

HIGH YIELD INCOME FUND INC  
Form N-CSRS  
May 02, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSR**

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

Investment Company Act file number: 811-05296

**The High Yield Income Fund, Inc.**

Exact name of registrant as specified in charter:

**Gateway Center 3,**  
**100 Mulberry Street,**

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

**Newark, New Jersey 07102**  
**Address of principal executive offices:**

**Deborah A. Docs**  
**Gateway Center 3,**  
**100 Mulberry Street,**  
**Newark, New Jersey 07102**

**Name and address of agent for service:**

Registrant's telephone number, including area code: 973-367-7521

Date of fiscal year end: 8/31/2008

Date of reporting period: 2/29/2008

Item 1 Reports to Stockholders

SEMIANNUAL REPORT

FEBRUARY 29, 2008

## THE HIGH YIELD INCOME FUND, INC.

This report is for stockholder information. This is not a prospectus intended for use in the purchase or sale of fund shares.

The views expressed in this report and information about the Fund's holdings are for the period covered by this report and are subject to change thereafter.

The accompanying financial statements as of February 29, 2008, were not audited and, accordingly, no auditor's opinion is expressed on them.

## Your Fund's Performance

### Fund Objectives

The primary investment objective of **The High Yield Income Fund, Inc.** is to maximize current income to shareholders. As a secondary investment objective, the Fund will seek capital appreciation, but only when consistent with its primary objective. The Fund will seek to achieve its objectives by investing primarily in corporate bonds rated below investment grade by independent rating agencies. Bonds rated below investment grade are commonly known as "junk" bonds and are subject to greater risk of default and higher volatility than investment grade bonds. Furthermore, these bonds tend to be less liquid than higher-quality bonds. The Fund is diversified, and we carefully research companies to find those with attractive yields and improving credit quality. There can be no assurance that the Fund will achieve its investment objectives.

#### Performance as of 2/29/08

	Total Return Six Months	NAV 2/29/08	Market Price 2/29/08
The High Yield Income Fund <sup>1</sup>	1.55%	\$ 5.03	\$ 4.47
Lehman Brothers U.S. Corporate High Yield 1% Issuer Capped Index <sup>2</sup>	1.43	N/A	N/A
Prior Index <sup>3</sup>	1.39	N/A	N/A
Lipper Closed-End High Current Yield Funds (Leveraged) Avg. <sup>4</sup>	10.44	N/A	N/A

**Past performance does not guarantee future results and current performance may be lower or higher than the past performance data quoted. The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than the original cost. For the most recent month-end performance, call (800) 451-6788. There are no sales charges.**

<sup>1</sup>Source: Prudential Investments LLC. Total return of the Fund represents the change in net asset value from the beginning of the period (9/1/07) through the end (2/29/08) and assumes the reinvestment of dividends and distributions. Shares of the Fund are traded on the New York Stock Exchange, Inc. using the symbol HYI. Past performance is not indicative of future results.

<sup>2</sup>Source: Lipper Inc. The Lehman Brothers U.S. Corporate High Yield 1% Issuer Capped Index (1% Issuer Capped Index) covers the universe of U.S. dollar denominated, non-convertible, fixed rate, noninvestment grade debt. Issuers are capped at 1% of the Index. Index holdings must have at least one year to final maturity, at least \$150 million par amount outstanding, and be publicly issued with a rating of Ba1 or lower. Index returns do not include the effect of any sales charges, mutual fund operating expenses or taxes.

<sup>3</sup>Source: Lipper Inc. The Lehman Brothers U.S. Corporate High Yield 2% Issuer Capped Index (the Prior Index) is an unmanaged index of fixed-rate, noninvestment grade debt securities with at least one year remaining to maturity. However, the representation of any single bond issuer is restricted to a maximum of 2% of the total index. The Board recently approved replacing the Prior Index with the 1% Issuer Capped Index.

<sup>4</sup>Source: Lipper Inc. These are the average returns of 31 funds in the Closed-End High Current Yield Funds (Leveraged) category for six months.

Investors cannot invest directly in an index.

#### Yield and Dividend as of 2/29/08

##### Total Monthly Dividends

##### Paid per Share

##### Six Months

\$0.230

##### Yield at Market Price<sup>5</sup>

5.15%

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

<sup>5</sup>Yield at market price is determined by dividing total monthly dividends paid per share six months by the market price per share as of February 29, 2008.

