GLOBAL HIGH INCOME FUND INC
Form N-CSRS
July 09, 2010

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: 811-07540

Global High Income Fund Inc.

(Exact name of registrant as specified in charter)

1285 Avenue of the Americas, New York, New York 10019-6028

(Address of principal executive offices) (Zip code)

Mark F. Kemper, Esq.
UBS Global Asset Management
1285 Avenue of the Americas
New York, NY 10019-6028
(Name and address of agent for service)

Copy to:
Jack W. Murphy, Esq.
Dechert LLP
1775 I Street, N.W.
Washington, DC 20006-2401

Registrant s telephone number, including area code: 212-821 3000

Date of fiscal year end: October 31

Date of reporting period: April 30, 2010

Item 1. Reports to Stockholders.

Global High Income Fund Inc.

Semiannual Report

April 30, 2010

Global High Income Fund Inc.:

Managed distribution policy—key points to note

- The Fund has a managed distribution policy. Since August 2009, the Fund makes regular monthly distributions at an annualized rate equal to 8% of the Fund's net asset value, as determined as of the last trading day during the first week of a month (usually a Friday, unless the NYSE is closed that day). (From June 2005 through the monthly distribution for July 2009, the annualized rate had been 9%.)

- To the extent that the Fund's taxable income in any fiscal year exceeds the aggregate amount distributed based on a fixed percentage of its net asset value, the Fund would make an additional distribution in the amount of that excess near the end of the fiscal year. To the extent that the aggregate amount distributed by the Fund (based on a percentage of its net assets) exceeds its current and accumulated earnings and profits, the amount of that excess would constitute a return of capital or net realized capital gains for tax purposes. A return of capital may occur, for example, when some or all of the money that shareholders invested in the Fund is deemed to be paid back to shareholders. A return of capital distribution does not necessarily reflect the Fund's investment performance and should not be confused with "yield" or "income."

- You should not draw any conclusions about the Fund's investment performance from the amount of the monthly distribution or from the terms of the Fund's managed distribution policy.

- The Fund periodically issues notices and press releases estimating the source characteristics of its monthly distributions. The amounts and sources reported in these materials are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for accounting and tax reporting purposes will depend upon the Fund's investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. The Fund will send you a Form 1099-DIV (or your financial intermediary should provide you with similar information) for the calendar year that will tell you how to report these distributions for federal income tax purposes.

- The Fund's Board may change or terminate the managed distribution policy at any time without prior notice to Fund shareholders; any such change or termination may have an adverse effect on the market price for the Fund's shares.

- Further information regarding the Fund's managed distribution policy is contained in the section captioned "Distribution policy" towards the end of this report.

Global High Income Fund Inc.

June 14, 2010

Dear shareholder,

We present you with the semiannual report for Global High Income Fund Inc. (the "Fund") for the six months ended April 30, 2010.

Global High Income Fund Inc.

Investment goals:
Primarily, high level of current income; secondarily, capital appreciation

Portfolio management:
Portfolio management team, including Uwe Schillhorn
UBS Global Asset Management (Americas) Inc.

Commencement:
October 8, 1993

NYSE symbol:
GHI

Distribution payments:
Monthly

Performance

Over the six months ended April 30, 2010, the Fund returned 8.91% on a net asset value basis and 22.15% on a market price basis. Over the same period, the median for the Fund's Lipper Emerging Markets Debt Funds peer group returned 7.89% and 17.08% on a net asset value and market price basis, respectively, while the Fund's benchmark, the Global High Income Fund Index (the "Index"), returned 7.74%. (For more performance information, including a description of the Index, please refer to "Performance at a glance" on page 5.)

