

NEW AMERICA HIGH INCOME FUND INC  
Form N-CSR  
March 08, 2004

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act File No. 811-5399  
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THE NEW AMERICA HIGH INCOME FUND, INC.  
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(Exact Name of Registrant as Specified in Charter)

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

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

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

Date of fiscal year end: December 31

Date of reporting period: July 1, 2003 to December 31, 2003

ITEM 1. REPORTS TO STOCKHOLDERS.

THE NEW  
AMERICA  
HIGH INCOME  
FUND, INC.

[NEW AMERICA HIGH INCOME FUND LOGO]

ANNUAL  
REPORT  
DECEMBER 31, 2003

February 6, 2003

DEAR FELLOW SHAREHOLDER,

What a difference a year makes to the Fund's shareholders:

- The Fund's total return, based on net asset value plus dividends, was 28.6% for the year.
- The Fund's total return, based upon market price plus dividends, was 19.2%

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for the year.

- The Fund's net asset value per share increased 15.9%, from \$1.89 to \$2.19, during 2003. The price of the Fund's shares rose from \$2.01 to \$2.16 over the period.
- Shareholders who bought shares in the August 2003 rights offering had a 13.1% total return on the shares purchased in the offering from the date the new shares were issued through year-end.
- Dividends of \$.0175 were paid each month, which is also the current target for dividends going forward (subject to market conditions and portfolio performance). At year-end, the annualized dividend, based on a market price of \$2.16 and the current monthly dividend of \$.0175, was 9.7%.

These results reflect a series of major changes which occurred during the year, some of which were under the Board of Directors' control and others which were not. We are unable to control the high yield bond market, which for the first year since 1999 had a positive total return. During the period 1998 - 2002, high yield bond investors suffered the longest (four out of five years) bear market in the history of the high yield bond market. The condition of the high yield bond market improved dramatically in 2003, as discussed in detail below. However, the Board does have some control over the Fund's capital structure. We offered shareholders an opportunity to take advantage of the strong high yield market by issuing rights to subscribe for additional shares at an attractive price and raised an additional \$41 million in equity.

Subsequently, the Fund issued \$30 million of additional Auction Term Preferred Stock (the "ATP") with the aim of restoring the Fund's leverage to its approximate level prior to the rights offering. As our shareholders know, the leverage is an important contributor to the Fund's dividend stream. The leverage also exaggerates the impact of the market's price movements on the Fund's net asset value. The Fund benefited from the leverage in 2003, a year in which the high yield market performed very well. This was a welcome change from the negative impact of the leverage on the Fund's shares in recent years when the high yield market performed poorly.

The Fund's new portfolio manager, T. Rowe Price Associates (the "Adviser"), completed the restructuring of the Fund's portfolio discussed in prior reports and invested the new funds from the 2003 offerings without reducing the Fund's common dividend. The Adviser has worked to diversify the Fund's portfolio, which we hope will make its performance somewhat more stable throughout the high yield market cycle.

We believe that as a result of the rights offering and other measures it has undertaken, the Fund should have a lower expense ratio going forward than it did in 2003. The portfolio is currently earning enough income to maintain the monthly dividend at its recent level of \$.0175 per share. While the Board has currently targeted a monthly dividend of \$.0175 per share, market conditions and actual portfolio results will determine what is paid.

Like you, the Board has read with a sense of shock the news reports about unethical and illegal activities at some mutual fund companies. During this time of scandal in the mutual fund industry it is important to remember that as a closed end fund, our shares are traded on a stock exchange, so the Fund cannot have the problem of shareholders trading after a 4 p.m. pricing deadline. Shareholders who attempt to profit by rapid-fire trading of the Fund's shares have no direct impact on the Fund's portfolio management because their trades are with other

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market participants, not the Fund. In addition, each member of the Board of Directors is a shareholder of the Fund. The Fund enjoys a degree of independence from the Adviser that is extremely unusual in the industry because the entire Board is completely financially independent of the Fund's Adviser. The Adviser has no representation whatsoever on the Board. The Board's independence from the Fund's investment adviser was demonstrated by the Board's action to change the Fund's investment adviser in December 2002.

T. Rowe Price's discussion of the condition of the high yield bond market and its strategy are below.

### HIGH YIELD MARKET UPDATE

The high yield market ended its second best year ever with impressive fourth quarter returns. The intensity of the year-long rally left the asset class with the lowest yield in its history, tempting managers to continue dipping lower in credit quality to preserve their income streams. Cautious optimism has been replaced by a general sense of euphoria, and risk taking is back in vogue again. In spite of valuations that grew increasingly rich, investors continued to bid up the prices of non-investment grade bonds to record levels. As a result, the high yield market in 2003 generated more return from capital appreciation than income.

Our increasingly cautious outlook on the market's absolute valuation is tempered by what we believe is an ideal macro environment for high yield companies and the relative appeal of high yield bonds against other fixed income sectors. The credit cycle continues to improve significantly, and defaults should not be a major problem for the asset class in 2004. We see productivity gains, the overall corporate profit outlook, a healthier stock market, low interest rates and fiscal stimulus as all positive factors for highly indebted companies. High yield bond market cycles tend to last longer than one year, implying that the first half of 2004 should remain constructive. We also base this outlook on the assumption that interest rates may remain low in the near term because of the weak employment picture in the United States.

### STRATEGY REVIEW

Our belief that there is a low probability of significant capital appreciation in the high yield market in 2004 necessitated a shift in overall strategy from a year ago. We anticipate that coupon clipping will be the primary driver of total return and that reinvestment risk of callable debt will challenge high yield managers. The overall yield of the high yield bond market at year-end stood at approximately 7.5% as measured by the J.P. Morgan Global High Yield Bond Index, and is lower already because of a strong January effect. Higher quality BB-rated bonds have dropped to a 5.8% average yield and carry significant interest rate risk. Meanwhile, most lower-rated companies in the portfolio have continued to exhibit improving operating fundamentals, and their bonds still offer low double-digit income. These factors lead us to maintain healthy weightings in the lower middle (B) and bottom credit tiers (CCC) of the market, subject to the Fund's portfolio investment restrictions related to maintaining the AAA rating on the Fund's ATP. We also expect meaningful upgrade activity in this lower rated basket of the portfolio throughout the year.

Sector themes are currently much harder to discern, with most of our industries trading at yields tightly clustered around the market average. We continued to increase our exposure in utilities in the last three months of the year because we see more balance sheet repair on the horizon. Telecommunications looks attractive for the same reason, but we have reached our maximum targeted exposures in both sectors. Both industries include a number of rising stars which should regain investment grade status during the next two years. For example, Nextel remains one of our largest positions, but its bonds now yield 5.5%. In our last report, we lamented Nextel's 7% yield.

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We also note that with the high yield bond market yielding approximately 7.3%, as measured by the J.P. Morgan Global High Yield Bond Index, and prices at record levels, credit mistakes will hurt performance much more than in 2003. Traditional credit disciplines mattered less last year than in the bear market of 1998 to 2002. This trend will not continue indefinitely, because the market already is witnessing the underwriting of speculative transactions at a disturbing pace. We are gratified by the performance achieved last year, but we remain committed to preserving those gains when the high yield market eventually turns south.

Thank you for your continued interest in the Fund.

Sincerely,

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

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

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

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The New America High Income Fund, Inc.

SCHEDULE OF INVESTMENTS -- DECEMBER 31, 2003 (Dollar Amounts in Thousands)

PRINCIPAL AMOUNT/UNITS	MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
-----		
CORPORATE DEBT SECURITIES -- 155.26% (d)		
AEROSPACE AND DEFENSE -- 3.67%		
\$ 850	Aviall, Inc., Senior Notes, 7.625%, 07/01/11	\$ 884
2,500	GenCorp, Inc., Senior Subordinated Notes, 9.50%, 08/15/13 (g)	2,600
600	Sequa Corporation, Senior Notes, 9%, 08/01/09	660
650	Transdigm, Inc., Senior Subordinated Notes, 8.375%, 07/15/11	657
2,650	Vought Aircraft Industries, Inc., Senior Notes, 8%, 07/15/11 (g)	2,703
		----- 7,504 -----

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AUTOMOBILE -- 3.06%

125	Accuride Corporation, Senior Subordinated Notes, 9.25%, 02/01/08	Caa1	129
700	Ashbury Automotive Group, Inc., Senior Subordinated Notes, 8%, 03/15/14 (g)	B3	704
365	Cummins, Inc., Senior Notes, 10.25%, 12/01/10 (g)	Ba2	421
50	Dana Corporation, Notes, 7%, 03/15/28	Ba3	50
420	Dana Corporation, Notes, 7%, 03/01/29	Ba3	416
50	Dana Corporation, Senior Notes, 9%, 08/15/11	Ba3	60
175	Dura Operating Corporation, Senior Subordinated Notes, 9%, 05/01/09	B2	175
850	HLI Operating Company Inc., Senior Notes, 10.50%, 06/15/10	B1	977
1,325	TRW Automotive Inc., Senior Notes, 9.375%, 02/15/13	B1	1,517
1,525	TRW Automotive Inc., Senior Subordinated Notes, 11%, 02/15/13	B2	1,807
			-----
			6,256
			-----