The High Yield Income Fund, Inc. 1

## Portfolio of Investments

as of February 29, 2008 (Unaudited)

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>LONG-TERM INVESTMENTS 136.0%</b>					
<b>CORPORATE BONDS 134.5%</b>					
<b>Aerospace/Defense 3.5%</b>					
DRS Technologies, Inc.,					
Gtd. Notes	B1	6.625%	2/1/16	\$ 200	\$ 195,500
Gtd. Notes	B3	7.625	2/1/18	425	425,000
Esterline Technologies Corp., Sr.					
Sub. Notes	B1	7.75	6/15/13	300	303,750
L-3 Communications Corp.,					
Gtd. Notes, Ser. B	Ba3	6.375	10/15/15	300	297,750
Gtd. Notes	Ba3	7.625	6/15/12	400	410,000
Moog, Inc., Sr. Sub. Notes	Ba3	6.25	1/15/15	300	287,250
TransDigm, Inc.,					
Gtd. Notes	B3	7.75	7/15/14	150	149,250
					2,068,500
<b>Airlines 0.3%</b>					
AMR Corp., M.T.N.,					
Notes, Ser. B	CCC+(d)	10.40	3/10/11	100	96,125
Continental Airlines, Inc.,					
Pass-Thru Certs.,					
Ser. 1998-1, Class B (Sinkable,	Ba2	6.748	3/15/17	69	65,355
expected maturity 3/15/17)					
					161,480
<b>Automotive 3.5%</b>					
Ford Motor Credit Co., Notes					
	B1	7.875	6/15/10	855	787,948
General Motors Corp.,					
Notes	Caa1	7.20	1/15/11	885	800,925
Sr. Notes	Caa1	7.125	7/15/13	50	42,000
Lear Corp., Gtd. Notes,					
Ser. B	B3	8.75	12/1/16	125	107,813
TRW Automotive, Inc., Gtd. Notes,					
144A	Ba3	7.25	3/15/17	250	227,500
Visteon Corp.,					
Sr. Notes	Caa2	7.00	3/10/14	135	87,750
					2,053,936

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 3

## Portfolio of Investments

as of February 29, 2008 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Banking 0.7%</b>					
Halyk Savings Bank of Kazakhstan (Kazakhstan), Notes, 144A					
	Baa3	8.125%	10/7/09	\$ 100(c)	\$ 101,500
Kazkommerts International BV (Netherlands), 144A					
Gtd. Notes	Ba1	7.00	11/3/09	105(c)	101,325
Gtd. Notes	Ba1	8.50	4/16/13	205(c)	186,038
					388,863
<b>Building Materials &amp; Construction 0.5%</b>					
Beazer Homes USA, Inc., Gtd. Notes					
	B1	8.625	5/15/11	110	85,525
KB Home, Notes					
	Ba1	6.375	8/15/11	150	141,750
Nortek, Inc., Sr. Sub. Notes					
	B3	8.50	9/1/14	100	77,500
					304,775
<b>Cable 6.5%</b>					
Charter Communications Holdings I LLC, Gtd. Notes					
	Caa3	10.00	5/15/14	99	48,015
Gtd. Notes	Caa3	11.125	1/15/14	198	96,030
Gtd. Notes	Caa3	11.75	5/15/14	500	255,000
Gtd. Notes	NR	11.00	10/1/15	4	2,740
Sec d. Notes	Caa2	11.00	10/1/15	400	278,000
Charter Communications Holdings II LLC, Sr. Notes					
Ser. B	Caa1	10.25	9/15/10	250	226,875
CSC Holdings, Inc., Bank Loan					
	Ba1	6.391	2/24/12	2,000(f)	1,846,166
Debentures					
	B1	7.625	7/15/18	100	91,500
Debentures	B1	7.875	2/15/18	50	46,125
Sr. Notes, Ser. B	B1	7.625	4/1/11	25	24,844
Mediacom Broadband LLC, Sr. Notes					
	B3	8.50	10/15/15	125	98,750
Mediacom LLC, Sr. Notes					
	B3	9.50	1/15/13	200	175,000

See Notes to Financial Statements.



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

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
NTL Cable PLC (United Kingdom), Sr. Notes	B2	9.125%	8/15/16	\$ 400(c)	\$ 336,000
Shaw Communications, Inc. (Canada), Sr. Notes	Ba1	7.20	12/15/11	200(c)	205,750
Videotron Ltee, (Canada), Gtd. Notes	Ba1	6.375	12/15/15	100(c)	92,750
					3,823,545
<b>Capital Goods 11.9%</b>					
Actuant Corp., Sr. Notes, 144A	Ba2	6.875	6/15/17	125	120,625
ALH Finance LLC, Sr. Sub. Notes	B3	8.50	1/15/13	225	201,938
Allied Waste North America, Inc., Sec d. Notes, Ser. B	B1	5.75	2/15/11	450	438,750
Sr. Notes	B1	7.25	3/15/15	95	94,406
Sr. Sec d. Notes	B1	6.375	4/15/11	250	245,000
Ashtead Capital, Inc., Notes, 144A	B1	9.00	8/15/16	475	391,875
Ashtead Holdings PLC (United Kingdom), Sec d. Notes, 144A	B1	8.625	8/1/15	150(c)	122,250
Baldor Electric Co., Gtd. Notes	B3	8.625	2/15/17	360	352,800
Blount, Inc., Sr. Sub. Notes	B2	8.875	8/1/12	425	413,313
Columbus Mckinnon Corp., Sr. Sub. Notes	B1	8.875	11/1/13	300	312,000
GrafTech Finance, Inc., Gtd. Notes	B2	10.25	2/15/12	196	202,370
Hertz Corp., Gtd. Notes	B1	8.875	1/1/14	820	781,049
Invensys PLC (United Kingdom), Sr. Notes	B2	9.875	3/15/11	18(c)	18,985
JohnsonDiversey Holdings, Inc., Discount Notes	Caa1	10.67	5/15/13	210	200,550
JohnsonDiversey, Inc., Gtd. Notes, Ser. B	B3	9.625	5/15/12	75	74,625
Mobile Mini, Inc., Sr. Notes	B1	6.875	5/1/15	295	238,950
RBS Global, Inc. & Rexnord Corp., Gtd. Notes	B3	9.50	8/1/14	345	310,500