The Fund did not use leverage during the reporting period. That is, the Fund did not have preferred stock outstanding, or borrow from banks for investment purposes as some of its peers may have done. Leverage magnifies returns on both the upside and on the downside, and creates a wider range of returns within the Fund's peer group.
The Fund traded at a discount to its net asset value ("NAV") per share during the first half of the reporting period. Beginning in February 2010, the Fund then traded at a premium to its NAV as demand for the emerging markets debt asset class strengthened. However, the Fund again traded at a discount to its NAV toward the end of the period as investor risk aversion increased given concerns regarding the debt crisis in Greece and certain other market issues.[1]

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[1] A fund trades at a premium when the market price at which its shares trade is more than its NAV. Alternatively, a fund trades at a discount when the market price at which its shares trade is less than its NAV. The market price is the price the market is willing to pay for shares of a fund at a given time, and may be influenced by a range of factors, including supply and demand and market conditions. NAV per share is determined by dividing the value of the Fund's securities, cash and other assets, less all liabilities, by the total number of common shares outstanding.

Global High Income Fund Inc.

An interview with Portfolio Manager Uwe Schillhorn

Q. How did emerging markets debt perform over the reporting period?

A. Despite increased volatility in April 2010, largely triggered by the uncertainty surrounding the situation in Greece, the emerging markets debt asset class generated solid results during the review period. Investor demand for the asset class was strong as global economic conditions improved and growth rates in emerging market countries were stronger than in developed countries. Rising commodity prices further supported the asset class, as many emerging market countries are net exporters of commodities such as oil and metals. Against this backdrop, emerging markets debt spreadsthe difference between the yields paid on US Treasury bonds and emerging markets debtcontinued to narrow.

Q. What factors influenced Fund performance?

A. A key component of our investment process is to conduct comprehensive research and pursue a variety of strategies that seek to generate a high level of current income and capital appreciation for the Fund. More specifically, we look to meet the Fund s goals by strategically allocating its portfolio among various countries, securities and currencies. We believe that maintaining a non-concentrated portfolio is essential to prevent the Fund from being overly dependent upon any one area. With this in mind, the following strategies were key contributors to performance during the reporting period.

- **An overweight to local currencies against the US dollar.** The position was the largest contributor to the Fund s relative performance, as local currencies generated superior results. This trend was driven by strong economic growth, low fiscal deficits and solid investor demand. In particular, the Fund s overweights to the Mexican peso and Indonesian rupiah helped performance.

- **An overweight position in US dollar denominated Venezuelan debt.** Venezuela was a poor performer toward the end of 2009, when political rhetoric increased and spreads significantly widened. The country s debt positions then generated strong results, specifically during the first quarter of 2010, as the global economy appeared to emerge from the recession and increased demand caused oil prices to rise. The Fund s overweight exposure to Indonesia and Pakistan sovereign debt also enhanced the Fund s results as spreads narrowed in both countries.

Global High Income Fund Inc.

- **An overweight position to Argentina.** The countrys efforts to restructure its debt, which was viewed as a positive by investors, helped the countrys sovereign debt perform well.

Q. What factors negatively impacted the Funds performance during the period?

A. While the Fund outperformed its benchmark, several strategies detracted from performance. For example, the Funds underweight to Indonesias local debt was not beneficial, since it posted strong results. Additionally, having no exposure to debt issued by Thailand was a detractor, as these securities generated strong performance during the period.

Another drag on the Funds results was its small sovereign debt position in Greece. We initiated this position in January 2010, as its sovereign debt spreads widened, due to concerns about the countrys economic and financial weakness. This detracted from results as it was later reported their fiscal deficit was much wider than had previously been reported. The situation worsened when Greece was unable to roll over debt maturing in May without massive financial help from the EU and from the IMF. Spreads have since stabilized in Greece. We continue to hold the position as the current spread levels imply a very high default probability, which we think is much less likely to materialize.

Q. How did you manage the Funds duration during the reporting period?

A. Throughout the period, the Funds duration was largely in line with its benchmark and did not meaningfully impact the Funds performance. (Duration measures a funds sensitivity to interest rate changes, and is related to the maturity of the bonds comprising the portfolio.)

