

HIGH INCOME OPPORTUNITY FUND INC  
Form N-CSRS  
June 07, 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 number 811-7920

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

125 Broad Street, New York, NY 10004  
(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.  
Smith Barney Fund Management LLC  
300 First Stamford Place  
Stamford, CT 06902  
(Name and address of agent for service)

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

Date of fiscal year end: September 30  
Date of reporting period: March 31, 2004

ITEM 1. REPORT TO STOCKHOLDERS.

The Semi-Annual Report to Stockholders is filed herewith.

HIGH INCOME

-----  
Opportunity Fund Inc.

[GRAPHIC OMITTED]

Semi-Annual Report  
March 31, 2004

=====

WHAT'S INSIDE

=====

Letter from the Chairman ..... 1  
Schedule of Investments ..... 5  
Statement of Assets and Liabilities ..... 21  
Statement of Operations ..... 22

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

Statements of Changes in Net Assets ..... 23  
Notes to Financial Statements ..... 24  
Financial Highlights ..... 28  
Financial Data ..... 29  
Additional Shareholder Information ..... 30  
Dividend Reinvestment Plan ..... 31

=====

LETTER FROM THE CHAIRMAN

=====

[PHOTO OMITTED]

R. JAY GERKEN, CFA

Chairman, President and  
Chief Executive Officer

Dear Shareholder,

The performance of the high-yield bond market (i) over the six months ending March 31, 2004, was spurred by an improving economy, which benefited from a mid-year cut in interest rates. Strong inflows into high-yield bond funds throughout much of the period drove demand for high-yield bonds, propelling the market higher through the end of December. Better-than-expected quarterly earnings and lower default rates also contributed to this strong demand, while increased capital market transactions fortified the balance sheets of corporate bond issuers. Although the market's tone was more tempered in 2004 than it had been in the final quarter of 2003, as of the period's close, corporate fundamentals have remained strong and yields on high-yield issues finished significantly above those on higher-rated bonds.

During the six months ended March 31, 2004 the High Income Opportunity Fund Inc., returned 5.28% based on its New York Stock Exchange ("NYSE") market price, and 7.49% based on its net asset value ("NAV") (ii) per share. In comparison, the Citigroup High Yield Market Index ("High Yield Index") (iii) returned 8.33% over the same period. The fund's Lipper high current yield closed-end funds category average returned 8.83% over the same time frame. (iv) Please note that Lipper performance returns are based on each fund's NAV.

During this six-month period, the fund made distributions to shareholders totaling \$0.30 per share. The performance table shows the fund's 30-day SEC yields as well as its six-month total return based on its NAV and market price as of March 31, 2004. Past performance is no guarantee of future results. The fund's yields will vary. Please note that high-yield bonds are subject to additional risks, such as the increased risk of default and greater volatility because of the lower credit quality of these issues.

-----  
High Income Opportunity Fund Inc.

1

# Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

## FUND PERFORMANCE AS OF MARCH 31, 2004

Price Per Share	30-Day SEC Yield	Six-Month Total Return
\$7.30 (NAV)	7.11%	7.49%
\$7.16 (NYSE)	7.25%	5.28%

All figures represent past performance and are not a guarantee of future results. The fund's yields will vary.

Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all dividends and/or capital gains distributions, if any, in additional shares. The "SEC yield" is a return figure often quoted by bond and other fixed income mutual funds. This quotation is based on the most recent 30-day (or one month) period covered by the fund's filings with the SEC. The yield figure reflects the dividends and interest earned during the period after deduction of the fund's expenses for the period. These yields are as of March 31, 2004 and are subject to change.

### Information About Your Fund

In recent months several issues in the mutual fund industry have come under the scrutiny of federal and state regulators. The fund's Adviser and some of its affiliates have received requests for information from various government regulators regarding market timing, late trading, fees and other mutual fund issues in connection with various investigations. The fund has been informed that the Adviser and its affiliates are responding to those information requests, but are not in a position to predict the outcome of these requests and investigations.

### Looking for Additional Information?

The fund is traded under the symbol "HIO" and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available online under symbol XHIOX. Barron's and The Wall Street Journal's Monday editions carry closed-end fund tables that will provide additional information. In addition, the fund issues a quarterly press release that can be found on most major financial web sites as well as [www.citigroupassetmanagement.com](http://www.citigroupassetmanagement.com).

In a continuing effort to provide information concerning the fund, shareholders may call 1-888-735-6507, Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the fund's current net asset value, market price and other information regarding the fund's portfolio holdings and allocations.

Thank you for your investment in the High Income Opportunity Fund Inc. We appreciate that you have entrusted us to manage your money and value our relationship with you.

Sincerely,

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

/s/ R. Jay Gerken

R. Jay Gerken, CFA  
Chairman, President and Chief Executive Officer

April 19, 2004

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

Portfolio holdings and breakdowns are as of March 31, 2004 and are subject to change. Please refer to pages 5 through 19 for a list and percentage breakdown of the fund's holdings.

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

- (i) RISKS: The fund invests in high yield bonds, which are subject to additional risks such as the increased risk of default and greater volatility because of the lower credit quality of the issues. The fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on fund performance. In addition, it may invest in foreign securities, which are subject to certain risks of overseas investing including currency fluctuations and changes in political and economic conditions, which could result in significant market fluctuations.
- (ii) NAV is a price that reflects the value of the fund's underlying portfolio plus other assets, less the fund's liabilities. However, the price at which an investor may buy or sell shares of the fund is at the fund's market price as determined by supply of and demand for the fund's common shares, which may be more or less than the fund's NAV.
- (iii) The Citigroup High Yield Market Index is a broad-based unmanaged index of high yield securities.
- (iv) Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the six-month period ended March 31, 2004 calculated among the eight funds in the fund's Lipper category including the reinvestment of dividends and capital gains, if any.

-----  
High Income Opportunity Fund Inc.

3

-----  
Take Advantage of the Fund's Dividend Reinvestment Plan!

As an investor in the Fund, you can participate in its Dividend Reinvestment Plan ("Plan"), a convenient, simple and efficient way to reinvest your dividends and capital gains distributions, if any, in additional shares of the Fund. Below is a short summary of how the Plan works.

Plan Summary

If you are a Plan participant who has not elected to receive your dividends in the form of a cash payment, then your dividend and capital gain distributions will be reinvested automatically in additional shares of the Fund.

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

The number of common stock shares in the Fund you will receive in lieu of a cash dividend is determined in the following manner. If the market price of the common stock is equal to or exceeds the net asset value ("NAV") per share on the determination date, you will be issued shares by the Fund at a price reflecting the NAV, or 95% of the market price, whichever is greater.

If the market price is less than the NAV at the time of valuation (the close of business on the determination date), PFPC Inc. ("Plan Agent") will buy common stock for your account in the open market.

If the Plan Agent begins to purchase additional shares in the open market and the market price of the shares subsequently rises above the NAV previously determined before the purchases are completed, the Plan Agent will attempt to terminate purchases and have the Fund issue the remaining dividend or distribution in shares at the greater of the previously determined NAV or 95% of the market price. In that case, the number of Fund shares you receive will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares.

A more complete description of the current Plan appears in the section of this report beginning on page 31. To find out more detailed information about the Plan and about how you can participate, please call the Plan Agent at 1-800-331-1710.

-----  
4 2004 Semi-Annual Report

=====  
Schedule of Investments (unaudited) March 31, 2004  
=====

FACE AMOUNT+	RATING (a)	SECURITY	
CORPORATE BONDS & NOTES -- 95.0%			
Aerospace & Defense -- 0.5%			
1,600,000	CCC+	Dunlop Standard Aerospace Holdings PLC, Sr. Notes, 11.875% due 5/15/09	\$
650,000	BB-	Sequa Corp., Sr. Notes, 9.000% due 8/1/09	
-----			
Airlines -- 1.1%			
Continental Airlines, Inc., Pass-Through Certificates:			
571,321	BB	Series 00-2, Class C, 8.312% due 4/2/11	
2,380,000	B	Series 01-2, Class D, 7.568% due 12/1/06	
1,555,000	BB-	Series 99-2, Class C-2, 7.434% due 9/15/04	
United Air Lines, Inc., Pass-Through Certificates:			
962,969	CCC	Series 00-1, Class B, 8.030% due 7/1/11	
2,268,135	CCC+	Series 00-2, Class B, 7.811% due 10/1/09	
Series 01-1:			
460,000	B+	Class B, 6.932% due 9/1/11	
1,045,000	CCC+	Class C, 6.831% due 9/1/08	

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

Automotive -- 2.7%

695,000	B+	Arvin Capital I, Capital Securities, 9.500% due 2/1/27
		Dana Corp., Notes:
1,925,000	BB	6.500% due 3/1/09
875,000	BB	10.125% due 3/15/10
2,200,000	B-	Eagle-Picher Industries, Inc., Sr. Notes, 9.750% due 9/1/13
775,000	BBB-	Ford Motor Co., Notes, 7.450% due 7/16/31
1,325,000	BBB-	Ford Motor Credit Co., Notes, 7.250% due 10/25/11
1,275,000	BBB	General Motors Acceptance Corp., Notes, 6.875% due 8/28/12
		General Motors Corp.:
450,000	BBB	Debentures, 8.375% due 7/15/33
2,125,000	BBB	Sr. Notes, 7.125% due 7/15/13
1,000,000	CCC+	Tenneco Automotive Inc., Sr. Secured 2nd Lien Notes, Series B, 10.250% due 7/15/13
276,000	BB-	TRW Automotive Inc., Sr. Sub. Notes, 11.000% due 2/15/13

Building Products -- 1.3%

		Associated Materials Inc.:
3,750,000	B-	Sr. Discount Notes, step bond to yield 11.246% due 3/1/14 (b)
435,000	B-	Sr. Sub. Notes, 9.750% due 4/15/12
1,745,000	B-	Atrium Cos. Inc., Sr. Sub. Notes, Series B, 10.500% due 5/1/09
2,185,000	B-	Nortek Inc., Sr. Sub. Notes, Series B, 9.875% due 6/15/11

See Notes to Financial Statements.