BEVERAGE, FOOD AND TOBACCO -- 4.23%

281	Agrilink Foods, Inc., Senior Subordinated Notes, 11.875%, 11/01/08	B3	296
1,200	B&G Foods, Inc., Senior Subordinated Notes, 9.625%, 08/01/07	B3	1,242
\$ 1,125	DIMON Incorporated, Senior Notes, 9.625%, 10/15/11	Ba3	\$ 1,257
400	Dole Food Company, Inc., Senior Notes, 8.625%, 05/01/09	B2	439
1,175	Dole Food Company, Inc., Senior Notes, 8.875%, 03/15/11	B2	1,284
150	Domino's, Inc., Senior Subordinated Notes, 8.25%, 07/01/11 (g)	B3	162
1,975	Le-Nature's, Inc., Senior Subordinated Notes, 9.50%, 06/15/13 (g)	B3	2,064
575	Luigino's Inc., Senior Subordinated Notes, 10%, 02/01/06	B3	594
775	Pinnacle Foods Holding Corporation, Senior Subordinated Notes, 8.25%, 12/01/13 (g)	B3	790
525	Premium Standard Farms, Inc., Senior Notes, 9.25%, 06/15/11	B1	530
			-----
			8,658
			-----

BROADCASTING AND ENTERTAINMENT -- 11.62%

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1,450	CCO Holdings, LLC, Senior Notes, 8.75%, 11/15/13 (g)	B3	1,475
1,675	Charter Communications Holdings II, 10.25%, 09/15/10 (g)	Caa1	1,755
100	Charter Communications Holdings, LLC, Senior Notes, 10%, 04/01/09	Ca	89
100	Charter Communications Holdings, LLC, Senior Notes, 10.75%, 10/01/09	Ca	92
1,875	Charter Communications Holdings, LLC, Senior Notes, 11.125%, 01/15/11	Ca	1,716
2,500	Comcast Cable Communications, Inc., Notes, 6.75%, 01/30/11	Baa3	2,779
2,550	CSC Holdings, Inc., Senior Notes, 7.625%, 04/01/11	B1	2,677
50	CSC Holdings, Inc., Senior Notes, 7.875%, 12/15/07	B1	53
750	DIRECTV Holdings LLC, Senior Notes, 8.375%, 03/15/13	B1	870
644	Echostar DBS Corporation, Senior Notes, 9.125%, 01/15/09	Ba3	720

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
-----			
CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 375	Echostar DBS Corporation, Senior Notes, 10.375%, 10/01/07	Ba3	\$ 412
350	Granite Broadcasting Corporation, Senior Secured Notes, 9.75%, 12/01/10 (g)	B3	347
375	Insight Midwest, L.P., Senior Notes, 9.75%, 10/01/09	B2	396
750	Insight Midwest, L.P., Senior Notes, 10.50%, 11/01/10	B2	814
1,025	Mediacom Broadband LLC, Senior Notes, 11%, 07/15/13	B2	1,148
475	Paxson Communications Corp. Senior Subordinated Notes, 10.75%, 07/15/08	Caa1	513
2,350	Quebecor Media Inc., Senior Notes, 11.125%, 07/15/11	B2	2,720
500	Spanish Broadcasting System, Inc., Senior Subordinated Notes, 9.625%, 11/01/09	Caa1	534
1,915	Vivendi Universal, S.A., Senior Notes, 9.25%, 04/15/10 (g)	B1	2,260

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800	XM Satellite Radio Inc., Senior Secured Notes, 12%, 06/15/10	Caa1	906
1,400	Young Broadcasting, Inc., Senior Subordinated Notes, 10%, 03/01/11	Caa1	1,505
			-----
			23,781
			-----
BUILDING AND REAL ESTATE -- 7.03%			
1,550	Associated Materials, Inc., Senior Subordinated Notes, 9.75%, 04/15/12	B3	1,697
1,050	Collins & Aikman Floorcoverings, Inc., Senior Subordinated Notes, 9.75%, 02/15/10	B2	1,124
50	D.R. Horton, Inc., Senior Notes, 8.50%, 04/15/12	Ba1	57
775	Interface, Incorporated, Senior Notes, 7.30%, 04/01/08	Caa1	740
750	LNR Property Corporation, Senior Notes, 7.25%, 10/15/13 (g)	Ba3	763
425	LNR Property Corporation, Senior Subordinated Notes, 7.625%, 07/15/13	Ba3	446
\$ 775	Mobile Mini, Inc., Senior Notes, 9.50%, 07/01/13	B2	\$ 854
850	Norcroft Companies, L.P., Senior Subordinated Notes, 9%, 11/01/11 (g)	B3	910
1,600	Shaw Group, Inc., Senior Notes, 10.75%, 03/15/10 (g)	Ba2	1,696
2,000	Standard Pacific Corp., Senior Notes, 8%, 02/15/08	Ba2	2,055
725	Texas Industries, Inc., Senior Notes, 10.25%, 06/15/11	B1	814
400	Wackenhut Corrections Corporation, Senior Notes, 8.25%, 07/15/13	B1	426
675	WCI Communities, Inc., Senior Subordinated Notes, 9.125%, 05/01/12	Ba3	744
975	WCI Communities, Inc., Senior Subordinated Notes, 10.625%, 02/15/11	Ba3	1,099
250	Williams Scotsman, Inc., Senior Notes, 9.875%, 06/01/07	B3	252
650	Williams Scotsman, Inc., Senior Secured Notes, 10%, 08/15/08	B2	718
			-----
			14,395
			-----
CHEMICALS, PLASTICS AND RUBBER -- 6.92%			
975	ARCO Chemical Company, Debentures, 9.80%, 02/01/20	B1	980
1,850	Avecia Group plc, Senior Notes, 11%, 07/01/09	Caa1	1,665
1,650	Compass Minerals Group, Inc.,		

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	Senior Subordinated Notes, 10%, 08/15/11	B3	1,848
300	Equistar Chemicals, LP, Senior Notes, 10.625%, 05/01/11	B2	330
1,125	Ethyl Corporation, Senior Notes, 8.875%, 05/01/10	B2	1,204
625	Huntsman Advanced Materials LLC, Senior Secured Notes, 11%, 07/15/10 (g)	B2	691
600	Huntsman International LLC, Senior Notes, 9.875%, 03/01/09	B3	657

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
-----			
CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 250	Huntsman International LLC, Senior Subordinated Notes, 10.125%, 07/01/09	Caa1	\$ 259
1,050	Koppers Inc., Senior Secured Notes, 9.875%, 10/15/13 (g)	B2	1,160
500	Lyondell Chemical Company, Senior Notes, 9.50%, 12/15/08	B1	527
500	Nalco Company, Senior Notes, 7.75%, 11/15/11 (g)	B2	535
625	Omnova Solutions, Inc., Senior Notes, 11.25%, 06/01/10 (g)	B2	694
525	PolyOne Corporation, Senior Notes, 10.625%, 05/15/10	B3	528
820	Resolution Performance Products, LLC, Senior Secured Notes, 9.50%, 04/15/10	B3	838
1,500	Rhodia S.A., Senior Subordinated Notes, 8.875%, 06/01/11 (g)	B3	1,380
775	Rockwood Specialities Group, Inc., Senior Subordinated Notes, 10.625%, 05/15/11 (g)	B3	862
			-----
			14,158
			-----
CONTAINERS, PACKAGING AND GLASS -- 13.07%			
700	AEP Industries, Inc., Senior Subordinated Notes, 9.875%, 11/15/07	B3	703
2,150	Ainsworth Lumber Co. Ltd., Senior Secured Notes, 12.50%, 07/15/07	B3	2,505
350	Boise Cascade Corporation,		



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	Senior Notes, 7%, 11/01/13	Ba2		366
1,200	Bway Corporation, Senior Subordinated Notes, 10%, 10/15/10	B3		1,308
575	Constar International, Inc. Senior Subordinated Notes, 11%, 12/01/12	Caa1		471
1,250	Crown Cork & Seal Company, Inc. Euroco, Senior Secured Notes, 9.50%, 03/01/11	B1		1,412
1,725	Crown Cork & Seal Company, Inc. Euroco, Senior Secured Notes, 10.875%, 03/01/13	B2		2,018
\$ 500	Georgia-Pacific Corporation, Senior Debentures, 9.875%, 11/01/21	Ba3	\$	522
500	Georgia-Pacific Corporation, Senior Notes, 8.875%, 02/01/10	Ba2		573
1,975	Georgia-Pacific Corporation, Senior Notes, 9.375%, 02/01/13	Ba2		2,271
450	Graphic Packaging International, Inc., Senior Notes, 8.50%, 08/15/11 (g)	B2		497
350	Greif Brothers Corporation, Senior Subordinated Notes, 8.875%, 08/1/12	B2		383
750	Jefferson Smurfit Corporation, Senior Notes, 7.50%, 06/01/13	B2		784
1,425	Longview Fibre Company, Senior Subordinated Notes, 10%, 01/15/09	B2		1,568
1,535	MDP Acquisitions PLC, Senior Notes, 9.625%, 10/01/12	B2		1,719
350	MDP Acquisitions PLC, Subordinated Notes, 15.50%, 10/01/13 (i)	B3		406
550	Owens-Brockway Glass Container, Inc., Senior Notes, 8.25%, 05/15/13	B2		590
350	Owens-Brockway Glass Container, Inc., Senior Secured Notes, 7.75%, 05/15/11	B1		375
175	Owens-Brockway Glass Container, Inc., Senior Secured Notes, 8.75%, 11/15/12	B1		195
2,000	Owens-Brockway Glass Container, Inc., Senior Secured Notes, 8.875%, 02/15/09	B1		2,185
1,700	Plastipak Holdings, Inc., Senior Notes, 10.75%, 09/01/11	B3		1,887
1,600	Potlatch Corporation, Senior Subordinated Notes, 10%, 07/15/11	Ba1		1,792
375	Silgan Holdings, Inc., Senior Subordinated Notes, 6.75%, 11/15/13 (g)	B1		375
550	Smurfit Capital, Guaranteed Notes, 6.75%, 11/20/05	Ba3		569
100	Stone Container Corporation, Senior Notes, 9.75%, 02/01/11	B2		110

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part of these financial statements.

