royal Bank of Scotland PLC | 2/13/15 | 71,896 |
| Total | | | | \$ 281,012 |

Abbreviations used in this schedule:

EUR Euro
USD United States Dollar

ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.

- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached hereto.

SIGNATURES

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.

Western Asset High Income Opportunity Fund Inc.

By /s/ **KENNETH D. FULLER**
 Kenneth D. Fuller
 Chief Executive Officer

Date: February 25, 2015

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/ **KENNETH D. FULLER**
 Kenneth D. Fuller
 Chief Executive Officer

Date: February 25, 2015

By /s/ **RICHARD F. SENNETT**
 Richard F. Sennett
 Principal Financial Officer

Date: February 25, 2015