High Income Opportunity Fund Inc.

5

Schedule of Investments (unaudited) (continued)

March 31, 2004

FACE AMOUNT+	RATING (a)	SECURITY
Business -- 1.6%		
1,990,000	B-	Advanstar Communications Inc., Sr. Secured Notes, 8.620% due 8/15/08 (c)
2,845,000	BBB-	Avis Group Holdings Inc., Sr. Sub. Notes, 11.000% due 5/1/09
550,000	B	Iron Mountain Inc., Sr. Sub. Notes, 8.625% due 4/1/13
1,460,000	BB-	Mail-Well I Corp., Sr. Notes, 9.625% due 3/15/12

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

1,125,000	B-	Muzak Finance Corp., Sr. Notes, 10.000% due 2/15/09
4,770,000	D	Outsourcing Solutions Inc., Sr. Sub. Notes, Series B, 11.000% due 11/1/06 (d)

-----  
Cable & Media -- 9.7%

525,000	BB+	Avista Corp., Sr. Notes, 9.750% due 6/1/08 Charter Communications Holdings, LLC: Sr. Discount Notes:
8,655,000	CCC-	Step bond to yield 11.732% due 1/15/10
2,735,000	CCC-	Step bond to yield 11.668% due 1/15/11
3,880,000	CCC-	Step bond to yield 17.391% due 5/15/11
2,600,000	CCC-	Sr. Notes, 10.750% due 10/1/09 CSC Holdings Inc.:
2,425,000	BB-	Sr. Debentures, 7.625% due 7/15/18 Sr. Notes:
1,025,000	BB-	7.875% due 12/15/07 Series B:
1,200,000	BB-	8.125% due 7/15/09
700,000	BB-	7.625% due 4/1/11
1,955,000	B+	Sr. Sub. Debentures, 10.500% due 5/15/16
2,375,000	BB-	DirectTV Holdings LLC, Sr. Notes, 8.375% due 3/15/13 Echostar DBS Corp., Sr. Notes:
3,495,000	BB-	10.375% due 10/1/07
1,979,000	BB-	9.125% due 1/15/09
2,630,000	B-	Insight Communications Co., Inc., Sr. Discount Notes, step bond to yield 13.766% due 2/15/11
650,000	B+	Insight Midwest, L.P., Sr. Notes, 10.500% due 11/1/10
3,075,000	B+	Mediacom Broadband LLC, Sr. Notes, 11.000% due 7/15/13
75,000	B+	Mediacom Capital Corp., Sr. Notes, 9.500% due 1/15/13 Pegasus Communications Inc., Sr. Notes, Series B:
175,000	CCC-	9.625% due 10/15/05
710,000	CCC-	9.750% due 12/1/06
870,000	CCC-	Pegasus Satellite Communications, Inc., Sr. Discount Notes, step bond to yield 19.102% due 3/1/07
4,500,000	BB-	Rogers Cablesystems, Ltd., Sr. Sub. Notes, 11.000% due 12/1/15

See Notes to Financial Statements.

6

2004 Semi-Annual Report

=====  
Schedule of Investments (unaudited) (continued)

March 31, 2004  
=====

FACE AMOUNT+	RATING (a)	SECURITY
-----------------	------------	----------

-----  
Cable & Media -- 9.7% (continued)

2,575,000	BBB+	Time Warner Inc., Sr. Debentures, 6.625% due 5/15/29	\$
		Vivendi Universal SA, Sr. Notes:	

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

3,200,000 Ba3\* 6.250% due 7/15/08  
 1,200,000 BB 9.250% due 4/15/10

-----  
 Capital Goods -- 0.2%

1,150,000 B Terex Corp., Sr. Sub. Notes, Series B,  
 10.375% due 4/1/11

-----  
 Cellular & PCs -- 3.8%

1,157,300 CCC- AirGate PCS, Inc., Sr. Sub. Secured Notes,  
 9.375% due 9/1/09  
 Alamosa Delaware Inc:  
 3,008,457 CCC Sr. Discount Notes, step bond to yield  
 11.437% due 7/31/09  
 568,750 CCC Sr. Notes, 11.000% due 7/31/10  
 250,000 B- American Cellular Corp., Sr. Notes, Series B,  
 10.000% due 8/1/11  
 AT&T Wireless Services Inc.:  
 3,825,000 BBB Notes, 8.125% due 5/1/12  
 Sr. Notes:  
 4,425,000 BBB 7.875% due 3/1/11  
 100,000 BBB 8.750% due 3/1/31  
 525,000 CCC+ Dobson Communications Corp., Sr. Notes,  
 8.875% due 10/1/13  
 890,000 D Horizon PCS Inc., Sr. Discount Notes, step bond to yield  
 14.482% due 10/1/10 (d)  
 Nextel Communications, Inc., Sr. Notes:  
 1,375,000 BB 9.375% due 11/15/09  
 1,875,000 BB 7.375% due 8/1/15  
 998,000 CCC+ Nextel Partners Inc., Sr. Notes, 12.500% due 11/15/09

-----  
 Chemicals -- 5.7%

1,020,000 B+ Airgas Inc., Sr. Sub. Notes, 9.125% due 10/1/11  
 745,000 CCC Avecia Group PLC, Sr. Notes, 11.000% due 7/1/09  
 2,400,000 B+ Equistar Chemical L.P., Sr. Notes, 10.625% due 5/1/11  
 700,000 BB+ FMC Corp., Medium-Term Notes, Series A,  
 6.750% due 5/5/05  
 15,785,000 CCC+ Huntsman International Holdings LLC., Sr. Discount  
 Notes, zero coupon bond to yield  
 13.091% due 12/31/09  
 870,000 B- Huntsman International LLC, Sr. Notes,  
 9.875% due 3/1/09  
 1,750,000 B+ IMC Global Inc., Sr. Notes, Series B, 11.250% due 6/1/11

See Notes to Financial Statements.

-----  
 High Income Opportunity Fund Inc.

7

=====  
 Schedule of Investments (unaudited) (continued)

March 31, 2004  
 =====



Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

FACE AMOUNT+	RATING (a)	SECURITY	
Chemicals -- 5.7% (continued)			
1,750,000	BB-	ISP Chemco Inc., Sr. Sub. Notes, Series B, 10.250% due 7/1/11	\$
1,715,000	B+	ISP Holdings Inc., Sr. Secured Notes, Series B, 10.625% due 12/15/09	
1,745,000	B+	Lyondell Chemical Co., Sr. Secured Notes: 11.125% due 7/15/12	
900,000	B+	Series B, 9.875% due 5/1/07	
700,000	BBB-	Methanex Corp., Sr. Notes, 8.750% due 8/15/12	
655,000	B-	OM Group, Inc., Sr. Sub. Notes, 9.250% due 12/15/11	
2,800,000	CCC+	Resolution Performance Products Inc., Sr. Sub. Notes, 13.500% due 11/15/10	
		Rhodia SA:	
250,000	CCC+	Sr. Notes, 7.625% due 6/1/10 (b)	
2,750,000	CCC+	Sr. Sub. Notes, 8.875% due 6/1/11 (b)	
170,000	B+	Terra Capital Inc., Sr. Secured Notes, 12.875% due 10/15/08	
1,450,000	B+	Westlake Chemical Corp., Sr. Notes, 8.750% due 7/15/11	
-----			
Consumer Products -- 4.7%			
2,100,000	B+	AKI, Inc., Sr. Notes, 10.500% due 7/1/08	
		American Greetings Corp.:	
1,220,000	BBB-	Notes, 6.100% due 8/1/28	
790,000	BB+	Sr. Sub. Notes, 11.750% due 7/15/08	
2,550,000	CCC+	Home Interiors & Gifts, Inc., Sr. Sub. Notes, 10.125% due 6/1/08	
2,200,000	B-	Icon Health & Fitness, Inc., Sr. Sub. Notes, 11.250% due 4/1/12	
2,150,000	B	Playtex Products, Inc., Sr. Secured Notes, 8.000% due 3/1/11 (b)	
		Sealy Mattress Co.:	
2,390,000	B-	Sr. Sub. Discount Notes, Series B, 10.875% due 12/15/07	
		Sr. Sub. Notes:	
1,300,000	B-	8.250% due 6/15/14 (b)	
1,025,000	B-	Series B, 9.875% due 12/15/07	
		Service Corp. International:	
1,225,000	BB-	Debentures, 7.875% due 2/1/13	
		Notes:	
1,365,000	BB-	6.875% due 10/1/07	
1,715,000	BB-	6.500% due 3/15/08	
1,395,000	B	Sola International Inc., Notes, 6.875% due 3/15/08	
1,880,000	B+	Stewart Enterprises, Inc., Sr. Sub. Notes, 10.750% due 7/1/08	
-----			

See Notes to Financial Statements.