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
-----			
CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 350	Stone Container Finance Company of Canada, Senior Notes, 11.50%, 08/15/06 (g)	B2	\$ 371
775	Tekni-Plex, Inc., Senior Notes, 8.75%, 11/15/13 (g)	B2	806
			-----
			26,761
			-----
DIVERSIFIED/CONGLOMERATE MANUFACTURING -- 4.02%			
875	Actuant Financial Corporation, Senior Subordinated Notes, 13%, 05/01/09	B2	1,138
275	AGCO Corporation, Senior Notes, 9.50%, 05/01/08	Ba3	300
650	Case New Holland, Inc., Senior Notes, 9.25%, 08/01/11 (g)	Ba3	728
500	Columbus McKinnon Corporation, Senior Subordinated Notes, 8.50%, 04/01/08	Caa1	468
600	General Cable Corporation, Senior Notes, 9.50%, 11/15/10 (g)	B2	641
550	Manitowoc, Incorporated, Senior Notes, 7.125%, 11/01/13	B1	567
1,150	National Waterworks, Inc., Senior Subordinated Notes, 10.50%, 12/01/12	B3	1,285
1,350	Rexnord Corp., Senior Subordinated Notes, 10.125%, 12/15/12	B3	1,485
1,550	Trimas Corp., Senior Subordinated Notes, 9.875%, 06/15/12	B3	1,620
			-----
			8,232
			-----
DIVERSIFIED/CONGLOMERATE SERVICE -- 1.86%			
975	Brand Services, Inc., Senior Subordinated Notes, 12%, 10/15/12	B3	1,126
1,225	Brickman Group LTD, Senior Subordinated Notes, 11.75%, 12/15/09	B2	1,427
1,150	Coinmach Corporation, Senior Notes, 9%, 02/01/10	B2	1,248
			-----
			3,801
			-----

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ECOLOGICAL -- 2.23%			
	550	Allied Waste North America, Inc., Senior Secured Notes, 7.875%, 04/15/13	Ba3 595
\$	1,225	Casella Waste Systems, Inc., Senior Subordinated Notes, 9.75%, 02/01/13	B3 \$ 1,372
	825	IESI Corporation, Senior Subordinated Notes, 10.25%, 06/15/12	B3 916
	1,550	Synagro Technologies, Inc., Senior Subordinated Notes, 9.50%, 04/01/09	B3 1,693
			----- 4,576 -----
ELECTRONICS -- 3.84%			
	325	AMI Semiconductor, Inc., Senior Subordinated Notes, 10.75%, 02/01/13	B3 387
	825	Amkor Technology, Inc., Senior Notes, 7.75%, 05/15/13	B1 883
	825	Avaya Inc., Senior Secured Notes, 11.125%, 04/01/09	B2 957
	750	Chippac International Ltd., Senior Subordinated Notes, Series B, 12.75%, 08/01/09	B3 827
	875	Fairchild Semiconductor Corp., Senior Subordinated Notes, 10.50%, 02/01/09	B2 976
	375	Lucent Technologies, Inc., Senior Notes, 5.50%, 11/15/08	Caa1 347
	1,350	ON Semiconductor Corporation, Senior Secured Notes, 12%, 03/15/10	B3 1,606
	575	ON Semiconductor Corporation, Senior Secured Notes, 13%, 05/15/08	Caa1 667
	600	Sanmina Scientific Corporation, Senior Secured Notes, 10.375%, 01/15/10	Ba2 702
	250	Stratus Technologies, Inc., Senior Notes, 10.375%, 12/01/08 (g)	B3 265
	225	Telex Communications, Inc., Senior Notes, 11.50%, 10/15/08 (g)	B3 239
			----- 7,856 -----
FINANCE -- 4.06%			
	2,500	Ford Motor Credit Company, Senior Notes, 7.375%, 02/01/11	A3 2,711

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
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CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 2,500	General Motors Acceptance Corporation, Senior Notes, 6.875%, 09/15/11	A3	\$ 2,691
2,500	Sprint Capital Corporation, Senior Notes, 8.375%, 03/15/12	Baa3	2,912
			----- 8,314 -----
FURNISHINGS, HOUSEWARES, DURABLE CONSUMER PRODUCTS -- .32%			
625	Sealy Mattress Company, Senior Subordinated Notes, 9.875%, 12/15/07	B3	648
-----			
FARMING AND AGRICULTURE -- .33%			
650	United Agri Products, Inc., Senior Notes, 8.25%, 12/15/11 (g)	B3	668
-----			
GROCERY STORES -- .83%			
500	Couche-Tard, Inc., Senior Subordinated Notes, 7.50%, 12/15/13 (g)	Ba3	526
1,125	The Pantry Inc., Senior Subordinated Notes, 10.25%, 10/15/07	B3	1,167
			----- 1,693 -----
HEALTHCARE, EDUCATION AND CHILDCARE -- 6.27%			
825	Alliance Imaging, Inc., Senior Subordinated Notes, 10.375%, 04/15/11	B3	870
825	Alpharma, Inc., Senior Notes, 8.625%, 05/01/11 (g)	B3	837
900	Ameripath, Inc. Senior Subordinated Notes, 10.50%, 04/01/13	B3	972
200	AmerisourceBergen Corporation, Senior Notes, 8.125%, 09/01/08	Ba3	226
700	Biovail Corporation, Senior Subordinated Notes, 7.875%, 04/01/10	B2	711
675	Concentra Operating Corporation, Senior Subordinated Notes, 9.50%, 08/15/10	B3	731
750	Concentra Operating Corporation, Senior Subordinated Notes, 9.50%, 08/15/10 (g)	B3	812
\$ 550	Concentra Operating Corporation, Senior Subordinated Notes, 13%, 08/15/09	B3	\$ 613

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391	Fisher Scientific International Inc., Senior Subordinated Notes, 8.125%, 05/01/12	B2	419
575	Fresenius Medical Care Capital Trust IV, 7.875%, 06/15/11	Ba2	615
875	Genesis Healthcare Corporation, Senior Subordinated Notes, 8%, 10/15/13 (g)	B3	906
675	InSight Health Services Corp., Senior Subordinated Notes, 9.875%, 11/01/11	B3	722
1,000	Omnicare, Inc., Senior Subordinated Notes, 8.125%, 03/15/11	Ba2	1,095
750	Quintiles Transnational Corporation, Senior Subordinated Notes, 10%, 10/01/13 (g)	B3	810
400	Tenet Healthcare Corporation, Senior Notes, 6.50%, 06/01/12	B1	383
1,150	Tenet Healthcare Corporation, Senior Notes, 7.375%, 02/01/13	B1	1,153
875	Vicar Operating, Inc., Senior Subordinated Notes, 9.875%, 12/01/09	B3	967
			----- 12,842 -----
HOTELS, MOTELS, INNS AND GAMING -- 10.64%			
975	Ameristar Casinos, Inc., Senior Subordinated Notes, 10.75%, 02/15/09	B2	1,121
1,125	Argosy Gaming Company, Senior Subordinated Notes, 10.75%, 06/01/09	B2	1,216
800	Chukansi Economic Development, Senior Notes, 14.50%, 06/15/09 (g)	(e)	960
575	Coast Hotels and Casinos, Inc., Senior Subordinated Notes, 9.50%, 04/01/09	B2	607
1,675	Courtyard Marriott II Ltd., Senior Secured Notes, 10.75%, 02/01/08	B2	1,683
50	Extended Stay America, Inc., Senior Subordinated Notes, 9.875%, 06/15/11	B2	56

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

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

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\$	550	Horseshoe Gaming Holding Corp., Senior Subordinated Notes, 8.625%, 05/15/09	B2	\$	582
	740	Host Marriott LP, Senior Notes, Series I, 9.50%, 01/15/07	Ba3		827
	600	Isle of Capri Casinos, Inc., Senior Subordinated Notes, 8.75%, 04/15/09	B2		630
	1,475	John Q. Hammons Hotels, LP, First Mortgage Notes, 8.875%, 05/15/12	B2		1,611
	775	La Quinta Properties, Inc., Senior Notes, 8.875%, 03/15/11	Ba3		854
	1,125	Majestic Star Casino, LLC, Senior Notes, 9.50%, 10/15/10 (g)	B2		1,153
	1,500	MGM Grand, Inc., Senior Notes, 6.875%, 02/06/08	Ba1		1,590
	1,100	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 8%, 04/01/12	Ba3		1,188
	425	Old Evangeline Downs, LLC, Senior Secured Notes, 13%, 03/01/10	(e)		455
	1,000	Park Place Entertainment Corp., Senior Subordinated Notes, 9.375%, 02/15/07	Ba2		1,132
	1,225	Penn National Gaming, Inc., Senior Subordinated Notes, 11.125%, 03/01/08	B3		1,380
	1,350	Pinnacle Entertainment, Inc., Senior Subordinated Notes, 9.25%, 02/15/07	Caa1		1,394
	75	Resorts International Hotel and Casino, Inc., Senior Secured Notes, 11.50%, 03/15/09	B2		82
	1,200	Station Casinos, Inc., Senior Subordinated Notes, 9.875%, 07/01/10	B2		1,320
	575	Trump Casino Holdings, LLC, Senior Notes, 11.625%, 03/15/10	B3		555
	1,200	Venetian Casino Resort, LLC, 2nd Mortgage Notes, 11%, 06/15/10	B3		1,392
					----- 21,788 -----
INSURANCE -- .58%					
\$	1,125	Willis Corroon Corporation, Senior Subordinated Notes, 9%, 02/01/09	Ba2	\$	1,181
-----					
LEISURE, AMUSEMENT AND ENTERTAINMENT -- 4.20%					
	750	AMF Bowling Worldwide, Inc. Senior Subordinated Notes, 13%, 09/01/08	B3		848
	650	Bally Total Fitness Holding Corporation, Senior Notes, 10.50%, 07/15/11 (g)	B2		653
	675	Equinox Holdings, Inc., Senior			