Q. What other positioning strategies did you use during the reporting period?

A. Toward the end of the period, we reduced the Funds overall risk exposure somewhat, given the strong performance in the emerging markets debt asset class and due to increased volatility in Europe. For example, we scaled back the Funds local currency overweight and pared down its exposure to Venezuela (but still maintained an overweight position relative to the benchmark).

Q. What is your outlook for the emerging markets debt asset class?

A. We continue to have a positive outlook for the long-term prospects of the asset class. Volatility may continue in the near-term, given the situation in Greece and other peripheral Eurozone counties and the financial issues within the Eurozone. However, we believe that the

Global High Income Fund Inc.

economic fundamentals in emerging market countries will remain supportive for the asset class, and we would expect to see additional upgrades of emerging markets debt to investment grade status over a full investment cycle.

Although, in our opinion, emerging markets debt became overvalued late in the reporting period, we believe the asset class may have become oversold. Therefore, we will look to selectively establish new positions and add to existing holdings where we believe there are compelling opportunities to generate strong potential risk-adjusted results.

We thank you for your continued support and welcome any comments or questions you may have. For additional information regarding your Fund, please contact your financial advisor, or visit us at www.ubs.com/globalam-us.

Sincerely,

Mark E. Carver
President
Global High Income Fund Inc.
Managing Director
UBS Global Asset Management (Americas) Inc.

Uwe Schillhorn, CFA
Portfolio Management Team Member
Global High Income Fund Inc.
Executive Director
UBS Global Asset Management (Americas) Inc.

This letter is intended to assist shareholders in understanding how the Fund performed during the 6 months ended April 30, 2010. The views and opinions in the letter were current as of June 14, 2010. They are not guarantees of future performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and we reserve the right to change our views about individual securities, sectors and markets at any time. As a result, the views expressed should not be relied upon as a forecast of the Fund's future investment intent. We encourage you to consult your financial advisor regarding your personal investment program.

Global High Income Fund Inc.

Performance at a glance (unaudited)

Average annual total returns for periods ended 04/30/10

Net asset value returns	6 months	1 year	5 years	10 years
Global High Income Fund Inc.	8.91%	31.24%	9.56%	11.83%
Lipper Emerging Markets Debt Funds median	7.89	32.07	9.63	12.34
Market price returns				
Global High Income Fund Inc.	22.15%	58.32%	6.72%	13.69%
Lipper Emerging Markets Debt Funds median	17.08	53.52	9.30	14.59
Index returns				
Global High Income Fund Index(1)	7.74%	25.74%	10.42%	11.22%
J.P. Morgan Emerging Markets Bond Index Global (EMBI Global)(2)	6.40	23.49	9.10	10.56

Past performance does not predict future performance. The return and value of an investment will fluctuate so that an investors shares, when sold, may be worth more or less than their original cost. The Funds net asset value (NAV) returns assume, for illustration only, that dividends and other distributions, if any, were reinvested at the NAV on the payable dates. The Funds market price returns assume that all dividends and other distributions, if any, were reinvested at prices obtained under the Funds Dividend Reinvestment Plan. Returns for the period of less than one year have not been annualized. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund dividends and other distributions, if any, or on the sale of Fund shares.

(1) Global High Income Fund Index is an unmanaged index compiled by the advisor, constructed as follows: from the Funds inception until 12/31/93: 100% J.P. Morgan Emerging Markets Bond Index (EMBI); from 01/01/94 to 11/05/06: 100% J.P. Morgan Emerging Markets Bond Index Global (EMBI Global); from 11/06/06 to 03/31/08: 70% J.P. Morgan Emerging Markets Bond Index Global (EMBI Global) and 30% J.P. Morgan Government Bond Index-Emerging Markets Diversified (GBI-EM Diversified); from 04/01/08 to 05/31/08: 50% J.P. Morgan Emerging Markets Bond Index Global (EMBI Global) and 50% J.P. Morgan Government Bond Index-Emerging Markets Diversified (GBI-EM Diversified); from 06/01/08 to Present: 50% J.P. Morgan Emerging Markets Bond Index Global (EMBI Global) and 50% J.P. Morgan Government Bond Index-Emerging Markets Global Diversified (GBI-EM Global Diversified). Investors should note that indices do not reflect the deduction of fees and expenses.