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

=====  
 Schedule of Investments (unaudited) (continued) March 31, 2004  
 =====

FACE AMOUNT+	RATING (a)	SECURITY	
-----			
Containers & Packaging -- 2.8%			
2,275,000	B+	Anchor Glass Container Corp., Sr. Secured Notes, 11.000% due 2/15/13	\$
3,420,000	BB-	Owens-Brockway Glass Container Inc., Sr. Secured Notes, 8.875% due 2/15/09	
700,000	B	Owens-Illinois Inc., Sr. Notes, 7.150% due 5/15/05	
1,625,000	B+	Plastipak Holdings Inc., Sr. Notes, 10.750% due 9/1/11	
1,100,000	B-	Pliant Corp.: Sr. Secured 2nd Lien Notes, 11.125% due 9/1/09	
245,000	B-	Sr. Sub. Notes, 13.000% due 6/1/10	
725,000	B	Radnor Holdings Corp., Sr. Notes, 11.000% due 3/15/10	
1,550,000	BBB	Sealed Air Corp., Notes, 6.950% due 5/15/09 (b)	
1,000,000	B-	Tekni-Plex Inc.: Sr. Secured Notes, 8.750% due 11/15/13 (b)	
1,385,000	B-	Sr. Sub. Notes, Series B, 12.750% due 6/15/10	
-----			
1			
-----			
Drillers & Service -- 0.5%			
1,890,000	BB	Pride International Inc., Sr. Notes, 10.000% due 6/1/09	
865,000	BB-	SESI, LLC, Sr. Notes, 8.875% due 5/15/11	
-----			
Energy -- 7.1%			
4,500,000	B-	Dynergy Holdings Inc.: 2nd Priority Sr. Secured Notes, 7.620% due 7/15/08 (b) (c)	
4,500,000	CCC+	Sr. Debentures, 7.625% due 10/15/26	
750,000	CCC+	El Paso Corp., Sr. Medium-Term Notes: 7.800% due 8/1/31	
6,275,000	CCC+	7.750% due 1/15/32	
938,000	BB-	El Paso Energy Partners L.P., Sr. Sub. Notes, Series B, 8.500% due 6/1/11	
2,075,000	BB-	Leviathan Gas Pipeline Partners, L.P., Sr. Sub. Notes, Series B, 10.375% due 6/1/09	
1,725,000	B+	Magnum Hunter Resources, Inc., Sr. Notes, 9.600% due 3/15/12	
1,250,000	B	Plains Exploration & Production Co., Sr. Sub. Notes: 8.750% due 7/1/12	
875,000	B	Series B, 8.750% due 7/1/12	
345,000	BB	Pogo Producing Co., Sr. Sub. Notes, Series B: 10.375% due 2/15/09	
520,000	BB	8.250% due 4/15/11	
1,600,000	B	Swift Energy Co., Sr. Sub. Notes: 10.250% due 8/1/09	
700,000	B	9.375% due 5/1/12	
1,210,000	BB-	Vintage Petroleum, Inc.: Sr. Notes, 8.250% due 5/1/12	
1,600,000	B	Sr. Sub. Notes, 7.875% due 5/15/11	

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

See Notes to Financial Statements.

High Income Opportunity Fund Inc.

9

Schedule of Investments (unaudited) (continued) March 31, 2004

FACE AMOUNT+	RATING(a)	SECURITY
Energy -- 7.1% (continued)		
875,000	B+	Westport Resources Corp., Sr. Sub. Notes, 8.250% due 11/1/11\$ The Williams Cos., Inc.:
		Notes:
1,825,000	B+	7.625% due 7/15/19
2,950,000	B+	7.875% due 9/1/21
700,000	B+	8.750% due 3/15/32
2,500,000	B+	Sr. Notes, 8.625% due 6/1/10
Financial & Leasing -- 1.4%		
9,956,016	D	Airplanes Pass-Through Trust, Corporate Asset-Backed Securities, Sub. Notes, Series D, 10.875% due 3/15/12 (d)
1,680,000	BB	Markel Capital Trust I, Capital Securities, Series B, 8.710% due 1/1/46
5,500,000	CCC-	Ocwen Capital Trust I, Capital Securities, 10.875% due 8/1/27
Food Processing/Beverages/Tobacco -- 1.7%		
875,000	B+	Cott Beverages USA Inc., Sr. Sub. Notes, 8.000% due 12/15/11
995,000	BB-	Dean Foods Co., Sr. Notes, 6.900% due 10/15/17
1,125,000	B	Del Monte Corp., Sr. Sub. Notes, 8.625% due 12/15/12 Doane Pet Care Co.:
2,575,000	CCC	Sr. Notes, 10.750% due 3/1/10
175,000	CCC	Sr. Sub. Notes, 9.750% due 5/15/07
1,600,000	B	Land O' Lakes Inc., Sr. Secured Notes, 9.000% due 12/15/10 (b)
175,000	B-	Premier International Foods PLC, Sr. Notes, 12.000% due 9/1/09
1,075,000	BB+	Standard Commercial Tobacco Co., Sr. Notes, 8.875% due 8/1/05
Gaming -- 3.6%		
2,170,000	B	Ameristar Casinos, Inc., Sr. Sub. Notes, 10.750% due 2/15/09 Caesars Entertainment Inc., Sr. Sub. Notes:

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

1,300,000	BB-	9.375% due 2/15/07
1,325,000	BB-	8.875% due 9/15/08
2,545,000	BB-	8.125% due 5/15/11
625,000	B+	Horseshoe Gaming Holding Corp., Sr. Sub. Notes, Series B, 8.625% due 5/15/09

See Notes to Financial Statements.

10

2004 Semi-Annual Report

=====  
Schedule of Investments (unaudited) (continued) March 31, 2004  
=====

FACE AMOUNT+	RATING (a)	SECURITY
-----		
Gaming -- 3.6% (continued)		
		Mandalay Resort Group:
700,000	BB-	Sr. Sub. Debentures, 7.625% due 7/15/13
1,725,000	BB-	Sr. Sub. Notes, Series B, 10.250% due 8/1/07
		MGM MIRAGE, Sr. Sub. Notes:
875,000	BB-	9.750% due 6/1/07
2,050,000	BB-	8.375% due 2/1/11
800,000	B+	Station Casinos, Inc., Sr. Sub. Notes, 6.875% due 3/1/16 (b)
2,615,000	B-	Venetian Casino Resort, LLC, Mortgage Secured Notes, 11.000% due 6/15/10
-----		
Healthcare -- 3.6%		
1,350,000	CC	aaiPharma Inc., Sr. Sub. Notes, 11.000% due 4/1/10
		AmeriPath, Inc., Sr. Sub. Notes:
1,600,000	B-	10.500% due 4/1/13
850,000	B-	10.500% due 4/1/13 (b)
2,900,000	B-	Athena Neurosciences Financial LLC, Sr. Notes, 7.250% due 2/21/08
1,898,881	B+	Dade Behring Holdings Inc., Sr. Sub. Notes, 11.910% due 10/3/10
775,000	B	Extendicare Health Services, Inc., Sr. Sub. Notes, 9.500% due 7/1/10
2,250,000	B-	InSight Health Services, Corp., Sr. Sub. Notes, Series B, 9.875% due 11/1/11
		Tenet Healthcare Corp.:
4,275,000	B-	Notes, 7.375% due 2/1/13
575,000	B-	Sr. Notes, 5.375% due 11/15/06
2,450,000	CCC+	Vanguard Health Systems, Sr. Sub. Notes, 9.750% due 8/1/11
-----		
Home Builders -- 2.0%		
		D.R. Horton Inc.:

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

1,140,000	BB+	Sr. Notes, 8.000% due 2/1/09
910,000	BB-	Sr. Sub. Notes, 9.375% due 3/15/11
1,350,000	BB-	KB HOME, Sr. Sub. Notes, 9.500% due 2/15/11
1,490,000	BBB-	Lennar Corp., Sr. Notes, Series B, 9.950% due 5/1/10
650,000	BBB-	The Ryland Group, Inc., Sr. Notes, 9.750% due 9/1/10
1,715,000	BB-	Schuler Homes Inc., Sr. Sub. Notes, 10.500% due 7/15/11
		Standard Pacific Corp.:
1,140,000	BB	Sr. Notes, 8.500% due 4/1/09
875,000	B+	Sr. Sub. Notes, 9.250% due 4/15/12

See Notes to Financial Statements.