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	Notes, 9%, 12/15/09 (g)	B3	702
975	The Hockey Company, Senior Secured Note Units, 11.25%, 04/15/09	B2	1,116
100	Six Flags Inc., Senior Notes, 8.875%, 02/01/10	B2	103
1,100	Six Flags Inc., Senior Notes, 9.50%, 02/01/09	B2	1,149
200	Six Flags Inc., Senior Notes, 9.625%, 06/1/14 (g)	B2	209
1,400	Six Flags Inc., Senior Notes, 9.75%, 04/15/13	B2	1,470
800	Town Sports International, Inc., Senior Notes, 9.625%, 04/15/11	B2	856
550	Universal City Development Partners, Ltd., Senior Notes, 11.75%, 04/01/10 (g)	B2	646
825	Worldspan, L.P., Senior Notes, 9.625%, 06/15/11 (g)	B2	847
			-----
			8,599
			-----
MINING, STEEL, IRON AND NON-PRECIOUS METALS -- 10.52%			
750	Arch Western Finance LLC, Senior Notes, 6.75%, 07/01/13 (g)	Ba2	769
2,230	Century Aluminum Company, 1st Mortgage Notes, 11.75%, 04/15/08	B1	2,486
850	CSN Islands VIII Corporation, Senior Notes, 9.75%, 12/16/13 (g)	B1	850
2,675	Earle M. Jorgensen Company, Senior Secured Notes, 9.75%, 06/01/12	B2	2,983

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
-----			
CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 700	Euramax Internanational, Inc., Senior Subordinated Notes, 8.50%, 08/15/11 (g)	B2	\$ 746
1,750	Gerdau Ameristeel Corporation, Senior Notes, 10.375%, 07/15/11 (g)	B2	1,969
150	Intermet Corporation, Senior Notes, 9.75%, 06/15/09	B2	155
1,175	IPSCO Inc., Senior Notes,		

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	8.75%, 06/01/13	Ba3		1,304
150	Joy Global Inc., Senior Subordinated Notes, 8.75%, 03/15/12	B2		167
725	Luscar Coal Ltd., Senior Notes, 9.75%, 10/15/11	Ba3		819
500	Neenah Foundry Company, Senior Notes, 11%, 09/30/10	B2		550
575	Neenah Foundry Company, Senior Subordinated Notes, 13%, 09/30/13 (g)	(e)		586
2,000	Peabody Energy Corporation, Senior Notes, 6.875%, 03/15/13	Ba3		2,110
2,400	Russell Metals, Inc., Units, Senior Notes, 10%, 06/01/09	B1		2,556
1,530	Steel Dynamics, Inc., Senior Notes, 9.50%, 03/15/09	B1		1,706
1,200	United States Steel Corporation, Senior Notes, 9.75%, 05/15/10	B1		1,362
1,100	Weirton Steel Corporation, Senior Secured Notes, 10%, 04/01/08 (a) (b)	(e)		418
				-----
				21,536
				-----
OIL AND GAS	-- 9.18%			
1,675	AmeriGas Partners, L.P., Senior Notes, 8.875%, 05/20/11	B2		1,843
225	ANR Pipeline Company, Senior Notes, 8.875%, 03/15/10	B1		253
875	Chesapeake Energy Corporation, Senior Notes, 9%, 08/15/12	Ba3		1,008
1,050	Compagnie Generale de Geophysique (CGG), Senior Notes, 10.625%, 11/15/07	Ba3		1,118
650	Dresser, Inc., Senior Notes, 9.375%, 04/15/11	B2		707
2,600	El Paso Corporation, Senior Notes, 7.75%, 01/15/32	Caa1		2,210
\$ 575	El Paso Corporation, Senior Notes, 7.80%, 08/1/31	Caa1	\$	489
125	El Paso Corporation, Senior Notes, 8.05%, 10/15/30	Caa1		109
150	Encore Acquisition Company, Senior Subordinated Notes, 8.375%, 06/15/12	B2		163
1,725	Ferrellgas Partners LP, Senior Notes, 8.75%, 06/15/12	B2		1,897
880	Magnum Hunter Resources, Inc., Senior Notes, 9.60%, 03/15/12	B2		999
750	North American Energy Partners, Senior Notes, 8.75%, 12/1/11 (g)	B2		789
200	Northwest Pipeline Corporation, Senior Notes, 8.125%, 03/01/10	B1		224
925	Petroleum Helicopters, Inc., Senior Notes, 9.375%, 05/1/09	B1		980
375	Southern Natural Gas Company, Senior Notes, 8.875%, 03/15/10	B1		421
825	Stone Energy Corporation, Senior Subordinated Notes, 8.25%, 12/15/11	B2		897
350	Swift Energy Company, Senior			



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	Subordinated Notes, 10.25%, 08/01/09	B3	380
1,000	Tom Brown, Inc., Units, Senior Subordinated Notes, 7.25%, 09/15/13	Ba3	1,057
925	Universal Compression, Inc., Senior Notes, 7.25%, 05/15/10	B1	962
275	Westport Resources Corporation, Senior Subordinated Notes, 8.25%, 11/01/11	Ba3	303
350	Williams Companies, Inc., Senior Notes, 7.625%, 07/15/19	B3	366
300	Williams Companies, Inc., Senior Notes, 7.75%, 06/15/31	B3	311
300	Williams Companies, Inc., Senior Notes, 8.125%, 03/15/12	B3	336
850	Williams Companies, Inc., Senior Notes, 8.625%, 06/1/10	B3	963
			-----
			18,785
			-----
PERSONAL, FOOD AND MISCELLANEOUS SERVICES -- .54%			
850	O'Charleys, Inc., Senior Subordinated Notes, 9%, 11/1/13 (g)	Ba3	854

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
-----			
CORPORATE DEBT SECURITIES -- CONTINUED			
\$ 250	Perkins Family Restaurants, L.P., Senior Notes, 10.125%, 12/15/07	B1	\$ 254
			-----
			1,108
			-----
PERSONAL NON-DURABLE CONSUMER PRODUCTS -- 3.82%			
675	American Achievement Corporation, Senior Notes, 11.625%, 01/01/07	B1	756
1,250	American Safety Razor Company, Senior Notes, 9.875%, 08/01/05	B3	1,238
650	Chattem, Inc., Senior Subordinated Notes, 8.875%, 04/1/08	B2	668
575	Commemorative Brands, Inc., Senior Subordinated Notes, 11%, 01/15/07	Caa1	586
2,125	Jostens, Inc., Senior Subordinated Notes, 12.75%, 05/01/10	B3	2,444
1,675	Rayovac Corporation, Senior		

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	Subordinated Notes,			
	8.50%, 10/01/13	B3		1,746
350	Salton, Inc., Senior Subordinated			
	Notes, 12.25%, 04/15/08	B3		382
				-----
				7,820
				-----
PERSONAL TRANSPORTATION -- 1.56%				
1,075	Laidlaw International, Incorporated,			
	Senior Notes, 10.75%, 06/15/11 (g)	B2		1,209
950	Northwest Airlines, Inc., Senior			
	Notes, 8.875%, 06/01/06	Caa1		865
975	TravelCenters of America, Inc.,			
	Senior Subordinated Notes,			
	12.75%, 05/01/09	B3		1,126
				-----
				3,200
				-----
PRINTING AND PUBLISHING -- 11.66%				
100	Advanstar Communications, Inc.,			
	Senior Notes, 10.75%,			
	08/15/10 (g)	B3		108
325	Advanstar Communications, Inc.,			
	Senior Subordinated Notes,			
	12%, 02/15/11	Caa2		342
500	American Media Operations, Inc.,			
	Senior Subordinated Notes,			
	10.25%, 05/01/09	B2		535
925	CanWest Media, Inc.,			
	Senior Subordinated Notes,			
	10.625%, 05/15/11	B2		1,055
\$ 150	CBD Media LLC, Senior			
	Subordinated Notes,			
	8.625%, 06/01/11 (g)	B3	\$	164
575	Dex Media East LLC,			
	Senior Notes, 9.875%, 11/15/09	B2		656
1,750	Dex Media East, LLC, Senior			
	Subordinated Notes,			
	12.125%, 11/15/12	B3		2,161
300	Dex Media, Inc., Senior Notes,			
	8%, 11/15/13 (g)	Caa1		317
950	Dex Media, Inc., Senior Discount			
	Notes, 9%, 11/15/13 (g) (h)	Caa1		667
800	Dex Media West LLC, Senior Notes,			
	8.50%, 08/15/10 (g)	B2		890
1,475	Dex Media West LLC, Senior Notes,			
	9.875%, 08/15/13 (g)	B3		1,715
2,245	R.H. Donnelley Inc.,			
	Senior Subordinated Notes,			
	10.875%, 12/15/12 (g)	B2		2,666
525	Hollinger International Publishing,			
	Inc., Senior Notes, 9%, 12/15/10	B2		557
950	Hollinger Participation Trust,			
	Senior Notes, 12.125%,			
	11/15/10 (g) (i)	B3		1,135
1,050	Houghton Mifflin Company,			
	Senior Subordinated Notes,			
	9.875%, 02/01/13	B3		1,155
925	Liberty Group Operating, Inc.,			
	Senior Subordinated Notes,			