(2) The J.P. Morgan Emerging Markets Bond Index Global (EMBI Global) is an unmanaged index which tracks total returns for US-dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. Investors should note that indices do not reflect the deduction of fees and expenses.

Lipper peer group data calculated by Lipper Inc.; used with permission. The Lipper median is the return of the fund that places in the middle of the peer group.

Global High Income Fund Inc.

Portfolio statistics (unaudited)

Characteristics [1]	04/30/10	10/31/09	04/30/09
Net asset value	$13.49	$12.90	$11.15
Market price	$13.46	$11.47	$9.25
12-month dividends/distributions	$1.0407	$0.9767	$1.0766
Dividend/distribution at period-end	$0.0901	$0.0863	$0.0808
Net assets (mm)	$291.3	$278.6	$240.8
Weighted average maturity (yrs.)	8.8	7.8	7.9
Modified duration (yrs.)[2]	5.6	6.1	5.3

Currency exposure[3]	04/30/10	10/31/09	04/30/09
US dollar denominated	28.1%	36.7%	49.4%
Foreign denominated	71.9	63.3	50.6
Total	100.0%	100.0%	100.0%

Top ten countries (excluding US)[4]	04/30/10		10/31/09		04/30/09
Brazil	14.9%	Brazil	13.5%	Brazil	12.1%
Poland	7.8	Turkey	8.3	Turkey	11.8
Russia	7.8	Poland	7.7	Hungary	6.3
Indonesia	7.0	Indonesia	6.7	Russia	6.3
Venezuela	6.3	Russia	5.9	Indonesia	5.7
Turkey	6.0	Hungary	4.9	Malaysia	5.6
South Africa	4.7	South Africa	4.6	Venezuela	4.9
Hungary	3.9	Venezuela	4.6	South Africa	4.8
Malaysia	3.8	Malaysia	4.1	Poland	4.6
Colombia	2.8	Mexico	3.6	Mexico	3.7

Total	65.0%	63.9%	65.8%

Credit quality[5]	**04/30/10**	**10/31/09**	**04/30/09**
AAA	1.8%	0.9%	
AA	1.5	1.9	2.5%
A	16.3	16.5	8.1
BBB	22.9	29.6	20.6
BB	25.8	25.7	22.2
B	4.8	4.2	3.1
CCC	0.6	0.5	2.2
D	0.6	0.5	
Non-rated	20.0	8.6	23.4
Cash equivalents	1.6	10.0	13.0
Other assets less liabilities	4.1	1.6	4.9
Total	100.0%	100.0%	100.0%

(1) Prices and other characteristics will vary over time.
(2) Modified duration is the change in price, expressed in years, expected in response to each 1% change in yield of the portfolios holdings.
(3) Exposure represents a percentage of market value as of dates indicated.
(4) Weightings represent percentage of net assets as of the dates indicated, The Funds portfolio is actively managed and its composition will vary over time.
(5) Weightings represent percentages of net assets of the entire Fund as of the dates indicated. The Funds portfolio is actively managed and its composition will vary over time. Credit quality ratings shown are based on those assigned by Standard & Poors, a division of The McGraw-Hill Companies, Inc. (S&P), to individual portfolio holdings. S&P is an independent ratings agency.

Global High Income Fund Inc.