High Income Opportunity Fund Inc. 11

Schedule of Investments (unaudited) (continued) March 31, 2004

FACE AMOUNT+	RATING (a)	SECURITY	
Industrial -- 1.6%			
1,235,000	NR	Aqua-Chem Inc., Sr. Sub. Notes, 11.250% due 7/1/08	\$
435,000	BB-	Case Credit Corp., Notes, 6.75% due 10/21/07	
375,000	BB-	Case New Holland Inc., Sr. Notes, 9.250% due 8/1/11 (b)	
1,400,000	B-	Columbus McKinnon Corp., Sr. Secured Notes, 10.000% due 8/1/10	
1,975,000	B	FlowServe Corp., Sr. Sub. Notes, 12.250% due 8/15/10	
1,175,000	B-	Invensys PLC, Sr. Notes, 9.875% due 3/15/11 (b)	
690,000	B+	NMHG Holding Co., 10.000% due 5/15/09	
625,000	B-	Rexnord Corp., Sr. Sub. Notes, 10.125% due 12/15/12	
Industrial Service -- 1.7%			
		Allied Waste North America, Inc., Series B: Sr. Notes:	
2,580,000	BB-	8.500% due 12/1/08	
80,000	BB-	7.875% due 1/1/09	
3,680,000	B+	Sr. Sub. Notes, 10.000% due 8/1/09	
1,600,000	B-	Brand Services Inc., Sr. Notes, 12.000% due 10/15/12	
International Cable -- 0.2%			
1,420,000 (GBP)	C	TeleWest Communications PLC, Bonds, 5.250% due 2/19/07 (b) (d)	
Leisure -- 0.5%			
846,000	CCC+	AMC Entertainment Inc., Sr. Sub. Notes,	

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

2,700,000 B- 9.500% due 2/1/11  
 Cinemark, Inc., Sr. Discount Notes, step bond to yield  
 9.747% due 3/15/14 (b)

Lodging -- 2.5%

1,550,000 CCC+ Courtyard By Marriott II L.P., Sr. Notes, Series B,  
 10.750% due 2/1/08  
 2,600,000 B- Felcor Lodging L.P., Sr. Notes, 10.000% due 9/15/08  
 Hilton Hotels Corp., Sr. Notes:  
 1,360,000 BBB- 7.950% due 4/15/07  
 275,000 BBB- 7.625% due 12/1/12  
 2,920,000 B+ Host Marriott L.P., Notes, Series I, 9.500% due 1/15/07  
 2,550,000 CCC+ MeriStar Hospitality Operating Partnership, L.P.,  
 Sr. Notes, 10.500% due 6/15/09  
 1,250,000 BB+ Starwood Hotels & Resorts Worldwide, Inc., Notes,  
 7.875% due 5/1/12

Machinery -- 0.4%

2,280,000 CCC+ Park-Ohio Industries Inc., Sr. Sub. Notes,  
 9.250% due 12/1/07

See Notes to Financial Statements.

12

2004 Semi-Annual Report

Schedule of Investments (unaudited) (continued)

March 31, 2004

FACE AMOUNT+	RATING (a)	SECURITY
Networks -- 5.3%		
2,250,000	BBB	AT&T Corp., Sr. Notes: 8.050% due 11/15/11
1,900,000	BBB	8.750% due 11/15/31
2,955,000 (EUR)	B-	Colt Telecom Group PLC, Bonds, 2.000% due 4/3/07 (b)
		Qwest Corp.:
2,100,000	B-	Debentures, 6.875% due 9/15/33
4,025,000	B-	Notes, 9.125% due 3/15/12 (b) (c)
1,583,000	CCC+	Qwest Services Corp., 14.000% due 12/15/14 (b)
		Sprint Capital Corp.:
5,550,000	BBB-	Notes, 8.750% due 3/15/32
3,250,000	BBB-	Sr. Notes, 6.875% due 11/15/28

Paper & Forest Products -- 4.5%

2,250,000 BB Abitibi-Consolidated Inc., Debentures,

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

		8.850% due 8/1/30	
1,700,000	B+	Appleton Papers Inc., Sr. Sub. Notes, Series B, 12.500% due 12/15/08	
850,000	B-	Blue Ridge Paper Products Inc., Sr. Secured Notes, 9.500% due 12/15/08 (b)	
3,000,000	BB	Bowater Inc., Debentures, 9.500% due 10/15/12 Buckeye Technologies Inc., Sr. Sub. Notes:	
875,000	B	9.250% due 9/15/08	
2,930,000	B	8.000% due 10/15/10	
1,875,000	B	JSG Funding PLC, Sr. Notes, 9.625% due 10/1/12	
2,500,000	B-	Newark Group Inc., Sr. Sub. Notes, 9.750% due 3/15/14 (b)	
4,635,000	B	Stone Container Finance, Sr. Notes, 11.500% due 8/15/06 (b)	
2,450,000	BB-	Tembec Industries, Inc., Sr. Notes, 8.625% due 6/30/09	

Publishing & Printing -- 2.5%

1,050,000	B	Dex Media East LLC/Dex Media East Finance Co., Notes, 12.125% due 11/15/12 Dex Media Inc., Discount Notes:	
3,000,000	B	Step bond to yield 8.372% due 11/15/13 (b)	
1,250,000	B	Step bond to yield 9.161% due 11/15/13 (b)	
1,450,000	B	Dex Media West LLC/Dex Media Finance Co., Sr. Sub. Notes, 9.875% due 8/15/13 (b)	
2,985,517	B-	Hollinger Participation Trust, Sr. Notes, Payment-in-Kind, 12.125% due 11/15/10 (b)	
2,300,000	B	Houghton Mifflin Co., Sr. Discount Notes, step bond to yield 11.240% due 10/15/13 (b)	
875,000	B	PEI Holdings Inc., Sr. Secured Notes, 11.000% due 3/15/10	

See Notes to Financial Statements.

High Income Opportunity Fund Inc. 13

=====  
Schedule of Investments (unaudited) (continued) March 31, 2004  
=====

FACE AMOUNT+	RATING (a)	SECURITY	
Publishing & Printing -- 2.5% (continued)			
500,000	B+	R.H. Donnelley Finance Corp. I, Sr. Sub. Notes, 10.875% due 12/15/12 (b)	\$
625,000	B-	Vertis Inc., Secured Notes, 9.750% due 4/1/09	
601,000	BB-	Yell Finance BV, Sr. Discount Notes, step bond to yield 12.263% due 8/1/11	

Radio -- 1.2%

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

3,602,000	B-	Emmis Communications Corp., Sr. Discount Notes, step bond to yield 12.307% due 3/15/11
375,000	B-	NextMedia Operating, Inc., Sr. Sub. Notes, 10.750% due 7/1/11
1,235,000	B-	Radio One, Inc., Sr. Sub. Notes, Series B, 8.875% due 7/1/11
850,000	CCC+	Spanish Broadcasting Systems, Sr. Sub. Notes, 9.625% due 11/1/09
-----		
Restaurant -- 0.5%		
525,000	CCC-	American Restaurant Group, Inc., Sr. Secured Notes, Series D, 11.500% due 11/1/06
1,230,000	CCC	CKE Restaurants, Inc., Sr. Sub. Notes, 9.125% due 5/1/09
885,000	CCC-	Denny's Corp., Sr. Notes, 11.250% due 1/15/08
445,000	B-	Friendly Ice Cream Corp., Sr. Notes, 10.500% due 12/1/07
-----		
Retail -- 2.9%		
500,000	B	Cole National Group, Inc., Sr. Sub. Notes, 8.625% due 8/15/07
700,000	B-	Equinox Holdings Inc., Sr. Notes, 9.000% due 12/15/09 (b)
1,250,000	CCC+	Eye Care Centers of America, Inc., Sr. Sub. Notes, 9.125% due 5/1/08
		The Gap, Inc., Notes:
525,000	BB+	9.900% due 12/15/05
250,000	BB+	6.900% due 9/15/07
1,800,000	BB+	10.550% due 12/15/08
		J.C. Penney Co. Inc., Notes:
2,325,000	BB+	8.000% due 3/1/10
2,177,000	BB+	9.000% due 8/1/12
897,000	Aa2*	Pennzoil-Quaker State Co., Sr. Notes, 10.000% due 11/1/08
880,000	BB-	The Pep Boys -- Manny, Moe & Jack, Medium-Term Notes, Series A, 6.710% due 11/3/04
1,944,000	BB	Saks Inc., Notes, 9.875% due 10/1/11

See Notes to Financial Statements.

14

2004 Semi-Annual Report

=====  
 Schedule of Investments (unaudited) (continued) March 31, 2004  
 =====

FACE AMOUNT+	RATING (a)	SECURITY
-----------------	------------	----------

=====



Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

Retail - Food & Drug -- 0.9%				
165,000	NR	Fleming Cos., Inc., Sr. Notes, 10.125% due 4/1/08 (d)		\$
		Rite Aid Corp.:		
1,845,000	B-	Notes, 7.125% due 1/15/07		
		Sr. Notes:		
2,680,000	B-	7.625% due 4/15/05		
75,000	B-	11.250% due 7/1/08		

Steel/Metal -- 2.6%				
3,100,000	B+	AK Steel Corp., Sr. Notes, 7.875% due 2/15/09		
2,650,000	B-	IMCO Recycling Inc., Sr. Secured Notes,		
		10.375% due 10/15/10		
1,900,000	B-	Ispat Inland ULC, Sr. Secured Notes,		
		9.750% due 4/1/14 (b)		
1,315,000	BB	Luscar Coal Ltd., Sr. Notes, 9.750% due 10/15/11		
1,710,000	BBB-	Phelps Dodge Corp., Sr. Notes, 8.750% due 6/1/11		
2,110,000	B+	Wolverine Tube, Inc., Sr. Notes, 10.500% due 4/1/09		

Supermarkets -- 0.7%				
425,000	BB-	Ahold Finance USA, Inc., Sr. Notes, 8.250% due 7/15/10		
2,837,189	BB	Ahold Lease USA, Inc., Series 01-A-1, Pass-Through		
		Certificates, 7.820% due 1/2/20		

Technology -- 1.6%				
653,000	B+	Avaya Inc., Sr. Secured Notes, 11.125% due 4/1/09		
1,555,000	NR	GT Group Telecom Inc., Sr. Discount Notes,		
		step bond to yield 15.233% due 2/1/10 (d)		
3,350,000	B	Lucent Technologies Inc., Debentures,		
		6.450% due 3/15/29		
1,950,000	B	Nortel Networks Corp., Notes, 6.875% due 9/1/23		
895,000	B	Northern Telecom Capital, Notes, 7.875% due 6/15/26		
2,060,000	BBB-	Thomas & Betts Corp., Medium-Term Notes,		
		6.625% due 5/7/08		

Television - Other -- 1.0%				
1,250,000	CCC	Granite Broadcasting Corp., Sr. Secured Notes,		
		9.750% due 12/1/10 (b)		
2,250,000	B-	Nexstar Finance, Inc., Sr. Sub. Notes,		
		7.000% due 1/15/14 (b)		
		Paxson Communications Corp.:		
1,370,000	CCC+	Sr. Sub. Discount Notes, step bond to yield		
		12.309% due 1/15/09		
665,000	CCC+	Sr. Sub. Notes, 10.750% due 7/15/08		

See Notes to Financial Statements.