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	9.375%, 02/01/08	Caa1	934
1,610	Mail-Well I Corp., Senior Notes, 9.625%, 03/15/12	B1	1,787
625	Primedia, Inc., Senior Notes, 7.625%, 04/1/08	B3	633
1,525	Transwestern Publishing Company, L.C.C., Senior Subordinated Notes, 9.625%, 11/15/07	B2	1,578
2,050	Vertis, Inc., Senior Secured Notes, 9.75%, 04/01/09	B2	2224
325	Vertis, Inc., Senior Secured Notes, 13.50%, 12/7/09 (g)	Caa1	319
2,150	Von Hoffman Corp., Senior Notes, 10.25%, 03/15/09	B2	2,279
			-----
			23,877
			-----

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
-----			
CORPORATE DEBT SECURITIES -- CONTINUED			
RETAIL STORES -- 1.12%			
\$ 950	Barneys, Incorporated, Senior Notes, 9%, 04/01/08	B3	\$ 912
575	Dillard's Inc., Senior Notes, 6.875%, 06/01/05	B2	592
275	Dollar Financial Group, Inc., Senior Notes, 9.75%, 11/15/11 (g)	B3	285
225	J.Crew Intermediate, LLC, Senior Discount Notes, 16%, 05/15/08 (h)	(e)	181
325	J. Crew Operating Corporation, Senior Subordinated Notes, 10.375%, 10/15/07	Caa3	335
			-----
			2,305
			-----
TELECOMMUNICATIONS -- 13.79%			
1,225	ACC Escrow Corp., Senior Notes, 10%, 08/01/11 (g)	B2	1,360
1,247	Alamosa (Delaware) Inc., Senior Notes, 11%, 07/31/10	Caa2	1,347
1,050	Alaska Communications System Holdings, Inc., Senior Notes, 9.875%, 08/15/11 (g)	B2	1,103
350	Centennial Cellular Operating		

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	Company, L.L.C., Senior Notes, 10.125%, 06/15/13	Caa1		385
800	Cincinnati Bell, Inc., Senior Subordinated Notes, 8.375%, 01/15/14 (g)	B3		864
1,050	Dobson Communications Corporation, Senior Notes, 10.875%, 07/01/10	B3		1,142
1,675	Eircom Funding, plc, Senior Subordinated Notes, 8.25%, 08/15/13	B1		1,834
875	IPC Acquisition Corporation, Senior Subordinated Notes, 11.50%, 12/15/09	B3		958
900	LCI International, Inc., Senior Notes, 7.25%, 06/15/07	Caa1		882
625	Level 3 Communications, Inc., Senior Notes, 9.125%, 05/01/08	Caa2		572
1,400	Nextel Communications, Inc., Senior Notes, 6.875%, 10/31/13	B2		1,470
\$ 2,600	NEXTEL Communications, Inc., Senior Notes, 7.375%, 08/1/15	B2	\$	2,795
1,750	NEXTEL Communications, Inc., Senior Serial Notes, 9.50%, 02/01/11	B2		1,982
1,975	Pegasus Satellite Communications, Inc., Senior Notes, 11.25%, 01/15/10 (g)	Ca		1,817
900	Pegasus Satellite Communications, Inc., Senior Notes, 12.375%, 08/01/06	Ca		841
150	Pegasus Satellite Communications, Inc., Senior Notes, 12.50%, 08/01/07	Ca		140
175	Pegasus Satellite Communications, Inc., Senior Subordinated Discount Notes, 13.50%, 03/01/07 (h)	C		149
975	Qwest Corporation, Senior Notes, 9.125%, 03/15/12 (g)	Ba3		1,116
1,872	Qwest Services Corp., Senior Subordinated Notes, 13.50%, 12/15/10 (g)	(e)		2,274
775	Rogers Wireless Inc., Senior Secured Notes, 9.375%, 06/01/08	Ba3		810
525	Rogers Wireless Inc., Senior Secured Notes, 9.625%, 05/01/11	Ba3		623
450	Rogers Wireless Inc., Senior Subordinated Notes, 8.80%, 10/01/07	B2		462
200	TSI Telecommunications Services, Inc., Senior Subordinated Notes, 12.75%, 02/01/09	B3		220
1,275	US Unwired, Inc., Senior Subordinated Discount Notes, 13.375%, 11/01/09 (h)	Caa2		924
390	US West Capital Funding Inc., Notes, 6.375%, 07/15/08	Caa2		387
1,675	Western Wireless Corporation, Senior Notes, 9.25%, 07/15/13	Caa1		1,767

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28,224  
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TEXTILES AND LEATHER -- .44%

475 Anvil Knitwear, Incorporated,  
Senior Notes, 10.875%, 03/15/07 (e) 309

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

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
\$ 900	Avondale Mills, Inc., Senior Subordinated Notes, 10.25%, 07/01/13	B3	\$ 594
			----- 903 -----
UTILITIES -- 13.85%			
700	The AES Corporation, Senior Notes, 8.875%, 02/15/11	B3	763
725	The AES Corporation, Senior Notes, 9.375%, 09/15/10	B3	804
1,550	The AES Corporation, Senior Secured, 9%, 05/15/15 (g)	B2	1,752
1,600	Allegheny Energy Supply Company, LLC, Senior Notes, 7.80%, 03/15/11	B3	1,506
1,200	Allegheny Energy Supply Company, LLC, Senior Notes, 8.75%, 04/15/12 (g)	B3	1,151
25	Aquila, Inc., Senior Notes, 14.875%, 07/01/12	Caa1	34
1,125	Calpine Corporation, Senior Notes, 8.50%, 02/15/11	Caa1	886
925	Calpine Corporation, Senior Notes, 8.50% 07/15/10 (g)	(e)	897
875	Calpine Corporation, Senior Notes, 9.875%, 12/01/11 (g)	(e)	895
125	CMS Energy Corporation, Senior Notes, 8.50%, 04/15/11	B3	135
250	Dynegy Holdings, Inc., Senior Notes, 7.625%, 10/15/26	Caa2	214
425	Dynegy Holdings, Inc., Senior Notes, 8.75%, 02/15/12	Caa2	427
2,500	Dynegy Holdings, Inc., Senior Notes, 10.125%, 07/15/13 (g)	B3	2,881
950	Edison Mission Energy, Senior		

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	Notes, 9.875%, 04/15/11	B2	992
125	Edison Mission Energy, Senior		
	Notes, 10%, 08/15/08	B2	131
2,500	FirstEnergy Corporation, Senior		
	Notes, 6.45%, 11/15/11	Baa2	2,584
1,225	Illinois Power Company, Senior		
	Secured 1st Mortgage Bonds,		
	11.50%, 12/15/10	B3	1,482
\$ 675	Massey Energy Company, Senior		
	Notes, 6.625%, 11/15/10 (g)	Ba3	\$ 695
200	NGC Corporation, Senior Notes,		
	7.125%, 05/15/18	Caa2	171
1,075	NRG Energy, Inc., Senior Notes,		
	8%, 12/15/13	B2	1,130
1,650	Orion Power Holdings, Inc.,		
	Senior Notes, 12%, 05/01/10	B2	2,030
1,075	PSEG Energy Holdings, L.L.C.,		
	Senior Notes, 8.50%, 06/15/11	Ba3	1,192
175	PSEG Energy Holdings, L.L.C.,		
	Senior Notes, 10%, 10/01/09	Ba3	205
50	Reliant Resources, Inc., Senior		
	Secured Notes,		
	9.25%, 07/15/10 (g)	B1	54
1,575	Reliant Resources, Inc., Senior		
	Secured Notes,		
	9.50%, 07/15/13 (g)	B1	1,685
414	South Point Energy Center, LLC,		
	Senior Secured,		
	8.40%, 05/30/12 (g)	B2	396
1,450	South Point Energy Center, LLC,		
	Senior Secured,		
	9.825%, 05/30/19 (g)	B2	1,334
1,375	TNP Enterprises, Inc., Senior		
	Subordinated Notes,		
	10.25%, 04/01/10	Ba3	1,499
75	Utilicorp Canada Financial		
	Corp., Senior Notes,		
	7.625%, 11/15/09	Caa1	74
375	Utilicorp Canada Financial		
	Corp., Senior Notes,		
	7.75%, 6/15/11	Caa1	362
			-----
			28,361
			-----
	TOTAL CORPORATE DEBT SECURITIES		
	(Total cost of \$304,417)		317,830
			-----

SHARES

PREFERRED STOCK -- 3.73% (d)

BANKING -- 0.00%

57,935	WestFed Holdings, Inc.,		
	Cumulative, Series A, Preferred		
	Stock, 15.50% (a) (c) (f)	(e)	--
			-----