Industry diversification

As a percentage of net assets
As of April 30, 2010 (unaudited)

Bonds	
Corporate bonds	
Chemicals	0.33%
Commercial banks	1.96
Diversified financial services	1.45
Electric utilities	4.32
Oil, gas & consumable fuels	1.45
Real estate management & development	3.40
Transportation infrastructure	0.64
Total corporate bonds	13.55
Non US-government obligations	77.82
Supranational bond	1.71
Convertible bond	1.12
Structured note	0.16
Total bonds	94.36
Short-term investment	1.56
Total investments	95.92
Cash and other assets, less liabilities	4.08
Net assets	100.00%

Global High Income Fund Inc.

Portfolio of investments—April 30, 2010 (unaudited)

Security description	Face amount		Value
Bonds—94.36%			
Corporate bonds—13.55%			
Brazil—0.91%			
BES Investimento do Brasil SA, 5.625%, due 03/25/15(1)	$	2,500,000	$ 2,400,000
Union National FIDC Trust 2006, Series 2007-2, due 07/01/10(1),(2),(3),(4),(5)	BRL	1,832,665	58,130
Series 3, due 07/01/10(2),(3),(4),(5),(6)		2,075,000	66,092
Series 4, due 05/01/11(2),(3),(4),(5),(6)		3,560,082	113,074
Total Brazil corporate bonds			2,637,296
Cayman Islands—0.87%			
ADCB Finance Cayman Ltd., 4.750%, due 10/08/14(1)	$	1,600,000	1,576,000
Lumena Resources Corp., 12.000%, due 10/27/14(1)		1,000,000	960,000
Total Cayman Islands corporate bonds			2,536,000
Indonesia—1.85%			
Majapahit Holding BV, 7.250%, due 10/17/11(6)	$	500,000	530,000
7.250%, due 06/28/17(1)		1,050,000	1,126,125
7.250%, due 06/28/17(6)		350,000	375,375
7.750%, due 01/20/20(1)		2,600,000	2,843,880
8.000%, due 08/07/19(1)		200,000	221,500
8.000%, due 08/07/19(6)		250,000	276,875
Total Indonesia corporate bonds			5,373,755
Kazakhstan—0.51%			

CenterCredit International BV, 8.250%, due 09/30/11[(2)]	KZT	220,000,000	1,472,275
Malaysia3.40%			
Johor Corp., 1.000%, due 07/31/12[(2)]	MYR	26,970,000	9,908,902
Mexico0.32%			
Hipotecaria Su Casita SA, 8.500%, due 10/04/16[(2),(3),(6)]	$	1,145,000	933,175

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Global High Income Fund Inc.

Portfolio of investments—April 30, 2010 (unaudited)

Security description	Face amount	Value
Bonds—(continued)		
Corporate bonds—(concluded)		
Netherlands—0.42%		
KazMunaiGaz Finance Sub BV, 7.000%, due 05/05/20[(1)]	$ 1,250,000	$ 1,237,634
Philippines—1.00%		
National Power Corp., 9.625%, due 05/15/28	$ 2,360,000	2,914,600
Russia—0.95%		
RSHB Capital SA for OJSC Russian Agricultural Bank, 7.125%, due 01/14/14[(1)]	$ 300,000	326,250
7.750%, due 05/29/18[(6)]	1,600,000	1,824,000
9.000%, due 06/11/14[(1)]	550,000	628,760
Total Russia corporate bonds		2,779,010
South Korea—0.82%		
Export-Import Bank of Korea, 5.875%, due 01/14/15	$ 500,000	539,820
Korea Expressway Corp., 4.500%, due 03/23/15[(1)]	1,800,000	1,852,132
Total South Korea corporate bonds		2,391,952
United Arab Emirates—1.47%		
Abu Dhabi National Energy Co., 4.750%, due 09/15/14[(1)]	$ 3,100,000	3,103,875
6.500%, due 10/27/36[(1)]	1,150,000	1,076,975
6.500%, due 10/27/36[(6)]	100,000	93,650
Total United Arab Emirates corporate bonds		4,274,500
United States—0.70%		
Pemex Project Funding Master Trust, 5.750%, due 03/01/18	$ 1,700,000	