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

=====  
 Schedule of Investments (unaudited) (continued) March 31, 2004  
 =====

FACE AMOUNT+	RATING(a)	SECURITY	
-----			
Textile/Apparel -- 1.1%			
2,000,000	B-	Interface, Inc., Sr. Notes, 10.375% due 2/1/10	\$
1,255,000	CCC	Levi Strauss & Co.: Notes, 7.000% due 11/1/06	
1,560,000	CCC	Sr. Notes: 11.625% due 1/15/08	
1,015,000	CCC	12.250% due 12/15/12	
777,000	B+	The William Carter Co., Sr. Sub. Notes, Series B, 10.875% due 8/15/11	
-----			
Towers -- 2.2%			
3,925,000	CCC	American Tower Corp., Sr. Notes, 9.375% due 2/1/09	
985,000	CCC	American Tower Escrow Corp., Discount Notes, zero coupon to yield 14.330% due 8/1/08	
2,420,000	CCC	Crown Castle International Corp., Sr. Notes: 10.750% due 8/1/11	
1,150,000	CCC	7.500% due 12/1/13	
1,075,000	CCC-	SBA Communications Corp., Sr. Notes, 10.250% due 2/1/09	
1,700,000	CCC+	SpectraSite Inc., Sr. Notes, 8.250% due 5/15/10	
-----			
Transportation -- Other -- 0.4%			
1,000,000	B+	General Maritime Corp., Sr. Notes, 10.000% due 3/15/13	
960,000	BB+	Windsor Petroleum Transport Corp., Notes, 7.840% due 1/15/21 (b)	
-----			
Utilities -- 6.7%			
The AES Corp.:			
Sr. Notes:			
3,455,000	B-	9.500% due 6/1/09	
100,000	B-	7.750% due 3/1/14	
400,000	B-	Sr. Sub. Notes, 8.500% due 11/1/07	
2,550,000	B	Allegheny Energy Supply Statutory Trust 2001, Secured Notes, 10.250% due 11/15/07 (b)	
7,570,000	CCC+	Calpine Canada Energy Finance ULC, Sr. Notes, 8.500% due 5/1/08	
Calpine Corp.:			
1,025,000	B	2nd Priority Sr. Secured Notes, 8.500% due 7/15/10 (b)	
1,690,000	CCC+	Sr. Notes, 8.625% due 8/15/10	
845,000	B+	CMS Energy Corp., Sr. Notes, 7.625% due 11/15/04	
Edison Mission Energy, Sr. Notes:			
1,750,000	B	10.000% due 8/15/08	
800,000	B	7.730% due 6/15/09	

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

3,000,000 B 9.875% due 4/15/11

See Notes to Financial Statements.

16

2004 Semi-Annual Report

Schedule of Investments (unaudited) (continued) March 31, 2004

FACE AMOUNT+	RATING (a)	SECURITY	
Utilities -- 6.7% (continued)			
1,225,000	D	Mirant Americas Generation, LLC, Sr. Notes, 9.125% due 5/1/31 (d)	\$
3,950,000	B+	NRG Energy, Inc., 2nd Priority Sr. Secured Notes, 8.000% due 12/15/13 (b)	
2,350,000	B-	Orion Power Holdings Inc., Sr. Notes, 12.000% due 5/1/10	
2,925,000	B	Reliant Resources, Inc., Secured Notes: 9.250% due 7/15/10	
2,725,000	B	9.500% due 7/15/13	
TOTAL CORPORATE BONDS & NOTES (Cost -- \$475,151,274)			3 50

CONVERTIBLE BONDS -- 0.9%

Drillers & Services -- 0.1%

410,000 CCC+ Parker Drilling Co., Sub. Notes, 5.500% due 8/1/04

Technology -- 0.8%

1,980,000 CCC+ Amkor Technology, Inc., Sub. Notes, 5.000% due 3/15/07

4,405,000 B Sanmina-SCI Corp., Sub. Debentures, zero coupon  
bond to yield 10.665% due 9/12/20

TOTAL CONVERTIBLE BONDS  
(Cost -- \$4,161,942)

SHARES

SECURITY

CONVERTIBLE PREFERRED STOCK -- 0.7%

Aerospace & Defense -- 0.0%

1,700 Northrop Grumman Corp., 7.250% due 11/16/04

Cellular & PCs -- 0.4%

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

4,661	Alamosa Holdings, Inc., Series B, 7.500% due 7/31/13
-----	
Technology -- 0.1%	
4,300	Motorola, Inc., 7.000% due 11/16/04
-----	
Towers -- 0.2%	
19,800	Crown Castle International Corp., 6.250% due 8/15/12
-----	
	TOTAL CONVERTIBLE PREFERRED STOCK
	(Cost -- \$2,449,020)
=====	

See Notes to Financial Statements.

-----  
High Income Opportunity Fund Inc. 17

=====

Schedule of Investments (unaudited) (continued)	March 31, 2004
---	----------------

=====

SHARES	SECURITY	
=====		
COMMON STOCK (e) -- 0.2%		
Cellular & PCs -- 0.1%		
47,800	AirGate PCS, Inc.	\$
20,125	WebLink Wireless, Inc.	
-----		
Competitive Local Exchange Carrier -- 0.0%		
3,736	McLeodUSA Inc., Class A Shares	
-----		
Food -- 0.0%		
73,499	Aurora Foods Inc.	
-----		
Towers -- 0.1%		
31,904	Crown Castle International Corp.	
-----		
	TOTAL COMMON STOCK	
	(Cost -- \$1,318,360)	
=====		
PREFERRED STOCK -- 0.0%		
Cellular & PCs -- 0.0%		
1,353	Dobson Communications Corp., Payment-in-Kind, 13.000% due 5/1/09 (f)	
-----		
	TOTAL PREFERRED STOCK	
	(Cost -- \$29,561)	
=====		

WARRANTS

SECURITY

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

=====

WARRANTS (e) -- 0.0%

Cable & Media -- 0.0%

6,725 Iridium World Communications Ltd., Expire 7/15/05 (b)

-----

Cellular & PCs -- 0.0%

1,155 Horizon PCS Inc., Expire 10/1/10 (b)

1,185 IWO Holdings Inc., Expire 1/15/11 (b)

-----

Competitive Local Exchange Carrier -- 0.0%

6,975 RSL Communications, Ltd., Expire 11/15/06

-----

Containers & Packaging -- 0.0%

245 Pliant Corp., Expire 6/1/10 (b)

-----

Financial & Leasing -- 0.0%

1,765 Merrill Lynch Corp., Expire 5/1/09

14,825 UIH Australia Pacific, Inc., Expire 5/15/06

-----

Networks -- 0.0%

1,000 Jazztel PLC, Expire 7/15/10

-----

See Notes to Financial Statements.

-----

18

2004 Semi-Annual Report

-----

Schedule of Investments (unaudited) (continued)

March 31, 2004

=====

WARRANTS

SECURITY

-----

Technology -- 0.0%

1,705 Cybernet Internet Services International, Inc.,  
Expire 7/1/09 (b)

1,555 GT Group Telecom Inc., Expire 2/1/10 (b)

3,510 Viasystems Group Inc. Expire 1/31/10

6,135 WAM!NET Inc., Expire 3/1/05

-----

Towers -- 0.0%

985 American Tower Corp., Expire 8/1/08 (b)

-----

TOTAL WARRANTS

(Cost -- \$1,494,113)

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

FACE AMOUNT	SECURITY	
REPURCHASE AGREEMENT -- 3.2%		
\$ 17,132,000	UBS Financial Services Inc. dated 3/31/04, 1.000% due 4/1/04; Proceeds at maturity -- \$17,132,476; (Fully collateralized by U.S. Treasury Bills, due 5/13/04 to 9/23/04; Market value -- \$17,474,712) (Cost -- \$17,132,000)	1
TOTAL INVESTMENTS -- 100.0%		
(Cost -- \$501,736,270**)		\$53

- + Face amount denominated in U.S. dollars unless otherwise indicated.
- (a) All ratings are by Standard & Poor's Ratings Service, except for those which are identified by an asterisk (\*), are rated by Moody's Investors Service.
- (b) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to the guidelines approved by the Board of Directors.
- (c) Interest rate shown reflects current rate on instruments with multi-coupon or variable rates.
- (d) Security is currently in default.
- (e) Non-income producing security.
- (f) Payment-in-Kind security for which all or part of the income earned is paid by the issuance of additional stock until May 1, 2004.
- \*\* Aggregate cost for Federal income tax purposes is substantially the same.

Currency abbreviations used in this schedule:

EUR -- Euro  
GBP -- British Pound

See page 20 for definitions of ratings.

See Notes to Financial Statements.

High Income Opportunity Fund Inc. 19

Bond Ratings (unaudited)

The definitions of the applicable rating symbols are set forth below:

Standard & Poor's Ratings Service ("Standard & Poor's") -- Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or a minus (-) sign to show relative standings within the major rating categories.