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PRINCIPAL AMOUNT/UNITS		MOODY'S RATING (UNAUDITED)	VALUE (NOTE 1(a))
-----			
PREFERRED STOCK -- CONTINUED			
BROADCASTING AND ENTERTAINMENT -- 2.36%			
2,825	CSC Holdings, Inc., Series H, Preferred Stock, 11.75% (f)	B2	\$ 297
43,300	CSC Holdings, Inc., Series M, Preferred Stock, 11.125% (f)	B2	4,546
			-----
			4,843
			-----
CHEMICALS, PLASTICS AND RUBBER -- .91%			
2,725	Hercules Trust II, Preferred Stock Unit, 6.50%.	Ba3	1,857
			-----
MINING, STEEL, IRON, NON-PRECIOUS METALS -- .01%			
18,000	Weirton Steel Corp., Series C Preferred Stock (a)(f)	(e)	16
			-----
TELECOMMUNICATIONS -- .45%			
1,150	Alamosa Holdings, Inc., Cumulative Preferred Stock, Series B, 7.50%	(e)	368
200	Dobson Communications Corporation, Senior Exchangeable Preferred Stock, 12.25%	(e)	213
325	Dobson Communications Corporation, Senior Exchangeable Preferred Stock, 12.25%	Caa2	345
			-----
			926
			-----
	TOTAL PREFERRED STOCK (Total cost of \$11,405)		7,642
			-----
COMMON STOCK AND WARRANTS -- 0.00% (d)			
950	Barneys, Inc., warrants exp. 2/1/08 (f)(g)		--
4,780	Mediq Inc. Common Stock (a)(c)(f)		--
27,474	WestFed Holdings, Inc., Common Stock (a)(c)(f)		--
10,052	WKI Holdings Common Stock Common Stock (c)(f)		--

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TOTAL COMMON STOCK			-----
(Total cost of \$4,890)			-----
SHORT-TERM INVESTMENTS -- 5.13% (d)			
\$	5,000	Alpine Securitization Corp., Commercial Paper, Due 01/12/04, Discount of 1.09%	P-1 \$ 4,998
	500	Atlantic Asset Securitization Corp., Commercial Paper, Due 01/05/04, Discount of 1.09%	P-1 500
	5,000	Preferred Receivables Funding Corp., Commercial Paper, Due 01/09/04, Discount of 1.08%	P-1 4,999
TOTAL SHORT-TERM INVESTMENTS			-----
(Total cost of \$10,497)			10,497
TOTAL INVESTMENTS			-----
(Total cost of \$331,209)			\$ 335,969
			=====

- (a) Denotes issuer is in bankruptcy proceedings.
- (b) Non-income producing security which is on non-accrual and/or has defaulted on interest payments.
- (c) Security is valued at fair value using methods determined by the Board of Directors. The total value of these securities at December 31, 2003 was \$0.
- (d) Percentages indicated are based on total net assets to common shareholders of \$204,705.
- (e) Not rated.
- (f) Non-income producing.
- (g) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold, normally to qualified institutional buyers in transactions exempt from registration. See Note 1(a) of the Notes to Financial Statements for valuation policy. Total market value of Rule 144A securities amounted to \$73,935 as of December 31, 2003.
- (h) Securities are step interest bonds. Interest on these bonds accrue based on the effective interest rate.
- (i) Security is a Pay-in-Kind bond. Income on this bond accrues based upon the effective interest rate.

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

The New America High Income Fund, Inc.



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ASSETS: (Dollars in thousands, except per share amounts)	
INVESTMENTS IN SECURITIES, at value (Identified cost of \$331,209 see Schedule of Investments and Notes 1 and 2)	\$ 335,969
RECEIVABLES:	
Investment securities sold	356
Interest and dividends	7,559
PREPAID EXPENSES	29
	-----
Total assets	\$ 343,913
	-----
LIABILITIES:	
PAYABLES:	
Investment securities purchased	\$ 1,375
Dividend on common stock	1,826
Dividend on preferred stock	55
Swap settlement payable	287
INTEREST RATE SWAP, at fair value (Note 6)	5,340
ACCRUED EXPENSES (Note 3)	261
OTHER PAYABLE	64
	-----
Total liabilities	\$ 9,208
	-----
AUCTION TERM PREFERRED STOCK:	
\$1.00 par value, 1,000,000 shares authorized, 5,200 shares issued and outstanding, liquidation preference of \$25,000 per share (Notes 4 and 5)	\$ 130,000
	-----
NET ASSETS	\$ 204,705
	=====
REPRESENTED BY:	
COMMON STOCK:	
\$0.01 par value, 200,000,000 shares authorized, 93,528,394 shares issued and outstanding	\$ 935
CAPITAL IN EXCESS OF PAR VALUE	380,989
UNDISTRIBUTED NET INVESTMENT INCOME (Note 2)	570
ACCUMULATED NET REALIZED LOSS FROM SECURITIES TRANSACTIONS (Note 2)	(177,209)
NET UNREALIZED DEPRECIATION ON INVESTMENTS AND INTEREST RATE SWAPS	(580)
	-----
NET ASSETS APPLICABLE TO COMMON STOCK (Equivalent to \$2.19 per share, based on 93,528,394 shares outstanding)	\$ 204,705
	=====
STATEMENT OF OPERATIONS	
FOR THE PERIOD ENDED	
DECEMBER 31, 2003	
INVESTMENT INCOME: (Note 1) (Dollars in thousands)	
Interest income	\$ 23,593
Other income	178
Dividend income	163

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Total investment income	\$ 23,934
-----	
EXPENSES:	
Cost of leverage:	
Preferred and auction fees (Note 5)	\$ 268
-----	
Total cost of leverage	\$ 268
-----	
Professional services expenses:	
Management fees (Note 3)	\$ 935
Legal fees (Note 8)	355
Custodian and transfer agent fees	282
Audit fees	84
-----	
Total professional services expenses	\$ 1,656
-----	
Administrative expenses:	
General administrative fees	\$ 440
Directors' fees	192
Shareholder meeting expenses	147
NYSE fees	64
Shareholder communications expense	51
Miscellaneous expenses	22
-----	
Total administrative expenses	\$ 916
-----	
Total expenses	\$ 2,840
-----	
Net investment income	\$ 21,094
-----	
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT ACTIVITIES:	
Realized loss on investments	\$ (122)
-----	
Net swap settlement disbursements (Note 6)	\$ (3,316)
-----	
Change in net unrealized depreciation on investments	\$ 31,146
Change in unrealized depreciation on interest rate swap agreement	1,428
-----	
Total change in net unrealized depreciation on investments and interest rate swap	\$ 32,574
-----	
Net gain on investments and interest rate swap	\$ 29,136
-----	
COST OF PREFERRED LEVERAGE	
Distributions to preferred stockholders	\$ (1,330)
-----	
Net increase in net assets resulting from operations	\$ 48,900
=====	

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

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FOR

FROM OPERATIONS: (Dollars in thousands, except per share amounts)

Net investment income  
 Realized loss on investments, net  
 Net swap settlement disbursements  
 Change in net unrealized depreciation on investments and other  
 financial instruments

Distributions from net investment income related to preferred stock

Dividends to preferred stockholders (\$313 and \$488 per preferred share in 2003 and  
 2002, respectively)

Net increase (decrease) in net assets resulting from operations

FROM FUND SHARE AND AUCTION TERM PREFERRED STOCK TRANSACTIONS:

Proceeds from rights offering (23,397,095 shares), net of \$817 of offering costs (Note 9)  
 Offering costs and sales load from sale of Auction Term Preferred Stock Series C (Note 4)  
 Net asset value of 583,146 shares and 1,215,044 shares issued to common  
 stockholders for reinvestment of dividends in 2003 and 2002, respectively

Increase in net assets resulting from fund share transactions

DISTRIBUTIONS TO COMMON STOCKHOLDERS:

From net investment income (\$.22 and \$.29 per share in 2003 and 2002,  
 respectively)

Total net increase (decrease) in net assets

NET ASSETS APPLICABLE TO COMMON STOCK:

Beginning of period

End of period (Including \$570 and \$351 of undistributed net investment  
 income at December 31, 2003 and December 31, 2002, respectively)

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

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The New America High Income Fund, Inc.

FINANCIAL HIGHLIGHTS

SELECTED PER SHARE DATA AND RATIOS

FOR EACH SHARE OF COMMON STOCK OUTSTANDING THROUGHOUT THE PERIOD

	FOR THE YEARS ENDED DECEMBER 31			
	2003 (b)	2002	2001 (c)	2000
	-----	-----	-----	-----
NET ASSET VALUE:				
Beginning of period	\$ 1.89	\$ 2.61	\$ 2.85	\$ 3.86
	-----	-----	-----	-----
NET INVESTMENT INCOME	.26#	.37	.48	.60

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NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS	.34	(.72)	(.24)	(1.00)
DISTRIBUTIONS FROM NET INVESTMENT INCOME RELATED TO PREFERRED STOCK:	(.06)	(.08)	(.12)	(.18)
TOTAL FROM INVESTMENT OPERATIONS	.54	(.43)	.12	(.58)
DISTRIBUTIONS TO COMMON SHAREHOLDERS: From net investment income	(.22)	(.29)	(.36)	(.43)
TOTAL DISTRIBUTIONS	(.22)	(.29)	(.36)	(.43)
Effect of rights offering and related expenses; and Auction Term Preferred Stock offering costs and sales load	(.02)	--	--	--
NET ASSET VALUE: End of period	\$ 2.19	\$ 1.89	\$ 2.61	\$ 2.85
PER SHARE MARKET VALUE: End of period	\$ 2.16	\$ 2.01	\$ 2.64	\$ 2.63
TOTAL INVESTMENT RETURN+	19.23%	(12.97)%	13.97%	(3.84)%

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

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	2003 (b)	2002	2001 (c)	2000
NET ASSETS, END OF PERIOD, APPLICABLE TO COMMON STOCK (a)	\$ 204,705	\$ 131,170	\$ 178,231	\$ 191,928
NET ASSETS, END OF PERIOD, APPLICABLE TO PREFERRED STOCK (a)	\$ 130,000	\$ 100,000	\$ 150,000	\$ 160,000
TOTAL NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK, END OF PERIOD (a)	\$ 334,705	\$ 231,170	\$ 328,231	\$ 351,928
EXPENSE RATIOS:				
Ratio of preferred and other leverage expenses to average net assets*	.16%	.18%	.17%	.19%
Ratio of operating expenses to average net assets*	1.56%	1.46%	1.11%	.99%
RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS*	1.72%	1.64%	1.28%	1.18%
RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS*	12.81%	16.48%	16.70%	17.46%
RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS APPLICABLE TO COMMON				

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AND PREFERRED STOCK	1.05%	.89%	.71%	.64%
RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK	7.79%	8.91%	9.23%	9.41%
PORTFOLIO TURNOVER RATE	120.47%	82.47%	38.89%	45.58%

- (a) Dollars in thousands.
- (b) The Fund issued Series D ATP on May 20, 1998 and additional shares of Series C ATP on October 17, 2003. The per share data and ratios for the years ended December 31, 1998 and December 31, 2003 reflect these transactions.
- (c) As required, effective January 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing discount and premium on debt securities. This had no effect on net investment income per share and a \$.01 increase to net realized and unrealized loss per share for the year ended December 31, 2001. The effect of this change increased the ratio of net investment income to average net assets from 16.29% to 16.70%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.
- \* Ratios calculated on the basis of expenses and net investment income applicable to the common shares relative to the average net assets of the common stockholders only. The expense ratio and net investment income ratio do not reflect the effect of dividend payments (including net swap settlement receipts/payments) to preferred stockholders.
- # Calculation is based on average shares outstanding during the indicated period due to the per share effect of the Fund's March 1998 and August, 2003 rights offerings.
- + Total investment return is calculated assuming a purchase of common stock at the current market value on the first day and a sale at the current market value on the last day of each year reported. Dividends and distributions are assumed for purposes of this calculation to be reinvested at prices obtained under the dividend reinvestment plan. This calculation does not reflect brokerage commissions.

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

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### INFORMATION REGARDING SENIOR SECURITIES

	2003	2002	AS OF DECEMBER 31,	
			2001	2000
TOTAL AMOUNT OUTSTANDING:				
Preferred Stock	\$ 130,000,000	\$ 100,000,000	\$ 150,000,000	\$ 160,000,000
ASSET COVERAGE:				
Per Preferred Stock Share (1)	\$ 64,366	\$ 57,793	\$ 54,705	\$ 54,900
INVOLUNTARY LIQUIDATION PREFERENCE:				
Preferred Stock Share (2)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
APPROXIMATE MARKET VALUE:				
Per Preferred Stock Share (2)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000

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- (1) Calculated by subtracting the Fund's total liabilities (not including the Preferred Stock) from the Fund's total assets and dividing such amount by the number of Preferred Shares outstanding.
- (2) Plus accumulated and unpaid dividends.

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

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The New America High Income Fund, Inc.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2003

#### (1) SIGNIFICANT ACCOUNTING AND OTHER POLICIES

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

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

See the schedule of investments for information on individual securities as well as industry diversification and credit quality ratings.

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

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

(a) VALUATION OF INVESTMENTS--Investments for which market quotations are readily available are stated at market value, which is determined by using the most recently quoted bid price provided by an independent pricing service or principal market maker. Independent pricing services provide market quotations based primarily on quotations from dealers and brokers, market transactions, accessing data from quotations services, offering sheets obtained from dealers and various relationships between securities. Short-term investments with

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original maturities of 60 days or less are stated at amortized cost, which approximates market value. Following procedures approved by the Board of Directors, investments for which market quotations are not readily available (primarily fixed-income corporate bonds and notes) are stated at fair value on the basis of subjective valuations furnished by securities dealers and brokers. Other investments, with a cost of approximately \$9,809,000 and a value of \$0, are valued in good faith at fair market value using methods determined by the Board of Directors.

(b) INTEREST AND DIVIDEND INCOME--Interest income is accrued on a daily basis. Discount on short-term investments is amortized to investment income. Premiums or discounts on corporate debt securities are amortized based on the interest method for financial reporting purposes. All income on original issue discount and step interest bonds is accrued based on the effective interest method for tax reporting purposes as required by federal income tax regulations. The Fund does not amortize market premiums or discounts for tax purposes. Dividend payments received in the

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form of additional securities are recorded on the ex-dividend date in an amount equal to the value of the security on such date.

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

(2) TAX MATTERS AND DISTRIBUTIONS

At December 31, 2003, the total cost of securities (including temporary cash investments) for federal income tax purposes was approximately \$331,320,000. Aggregate gross unrealized gain on securities in which there was an excess of value over tax cost was approximately \$17,018,000. Aggregate unrealized loss on securities in which there was an excess of tax cost over value was approximately \$12,369,000. Net unrealized gain on investments for tax purposes at December 31, 2003 was approximately \$4,649,000.

At December 31, 2003, the Fund had approximate capital loss carryovers available to offset future capital gains, if any, to the extent provided by regulations:

CARRYOVER AVAILABLE	EXPIRATION DATE
-----	-----
\$ 35,581,000	December 31, 2007
21,821,000	December 31, 2008
67,043,000	December 31, 2009
45,239,000	December 31, 2010
7,387,000	December 31, 2011
-----	
\$ 177,071,000	
=====	

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

The tax character of distributions paid to common and preferred shareholders

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of approximately \$18,782,000 in 2003 was from ordinary income.

As of December 31, 2003, the components of distributable earnings on a tax basis were approximately:

Undistributed Net Investment Income	\$	542,000
Undistributed Long-Term Gain		--
Unrealized Gain	\$	4,649,000
Capital Losses Carry Forward and Post October Losses Deferred	\$	(177,071,000)

The difference between components of distributable earnings on a tax basis and the amounts reflected in the Statement of Assets and Liabilities are primarily due to wash sales, accrued interest on defaulted bonds and amortization of swap termination payments.

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

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

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

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### (3) INVESTMENT ADVISORY AGREEMENT

T. Rowe Price Associates, Inc. (T. Rowe Price), the Fund's Investment Advisor, earned approximately \$935,000 in management fees during the year ended December 31, 2003. Management fees paid by the Fund to T. Rowe Price were calculated at 0.50% on the first \$50,000,000 of the Fund's average weekly net assets, 0.40% on the next \$50 million and 0.30% on average weekly net assets in excess of \$100 million. T. Rowe Price's fee is calculated based on assets attributable to the Fund's common and auction term preferred stock. At December 31, 2003, the fee payable to T. Rowe Price was approximately \$98,000, which was included in accrued expenses on the accompanying statement of assets and liabilities.

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

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

The Fund had 5,200 shares of ATP issued and outstanding at December 31, 2003. The ATP's dividends are cumulative at a rate determined at an auction, and dividend periods will typically be 28 days unless notice is given for periods to be longer or shorter than 28 days. Dividend rates ranged from 1.06% to 1.60% for



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the year ended December 31, 2003. The average dividend rate as of December 31, 2003 was 1.18%.

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

### (5) ATP AUCTION-RELATED MATTERS

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

After each auction, BTC as auction agent will pay to each broker-dealer, from funds provided by the Fund, a maximum service charge at the annual rate of 0.25 of 1% or such other percentage subsequently agreed to by the Fund and the broker-dealers, of the purchase price of shares placed by such broker-dealers at such auction. In the event an auction scheduled to occur on an auction date fails to occur for any reason, the broker-dealers will be entitled to service charges as if the auction had occurred and all holders of shares placed by them had submitted valid hold orders. The Fund incurred approximately \$242,000 for service charges through December 31, 2003. This amount is included under the caption preferred and auction fees in the accompanying statement of operations.

### (6) INTEREST RATE SWAPS

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

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at a variable rate determined with reference to one month LIBOR. The variable rates ranged from 1.10% to 1.44% for the year ended December 31, 2003. The effective date, notional amount, maturity and fixed rate of the swap is as follows:

EFFECTIVE DATE	NOTIONAL CONTRACT AMOUNT	MATURITY	FIXED ANNUAL RATE
10/1/01	\$100 million	10/1/06	4.50%

Swap transactions, which involve future settlement, give rise to credit risk. Credit risk is the amount of loss the Fund would incur in the event counterparties failed to perform according to the terms of the contractual commitments. In the event of nonperformance by the counterparty, the Fund's dividend payment obligation with respect to the ATP would no longer be partially hedged. Therefore, the ATP dividend would no longer be partially fixed. In an

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unfavorable interest rate environment, the Fund would be subject to higher net ATP dividend payments, resulting in less income available for the common share dividend. The Fund does not anticipate nonperformance by any counterparty. While notional contract amounts are used to express the volume of interest rate swap agreements, the amounts potentially subject to credit risk, in the event of nonperformance by counterparties, are substantially smaller.