AAA -- Bonds rated "AAA" have the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

## Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

- AA -- Bonds rated "AA" have a very strong capacity to pay interest and repay principal and differ from the highest rated issue only in a small degree.
- A -- Bonds rated "A" have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than bonds in higher rated categories.
- BBB -- Bonds rated "BBB" are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than for bonds in higher rated categories.
- BB, B, CCC, CC and C -- Bonds rated "BB", "B", "CCC", "CC" and "C" are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" represents the lowest degree of speculation and "C" the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
- D -- Bonds rated "D" are in default, and payment of interest and/or repayment of principal is in arrears.

Moody's Investors Service ("Moody's") -- Numerical modifiers 1, 2 and 3 may be applied to each generic rating from "Aa" to "Caa", where 1 is the highest and 3 the lowest rating within its generic category.

- Aa -- Bonds rated "Aa" are judged to be of high quality by all standards. Together with the "Aaa" group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large in "Aaa" securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in "Aaa" securities.
- A -- Bonds rated "A" possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future.
- Baa -- Bonds rated "Baa" are considered to be medium grade obligations; that is, they are neither highly protected nor poorly secured. Interest payment and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. These bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
- Ba -- Bonds rated "Ba" are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.
- B -- Bonds rated "B" generally lack characteristics of desirable investments. Assurance of interest and principal payments or maintenance of other terms of the contract over any long period of time may be small.
- Caa -- Bonds rated "Caa" are of poor standing. These issues may be in default, or there may be present elements of danger with respect to principal or interest.
- Ca -- Bonds rated "Ca" represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.
- C -- Bonds rated "C" are the lowest rated class of bonds, and issues so

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.  
 NR -- Indicates that the bond is not rated by Standard & Poor's or Moody's.

-----  
 20 2004 Semi-Annual Report

=====  
 Statement of Assets and Liabilities (unaudited) March 31, 2004  
 =====

ASSETS:

Investments, at value (Cost -- \$501,736,270)	\$ 531,674,434
Cash	720
Interest and dividends receivable	10,770,989
Receivable for securities sold	1,771,000
Other receivables	199,868
Prepaid expenses	1,542
-----	
Total Assets	544,418,553

LIABILITIES:

Payable for securities purchased	3,621,370
Management fee payable	527,669
Accrued expenses	331,431
-----	
Total Liabilities	4,480,470

-----  
 Total Net Assets \$ 539,938,083  
 =====

NET ASSETS:

Par value of capital shares	\$ 73,927
Capital paid in excess of par value	880,665,431
Overdistributed net investment income	(2,520,338)
Accumulated net realized loss from investment transactions	(368,222,220)
Net unrealized appreciation of investments and foreign currencies	29,941,283
-----	

Total Net Assets  
 (Equivalent to \$7.30 per share on 73,927,179 shares of  
 \$0.001 par value outstanding; 500,000,000 shares authorized) \$ 539,938,083  
 =====

See Notes to Financial Statements.

-----  
 High Income Opportunity Fund Inc. 21

=====  
 Statement of Operations (unaudited)  
 =====



## Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

For the Six Months Ended March 31, 2004

### INVESTMENT INCOME:

Interest	\$24,250,732
Dividends	75,544

---

Total Investment Income	24,326,276
-------------------------	------------

---

### EXPENSES:

Management fee (Note 2)	3,095,264
Shareholder communications	139,935
Audit and legal	100,267
Custody	33,851
Listing fees	30,362
Transfer agency services	15,000
Directors' fees	4,928
Other	6,153

---

Total Expenses	3,425,760
----------------	-----------

---

Net Investment Income	20,900,516
-----------------------	------------

---

### REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND FOREIGN CURRENCIES (NOTE 3):

Realized Gain From Investment Transactions (excluding short-term investments):	
Proceeds from sales	79,702,907
Cost of securities sold	74,202,990

---

Net Realized Gain	5,499,917
-------------------	-----------

---

Change in Net Unrealized Appreciation From:	
Investments	12,399,464
Foreign currencies	2,141

---

Increase in Net Unrealized Appreciation	12,401,605
---	------------

---

Net Gain on Investments and Foreign Currencies	17,901,522
--	------------

---

Increase in Net Assets From Operations	\$38,802,038
--	--------------

---

See Notes to Financial Statements.

22

2004 Semi-Annual Report

---

Statements of Changes in Net Assets

---

For the Six Months Ended March 31, 2004 (unaudited)  
and the Year Ended September 30, 2003

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

	2004	2003
=====		
OPERATIONS:		
Net investment income	\$ 20,900,516	\$ 45,751,240
Net realized gain (loss)	5,499,917	(12,108,472)
Increase in net unrealized appreciation	12,401,605	87,563,555
-----		
Increase in Net Assets From Operations	38,802,038	121,206,323
-----		
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net investment income	(22,174,037)	(44,735,429)
Capital	--	(5,250,728)
-----		
Decrease in Net Assets From Distributions to Shareholders	(22,174,037)	(49,986,157)
-----		
FUND SHARE TRANSACTIONS (NOTE 5):		
Net asset value of shares issued for reinvestment of dividends	586,748	9,892,385
-----		
Increase in Net Assets From Fund Share Transactions	586,748	9,892,385
-----		
Increase in Net Assets	17,214,749	81,112,551
-----		
NET ASSETS:		
Beginning of period	522,723,334	441,610,783
-----		
End of period*	\$ 539,938,083	\$ 522,723,334
=====		
* Includes overdistributed net investment income of:	\$ (2,520,338)	\$ (1,246,817)
=====		

See Notes to Financial Statements.

-----  
High Income Opportunity Fund Inc. 23

=====

Notes to Financial Statements (unaudited)

=====

1. Significant Accounting Policies

The High Income Opportunity Fund Inc. ("Fund"), a Maryland corporation, is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company.

The following are significant accounting policies consistently followed by the Fund and are in conformity with generally accepted accounting principles ("GAAP"): (a) security transactions are accounted for on trade date; (b) securities are valued at the mean between the quoted bid and asked prices provided by an independent pricing service that are based on transactions in corporate obligations, quotations from corporate bond dealers, market transactions in comparable securities and various relationships between

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

securities; securities listed on the NASDAQ National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price on that day, at the last sale price; (c) securities for which market quotations are not available will be valued in good faith at fair value by or under the direction of the Board of Directors; (d) securities maturing within 60 days are valued at cost plus accreted discount, or minus amortized premium, which approximates value; (e) gains or losses on the sale of securities are calculated by using the specific identification method; (f) dividend income is recorded on the ex-dividend date; foreign dividend income is recorded on the ex-dividend date or as soon as practical after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence; (g) interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis; (h) dividends and distributions to shareholders are recorded on the ex-dividend date; the Fund distributes dividends monthly and capital gains, if any, at least annually; (i) the accounting records are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies against U.S. dollars on the date of valuation. Purchases and sales of securities, and income and expenses are translated at the rate of exchange quoted on the respective date that such transactions are recorded. Differences between income or expense amounts recorded and collected or paid are adjusted when reported by the custodian bank; (j) the character of income and gains to be distributed is determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America; (k) the Fund intends to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies and to make distributions of taxable income sufficient to relieve it from substantially all Federal income and excise taxes; and (l) estimates and assumptions are

-----  
24

2004 Semi-Annual Report

=====  
Notes to Financial Statements (unaudited) (continued)  
=====

required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

The Fund may also enter into forward foreign exchange contracts in order to hedge against foreign currency risk. These contracts are marked-to-market daily by recognizing the difference between the contract exchange rate and the current market rate as an unrealized gain or loss. Realized gains or losses are recognized when contracts are settled or offset by entering into another forward foreign exchange contract.

In addition, the Fund invests in high-yield instruments that are subject to certain credit and market risks. The yields of high-yield debt obligations reflect, among other things, perceived credit risk. The Fund's investment in securities rated below investment grade typically involve risks not associated with higher rated securities including, among others, greater risk of timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading.

2. Management Agreement

## Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

Smith Barney Fund Management LLC ("SBFM"), an indirect wholly-owned subsidiary of Citigroup Inc. ("Citigroup"), acts as investment manager of the Fund. The Fund pays SBFM a management fee calculated at an annual rate of 1.15% of the Fund's average daily net assets. This fee is calculated daily and paid monthly.

All officers and one Director of the Fund are employees of Citigroup or its affiliates.

### 3. Investments

During the six months ended March 31, 2004, the aggregate cost of purchases and proceeds from sales of investments (including maturities of long-term investments, but excluding short-term investments) were as follows:

Purchases	\$78,885,376
Sales	79,702,907
High Income Opportunity Fund Inc.	25

### Notes to Financial Statements (unaudited) (continued)

At March 31, 2004, the aggregate gross unrealized appreciation and depreciation of investments for Federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$ 57,911,325
Gross unrealized depreciation	(27,973,161)
Net unrealized appreciation	\$ 29,938,164

### 4. Repurchase Agreements

When entering into repurchase agreements, it is the Fund's policy that a custodian takes possession of the underlying collateral securities, the value of which at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market to ensure the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

### 5. Capital Shares

Capital stock transactions were as follows:

Six Months Ended March 31, 2004		Year Ended September 30, 2003	
Shares	Amount	Shares	Amount

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

=====  
 Shares issued on reinvestment                      82,419                      \$586,748                      1,497,997                      \$9,892,385  
 =====

6. Additional Information

The Fund has received the following information from Citigroup Asset Management ("CAM"), the Citigroup business unit which includes the Fund's Investment Manager and other investment advisory companies, all of which are indirect, wholly-owned subsidiaries of Citigroup. CAM is reviewing its entry, through an affiliate, into the transfer agent business in the period 1997-1999. As CAM currently understands the facts, at the time CAM decided to enter the transfer agent business, CAM sub-contracted for a period of five years certain of the transfer agency services to a third party and also concluded a revenue guarantee agreement with this sub-contractor providing that the sub-contractor would guarantee certain benefits to CAM or its affiliates (the "Revenue Guarantee Agreement"). In connection with the subsequent purchase of the sub-contractor's business by an affiliate of the current sub-transfer agent (PFPC Inc.) used by CAM on many of the funds it manages, this Revenue Guarantee

-----  
 26

2004 Semi-Annual Report

=====  
 Notes to Financial Statements (unaudited) (continued)  
 =====

Agreement was amended eliminating those benefits in exchange for arrangements that included a one-time payment from the sub-contractor.