The Fund recognizes all freestanding derivative instruments in the balance sheet as either assets or liabilities and measures them at fair value. Any change in the unrealized gain or loss is recorded in current earnings. For the year ended December 31, 2003, the Fund's obligations under the swap agreements were more than the amount received from Fleet by approximately \$3,316,000 and such amount is included in the accompanying statement of operations.

The estimated fair value of the interest rate swap agreement at December 31, 2003 amounted to approximately \$5,340,000 of unrealized loss and is presented in the accompanying balance sheet.

### (7) PURCHASES AND SALES OF SECURITIES

Purchases and proceeds of sales or maturities of long-term securities during the year ended December 31, 2003 were approximately:

Purchases of securities	\$ 374,439,000
Sales of securities	\$ 309,130,000

### (8) RELATED PARTY TRANSACTIONS

A partner of Goodwin Procter LLP, counsel to the Fund, serves as a Director of the Fund. Fees earned by Goodwin Procter LLP amounted to approximately \$916,000 for the year ended December 31, 2003. This total is broken out as follows:

Operations (Including change in investment advisor)	\$ 253,000
Rights offering	399,000
ATP Series C offering	264,000
	-----
	\$ 916,000
	=====

The Fund paid approximately \$272,000 during the year ended December 31, 2003 to two officers of the Fund for the provision of certain administrative services.

### (9) RIGHTS OFFERING

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

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and the nine preceding business days. On August 22, 2003 the Fund completed its rights offering. Proceeds of approximately \$42,349,000 and shares of 23,397,095 were recorded. In addition the deferred offering expense of approximately \$817,000 was netted against the rights offering proceeds.

### COMMON AND AUCTION TERM PREFERRED STOCK TRANSACTIONS

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

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

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### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of assets and liabilities of The New America High Income Fund, Inc., including the schedule of investments, as of December 31, 2003, the statement of operations for the year then ended and the statement of changes in net assets and financial highlights for the two years ended December 31, 2003. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial highlights for each of the years in the four-year period ended December 31, 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial highlights in their report dated February 1, 2002.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2003 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New America High Income Fund, Inc. as of December 31, 2003, the results of its operations, changes in its net assets and financial highlights for the periods indicated above, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Boston, Massachusetts  
February 2, 2004

DIRECTORS

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

OFFICERS

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

INVESTMENT ADVISOR

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

ADMINISTRATOR

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

CUSTODIAN

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

TRANSFER AGENT

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

INDEPENDENT PUBLIC ACCOUNTANTS

KPMG LLP  
 99 High Street  
 Boston, MA 02110

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

INFORMATION ABOUT THE FUND'S DIRECTORS AND OFFICERS

INDEPENDENT DIRECTORS

NAME, ADDRESS (1), AND	POSITION(S) HELD WITH	TERM OF OFFICE (2) AND LENGTH OF	PRINCIPAL OCCUPATION(S) DURING	NUMBER OF PORTFOLIOS IN FUND COMPLEX (3) OVERSEEN
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DATE OF BIRTH	FUND	TIME SERVED	PAST 5 YEARS	BY DIRECTOR
Joseph L. Bower DOB: 09/21/38	Director	Director since 1988	Professor, Harvard Business School since 1963 - as Donald K. David Professor of Business Administration since 1986, Senior Associate Dean, Chair of the Doctoral Programs, Chair of the General Management Area, and currently, Chair of the General Manager Program.	1
Bernard J. Korman DOB: 10/13/31	Director	Director since 1987	Chairman of the Board of Directors of Philadelphia Health Care Trust.	1

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

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NAME, ADDRESS(1), AND DATE OF BIRTH	POSITION(S) HELD WITH FUND	TERM OF OFFICE(2) AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX(3) OVERSEEN BY DIRECTOR
Ernest E. Monrad DOB: 5/30/30	Director	Director since 1988	Trustee since 1960 and Chairman of the Trustees from 1969 to May 2001 of Northeast Investors Trust; Chairman, Assistant	1

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Treasurer and a Director since 1981 of Northeast Investors Growth Fund; Director of Northeast Investment Management, Inc., Northeast Management & Research Co., Inc.

INTERESTED DIRECTORS AND OFFICERS

Robert F. Birch(4) DOB: 3/12/36	Director and President	Director since 1992	Mutual Fund Director	1	Di Hy th Fu
Richard E. Floor(5) DOB: 8/3/40	Director and Secretary	Director since 1987	Partner through his professional corporation with the law firm of Goodwin Procter LLP, Boston, Massachusetts	1	Di Af Gr

- (1) The address for each Director is c/o The New America High Income Fund, Inc., 33 Broad Street, Boston, MA 02109.
- (2) Each Director serves as such until the next annual meeting of the Fund's stockholders and until the Director's successor shall have been duly elected and qualified.
- (3) The New America High Income Fund, Inc. is not part of any fund complex.
- (4) As the Fund's President, Mr. Birch is an interested person of the Fund within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").
- (5) Mr. Floor is an interested person of the Fund within the meaning of the 1940 Act because, through his professional corporation, Mr. Floor is a partner of Goodwin Procter LLP, counsel to the Fund.

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

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

NEHCM-SA-03

ITEM 2. CODE OF ETHICS.

As of December 31, 2003, the Fund has adopted a code of ethics, as defined in Item 2 of Form N-CSR, that applies to its Principal Executive Officer, Principal Financial Officer/Chief Financial Officer, Principal Accounting Officer, Vice President, Treasurer and Manager of Accounting and Finance.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

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The Fund's Board of Directors has determined that none of the members of the Fund's Audit and Nominating Committee is an "audit committee financial expert" as that term is defined in the instructions to this Item. The Fund's Board of Directors has also determined that there is no need to appoint a Director to the Audit and Nominating Committee who qualifies as an "audit committee financial expert" at this time because the Board of Directors (a) has determined that each member of the Audit and Nominating Committee is "financially literate" and has "accounting or related financial management experience" as these terms are used in the corporate governance standards of the New York Stock Exchange and (b) believes that each has substantial experience relating to the review of financial statements and the operations of audit committees. Accordingly, the Board believes that the Audit and Nominating Committee members are qualified to evaluate the Fund's financial statements, supervise the Fund's preparation of its financial statements, and oversee the work of the Fund's independent auditors.

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

**AUDIT FEES.** For fiscal 2003 and 2002, the aggregate fees billed by KPMG LLP ("KPMG"), the Fund's independent public accountants, for audit of the Fund's annual financial statements, review of the semi-annual financial statements and assistance in connection with the Fund's filing of the registration statements totaled \$96,000 and \$48,500, respectively.

**AUDIT-RELATED FEES.** KPMG billed \$31,500 and \$26,000 for fiscal 2003 and 2002, respectively, for assurance and related services that are reasonably related to the performance of the audit and review of the Fund's financial statements, including quarterly agreed upon procedures related to requirements of the Fund's articles supplementary.

**TAX FEES.** During fiscal 2003, KPMG's fees for its professional services related to preparation of the Fund's federal and state tax returns, review of excise distributions, and testing of quarterly asset diversification totaled \$7,000. During fiscal 2002, KPMG's fees for its professional services related to preparation of the Fund's federal and state tax returns, review of excise distributions, and testing of quarterly asset diversification totaled \$6,000.

**ALL OTHER FEES.** KPMG did not provide any other services to the Fund in 2003 or 2002 other than those listed above.

The services described in the three preceding paragraphs, representing engagements entered into prior to the effective date of the SEC's pre-approval requirements, although not formally pre-approved, were reviewed by the Audit and Nominating Committee.

**NON-AUDIT FEES.** KPMG did not provide any other services to the Fund in 2003 or 2002 other than those listed above. KPMG's fees for non-audit services in fiscal 2003 billed to T. Rowe Price Group, Inc. ("Price Group") and its subsidiaries totaled \$852,200. KPMG's fees for non-audit services in fiscal 2002 billed to Price Group totaled \$372,490, other than fees billed for professional services rendered for the audit of the annual financial statements and the reviews of the financial statements included in Forms 10-Q. The Committee has considered and determined that the performance by KPMG of non-audit services to Price Group and its subsidiaries is compatible with maintaining that firm's independence in connection with serving as the Fund's independent public accountants.

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

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

ITEM 6.

[Reserved.]

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

### PROXY VOTING POLICIES AND PROCEDURES

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

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

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

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

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

FIDUCIARY CONSIDERATIONS. T. Rowe Price's decisions with respect to proxy issues are made in light of the anticipated impact of the issue on the desirability of investing in the portfolio company. Proxies are voted solely in the interests of the Fund or Fund stockholders. Practicalities involved with



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international investing may make it impossible at times, and at other times disadvantageous, to vote proxies in every instance.

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

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

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

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

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

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

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ITEM 8. PURCHASE OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

ITEM 10. CONTROLS AND PROCEDURES.

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

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

ITEM 11. EXHIBITS.

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

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

(a) (3) Not applicable.

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

SIGNATURES

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

The New America High Income Fund, Inc.

By: /s/ Robert F. Birch

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Name: Robert F. Birch  
Title: President and Director  
Date: March 8, 2004

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

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following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Robert F. Birch

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Name: Robert F. Birch

Title: President

Date: March 8, 2004

By: /s/ Ellen E. Terry

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Name: Ellen E. Terry

Title: Treasurer

Date: March 8, 2004

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