The Boards of CAM-managed funds (the "Boards") were not informed of the Revenue Guarantee Agreement with the sub-contractor at the time the Boards considered and approved the transfer agent arrangements. Nor were the Boards informed of the subsequent amendment to the Revenue Guarantee Agreement when that occurred.

CAM has begun to take corrective actions. CAM will pay to the applicable funds approximately \$17 million (plus interest) that CAM and its affiliates received from the Revenue Guarantee Agreement and its amendment. CAM also plans an independent review to verify that the transfer agency fees charged by CAM were fairly priced as compared to competitive alternatives. CAM is instituting new procedures and making changes designed to ensure no similar arrangements are entered into in the future.

CAM has briefed the SEC, the New York State Attorney General and other regulators with respect to this matter, as well as the U.S. Attorney who is investigating the matter. CAM is cooperating with governmental authorities on this matter, the ultimate outcome of which is not yet determinable.

The Fund's transfer agent is PFPC Inc., which is not affiliated with CAM.

-----  
 High Income Opportunity Fund Inc.

27

## Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

### Financial Highlights

For a share of capital stock outstanding throughout each year ended September 30, unless otherwise noted:

	2004 (1) (2)	2003 (2)	2002	2001	2000
Net Asset Value, Beginning of Period	\$ 7.08	\$ 6.10	\$ 7.15	\$ 9.42	\$ 10.45
Income (Loss) From Operations:					
Net investment income (3)	0.28	0.63	0.66	0.94	1.06
Net realized and unrealized gain (loss) (3)	0.24	1.03	(0.96)	(2.20)	(1.13)
Total Income (Loss) From Operations	0.52	1.66	(0.30)	(1.26)	(0.07)
Gain From Repurchase of Treasury Stock	--	--	--	--	0.05
Less Distributions From:					
Net investment income	(0.30)	(0.61)	(0.67)	(1.01)	(1.01)
Capital	--	(0.07)	(0.08)	--	--
Total Distributions	(0.30)	(0.68)	(0.75)	(1.01)	(1.01)
Net Asset Value, End of Period	\$ 7.30	\$ 7.08	\$ 6.10	\$ 7.15	\$ 9.42
Total Return, Based on Market Price (4)	5.28% <sup>++</sup>	31.00%	(8.20)%	(7.85)%	9.75%
Total Return, Based on Net Asset Value (4)	7.49% <sup>++</sup>	28.67%	(4.85)%	(14.25)%	0.98%
Net Assets, End of Period (millions)	\$ 540	\$ 523	\$ 442	\$ 507	\$ 652
Ratios to Average Net Assets:					
Expenses	1.27% <sup>+</sup>	1.28%	1.23%	1.26%	1.22%
Net investment income (3)	7.77 <sup>+</sup>	9.46	10.04	11.22	10.21
Portfolio Turnover Rate	15%	37%	77%	83%	69%
Market Price, End of Period	\$ 7.16	\$ 7.09	\$ 6.00	\$ 7.290	\$ 8.938

(1) For the six months ended March 31, 2004 (unaudited).

(2) Per share amounts have been calculated using the monthly average shares method.

(3) Effective October 1, 2001, the Fund adopted a change in the accounting method that requires the Fund to amortize premiums and accrete all discounts. Without the adoption of this change, for the year ended

## Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

September 30, 2002, the net investment income, net realized and unrealized loss and the ratio of net investment income to average net assets would have been \$0.68, \$(0.98) and 10.13%, respectively. Per share information, ratios and supplemental data for the periods prior to October 1, 2001 have not been restated to reflect this change in presentation.

(4) The total return calculation assumes that dividends are reinvested in accordance with the Fund's dividend reinvestment plan.

\* Amount represents less than \$0.01 per share.

++ Total return is not annualized, as it may not be representative of the total return for the year.

+ Annualized.

28

2004 Semi-Annual Report

=====

Financial Data (unaudited)

=====

For a share of capital stock outstanding throughout each period:

	NYSE Closing Price	Net Asset Value*	Distribution Paid	Dividend Reinvestment Price
=====				
Fiscal Year 2002				
October 23	\$7.28	\$7.24	\$0.0700	\$7.24
November 27	7.74	7.42	0.0700	7.42
December 24	7.24	7.26	0.0700	7.26
January 23	7.63	7.27	0.0650	7.27
February 19	7.27	7.07	0.0650	7.07
March 19	7.50	7.13	0.0650	7.13
April 23	7.18	7.13	0.0570	7.13
May 28	7.12	7.02	0.0570	7.02
June 25	6.33	6.71	0.0570	6.24
July 23	5.55	6.31	0.0570	5.81
August 27	6.18	6.25	0.0570	6.21
September 24	5.87	6.12	0.0570	6.06
Fiscal Year 2003				
October 22	5.69	5.86	0.0570	5.83
November 25	6.36	6.26	0.0570	6.26
December 23	6.17	6.28	0.0570	6.28
January 28	6.70	6.40	0.0570	6.40
February 25	6.88	6.40	0.0570	6.54
March 25	6.91	6.51	0.0570	6.57
April 22	6.92	6.73	0.0570	6.73
May 27	7.13	6.88	0.0570	6.88
June 24	7.25	7.07	0.0570	7.07
July 22	6.93	7.05	0.0570	7.04
August 26	7.04	6.90	0.0570	6.90
September 23	7.00	7.05	0.0570	7.05
Fiscal Year 2004				
October 28	7.09	7.12	0.0500	7.12
November 24	7.04	7.17	0.0500	7.13
December 22	7.12	7.30	0.0500	7.17
January 27	7.27	7.45	0.0500	7.36
February 24	7.20	7.30	0.0500	7.26

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

March 23 7.04 7.28 0.0500 7.10

\* As of record date.

High Income Opportunity Fund Inc. 29

Additional Shareholder Information (unaudited)

Result of Annual Meeting to Shareholders

The Annual Meeting of Shareholders of High Income Opportunity Fund Inc. was held on April 29, 2004, for the purpose of considering and voting upon the election of three Class III Directors, each for a three year term. The following table provides information concerning the matters voted upon at the Meeting:

Election of Directors\*

Nominees	Votes For	Votes Withheld
Jane F. Dasher	59,610,939	1,968,675
Donald R. Foley	59,498,455	2,081,169
Paul Hardin	59,538,028	2,041,586

\* The following Directors, representing the balance of the Board of Directors, continue to serve as Directors: Lee Abraham, Allan J. Bloostein, R. Jay Gerken, Richard E. Hanson, Jr., Roderick C. Rasmussen and John P. Toolan.

30 2004 Semi-Annual Report

Dividend Reinvestment Plan (unaudited)

Under the Fund's Dividend Reinvestment Plan ("Plan"), a shareholder whose shares of Common Stock are registered in his own name will have all distributions from the Fund reinvested automatically by PFPC Inc. ("PFPC"), as purchasing agent under the Plan, unless the shareholder elects to receive cash. Distributions with respect to shares registered in the name of a broker-dealer or other nominee (that is, in "street name") will be reinvested by the broker or nominee in additional shares under the Plan, unless the service is not provided by the broker or nominee or the shareholder elects to receive distributions in cash. Investors who own common stock registered in street name should consult their broker-dealers for details regarding reinvestment. All distributions to shareholders who do not participate in the Plan will be paid by check mailed directly to the record holder by or under the direction of PFPC as dividend paying agent.

The number of shares of common stock distributed to participants in the Plan in lieu of a cash dividend is determined in the following manner. When the market



Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

price of the common stock is equal to or exceeds the net asset value ("NAV") per share of the common stock on the determination date (generally, the record date for the distribution), the Plan participants will be issued shares of common stock by the Fund at a price equal to the greater of NAV determined as described below or 95% of the market price of the common stock.

If the market price of the common stock is less than the NAV of the common stock at the time of valuation (which is the close of business on the determination date) PFPC will buy common stock in the open market, on the stock exchange or elsewhere, for the participants' accounts. If following the commencement of the purchases and before PFPC has completed its purchases, the market price exceeds the NAV of the common stock as of the valuation time, PFPC will attempt to terminate purchases in the open market and cause the Fund to issue the remaining portion of the dividend or distribution in shares at a price equal to the greater of (a) NAV as of the valuation time or (b) 95% of the then current market price. In this case, the number of shares received by a Plan participant will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares. To the extent PFPC is unable to stop open market purchases and cause the Fund to issue the remaining shares, the average per share purchase price paid by PFPC may exceed the NAV of the common stock as of the valuation time, resulting in the acquisition of fewer shares than if the dividend or capital gains distribution had been paid in common stock issued by the Fund at such net asset value. PFPC will begin to purchase common stock on the open market as soon as practicable after the determination date for the dividend or capital gains distribution, but in no event shall such purchases continue later than 30 days after the payment date for such dividend or distribution, or the record date for a succeeding dividend or distribution, except when necessary to comply with applicable provisions of the federal securities laws.

-----  
High Income Opportunity Fund Inc.

31

=====  
Dividend Reinvestment Plan (unaudited) (continued)  
=====

PFPC maintains all shareholder accounts in the Plan and furnishes written confirmation of all transactions in each account, including information needed by a shareholder for personal and tax records. The automatic reinvestment of dividends and capital gains distributions will not relieve Plan participants of any income tax that may be payable on the dividends or capital gains distributions. Common stock in the account of each Plan participant will be held by PFPC in uncertificated form in the name of each Plan participant.

Plan participants are subject to no charge for reinvesting dividends and capital gains distributions under the Plan. PFPC's fees for handling the reinvestment of dividends and capital gains distributions will be paid by the Fund. No brokerage charges apply with respect to shares of common stock issued directly by the Fund under the Plan. Each Plan participant will, however, bear a proportionate share of any brokerage commissions actually incurred with respect to any open market purchases made under the Plan.

Experience under the Plan may indicate that changes to it are desirable. The Fund reserves the right to amend or terminate the Plan as applied to any dividend or capital gains distribution paid subsequent to written notice of the change sent to participants at least 30 days before the record date for the dividend or capital gains distribution. The Plan also may be amended or terminated by PFPC, with the Fund's prior written consent, on at least 30 days'

## Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

written notice to Plan participants. All correspondence concerning the Plan should be directed by mail to PFPC Inc., P.O. Box 43027, Providence, RI 02940-3027 or by telephone at 1-800-331-1710.

-----  
Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase, at market price, shares of its common stock in the open market.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by telephoning the Fund (toll-free) at 1-800-451-2010 and by visiting the SEC's web site at [www.sec.gov](http://www.sec.gov).

This report is intended only for the shareholders of the High Income Opportunity Fund Inc. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in the report.

-----  
32

2004 Semi-Annual Report

-----  
HIGH INCOME

-----  
Opportunity Fund Inc.

[GRAPHIC OMITTED]

-----  
DIRECTORS

Lee Abraham  
Allan J. Bloostein  
Jane F. Dasher  
Donald R. Foley  
R. Jay Gerken, CFA  
    Chairman  
Richard E. Hanson, Jr.  
Paul Hardin  
Roderick C. Rasmussen  
John P. Toolan

OFFICERS

R. Jay Gerken, CFA  
President and  
Chief Executive Officer

Andrew B. Shoup  
Senior Vice President and  
Chief Administrative Officer

Richard L. Peteka  
Chief Financial Officer  
and Treasurer

Beth A. Semmel, CFA

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

Vice President and  
Investment Officer

Peter J. Wilby, CFA  
Vice President and  
Investment Officer

Kaprel Ozsolak  
Controller

Robert I. Frenkel  
Secretary and  
Chief Legal Officer

INVESTMENT MANAGER

Smith Barney Fund Management LLC  
399 Park Avenue  
New York, New York 10022

CUSTODIAN

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

TRANSFER AGENT

PFPC Inc.  
P.O. Box 43027  
Providence, RI 02940-3027

[LOGO]

HIO

-----

Listed

-----

NYSE

THE NEW YORK STOCK EXCHANGE

HIGH INCOME OPPORTUNITY FUND INC.  
125 Broad Street  
10th Floor, MF-2  
New York, New York 10004

FD0802 5/04  
04-6630

ITEM 2. CODE OF ETHICS.

Not Applicable.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not Applicable.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

## Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

Not applicable.

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

Not applicable.

### ITEM 6. [RESERVED]

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

The Board of Directors of the Fund has delegated the authority to develop policies and procedures relating to proxy voting to the Manager. The Manager is part of Citigroup Asset Management ("CAM"), a group of investment adviser affiliates of Citigroup, Inc. ("Citigroup"). Along with the other investment advisers that comprise CAM, the Manager has adopted a set of proxy voting policies and procedures (the "Policies") to ensure that the Manager votes proxies relating to equity securities in the best interest of clients.

In voting proxies, the Manager is guided by general fiduciary principles and seeks to act prudently and solely in the best interest of clients. The Manager attempts to consider all factors that could affect the value of the investment and will vote proxies in the manner that it believes will be consistent with efforts to maximize shareholder values. The Manager may utilize an external service provider to provide it with information and/or a recommendation with regard to proxy votes. However, such recommendations do not relieve the Manager of its responsibility for the proxy vote.

In the case of a proxy issue for which there is a stated position in the Policies, CAM generally votes in accordance with such stated position. In the case of a proxy issue for which there is a list of factors set forth in the Policies that CAM considers in voting on such issue, CAM votes on a case-by-case basis in accordance with the general principles set forth above and considering such enumerated factors. In the case of a proxy issue for which there is no stated position or list of factors that CAM considers in voting on such issue, CAM votes on a case-by-case basis in accordance with the general principles set forth above. Issues for which there is a stated position set forth in the Policies or for which there is a list of factors set forth in the Policies that CAM considers in voting on such issues fall into a variety of categories, including election of directors, ratification of auditors, proxy and tender offer defenses, capital structure issues, executive and director

compensation, mergers and corporate restructurings, and social and environmental issues. The stated position on an issue set forth in the Policies can always be superseded, subject to the duty to act solely in the best interest of the beneficial owners of accounts, by the investment management professionals responsible for the account whose shares are being voted. Issues applicable to a particular industry may cause CAM to abandon a policy that would have otherwise applied to issuers generally. As a result of the independent investment advisory services provided by distinct CAM business units, there may be occasions when different business units or different portfolio managers within the same business unit vote differently on the same issue.

In furtherance of the Manager's goal to vote proxies in the best interest of clients, the Manager follows procedures designed to

## Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

identify and address material conflicts that may arise between the Manager's interests and those of its clients before voting proxies on behalf of such clients. To seek to identify conflicts of interest, CAM periodically notifies CAM employees (including employees of the Manager) in writing that they are under an obligation (i) to be aware of the potential for conflicts of interest with respect to voting proxies on behalf of client accounts both as a result of their personal relationships and due to special circumstances that may arise during the conduct of CAM's and the Manager's business, and (ii) to bring conflicts of interest of which they become aware to the attention of compliance personnel. The Manager also maintains and considers a list of significant relationships that could present a conflict of interest for the Manager in voting proxies. The Manager is also sensitive to the fact that a significant, publicized relationship between an issuer and a non-CAM affiliate might appear to the public to influence the manner in which the Manager decides to vote a proxy with respect to such issuer. Absent special circumstances or a significant, publicized non-CAM affiliate relationship that CAM or the Manager for prudential reasons treats as a potential conflict of interest because such relationship might appear to the public to influence the manner in which the Manager decides to vote a proxy, the Manager generally takes the position that non-CAM relationships between Citigroup and an issuer (e.g. investment banking or banking) do not present a conflict of interest for the Manager in voting proxies with respect to such issuer. Such position is based on the fact that the Manager is operated as an independent business unit from other Citigroup business units as well as on the existence of information barriers between the Manager and certain other Citigroup business units.

CAM maintains a Proxy Voting Committee, of which the Manager personnel are members, to review and address conflicts of interest brought to its attention by compliance personnel. A proxy issue that will be voted in accordance with a stated position on an issue or in accordance with the recommendation of an independent third party is not brought to the attention of the Proxy Voting Committee for a conflict of interest review because the Manager's position is that to the extent a conflict of interest issue exists, it is resolved by voting in accordance with a pre-determined policy or in accordance with the recommendation of an independent third party. With respect to a conflict of interest brought to its attention, the

Proxy Voting Committee first determines whether such conflict of interest is material. A conflict of interest is considered material to the extent that it is determined that such conflict is likely to influence, or appear to influence, the Manager's decision-making in voting proxies. If it is determined by the Proxy Voting Committee that a conflict of interest is not material, the Manager may vote proxies notwithstanding the existence of the conflict.

If it is determined by the Proxy Voting Committee that a conflict of interest is material, the Proxy Voting Committee is responsible for determining an appropriate method to resolve such conflict of interest before the proxy affected by the conflict of interest is voted. Such determination is based on the particular facts and circumstances, including the importance of the proxy issue and the nature of the conflict of interest. Methods of resolving a material conflict of interest may include, but are not limited to, disclosing the conflict to clients and obtaining their consent before voting, or suggesting to clients that they engage another party to vote the proxy on their behalf.

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

ITEM 8. [RESERVED]

ITEM 9. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 10. EXHIBITS.

- (a) Not applicable.
- (b) Attached hereto.

Exhibit 99.CERT	Certifications pursuant to section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 99.906CERT	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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, there unto duly authorized.

High Income Opportunity Fund Inc.

By: /s/ R. Jay Gerken  
R. Jay Gerken  
Chief Executive Officer of  
High Income Opportunity Fund Inc.

Date: June 4, 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 following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ R. Jay Gerken  
R. Jay Gerken  
Chief Executive Officer of

Edgar Filing: HIGH INCOME OPPORTUNITY FUND INC - Form N-CSRS

High Income Opportunity Fund Inc.

Date: June 4, 2004

By: /s/ Richard L. Peteka  
Richard L. Peteka  
Chief Financial Officer of  
High Income Opportunity Fund Inc.

Date: June 4, 2004