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 5

## Portfolio of Investments

as of February 29, 2008 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
Rental Service Corp., Bonds	Caa1	9.50%	12/1/14	\$ 270	\$ 220,725
Sensata Technologies, Bank Loan	Ba3	5.056	4/27/13	750(f)	635,090
SPX Corp., Sr. Notes, 144A	Ba2	7.625	12/15/14	225	231,750
Stena AB (Sweden), Sr. Notes	Ba3	7.50	11/1/13	275(c)	270,531
Terex Corp., Gtd. Notes	Ba2	7.375	1/15/14	275	272,938
Sr. Sub. Notes	Ba3	8.00	11/15/17	100	99,500
United Rentals North America, Inc., Sr. Sub. Notes	B3	7.75	11/15/13	400	326,000
Valmont Industries, Inc., Gtd. Notes	Ba3	6.875	5/1/14	350	344,750
					6,921,270
<b>Chemicals 5.6%</b>					
Hercules, Inc., Gtd. Notes	Ba3	6.75	10/15/29	175	162,750
Huntsman LLC, Gtd. Notes	Ba1	11.625	10/15/10	1,011	1,071,660
Ineos Group Holdings PLC (United Kingdom), Sr. Sub. Notes, 144A	B3	8.50	2/15/16	75(c)	56,250
Koppers, Inc., Gtd. Notes	B2	9.875	10/15/13	730	771,975
Momentive Performance Materials, Inc, Gtd. Notes	B3	9.75	12/1/14	390	349,050
Mosaic Co. (The), 144A Sr. Notes	Ba1	7.625	12/1/14	125	132,813
Sr. Notes	Ba1	7.875	12/1/16	125	134,375
Nalco Co., Sr. Notes	B1	7.75	11/15/11	575	580,750
					3,259,623
<b>Consumer 2.1%</b>					
Mac-Gray Corp., Sr. Notes	B2	7.625	8/15/15	150	142,500
Realogy Corp., Gtd. Notes, PIK	Caa1	11.00	4/15/14	450	288,000
Gtd. Notes	Caa2	12.375	4/15/15	650	344,500
Service Corp. International, Sr. Notes	B1	6.75	4/1/16	100	99,500
Sr. Notes	B1	7.375	10/1/14	350	357,000
					1,231,500

See Notes to Financial Statements.

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

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Electric 10.1%</b>					
AES Corp., Sec d. Notes, 144A	Ba3	8.75%	5/15/13	\$ 57	\$ 59,565
Sr. Notes	B1	9.375	9/15/10	700	738,499
Sr. Notes	B1	9.50	6/1/09	75	77,625
AES Eastern Energy LP, Pass-Through Cert., Ser. 1999-A	Ba1	9.00	1/2/17	190	207,122
CMS Energy Corp., Sr. Notes	Ba1	8.50	4/15/11	200	215,198
Dynegy Holdings, Inc., Debentures	B2	7.125	5/15/18	50	45,000
Sr. Notes	B2	6.875	4/1/11	150	145,688
Sr. Unsec d. Notes	B2	7.50	6/1/15	175	163,844
Sr. Unsec d. Notes	B2	8.375	5/1/16	255	249,263
Edison Mission Energy, Sr. Unsec d. Notes	B1	7.75	6/15/16	225	231,750
Energy Future Holdings Corp., Gtd. Notes, 144A	B3	10.875	11/1/17	200	197,120
Midwest Generation LLC, Pass-Thru Certs., Ser. A	Baa3	8.30	7/2/09	103	104,126
Mirant Americas Generation LLC, Sr. Unsec d. Notes	B3	8.30	5/1/11	100	100,625
Mirant Corp., 144A	NR	7.40	7/15/49	75(a)(f)	75
NRG Energy, Inc., Gtd. Notes	B1	7.375	2/1/16	405	390,319
Gtd. Notes	B1	7.375	1/15/17	325	312,813
NSG Holdings LLC, Sec d. Notes, 144A	Ba2	7.75	12/15/25	475	460,156
Orion Power Holdings, Inc., Sr. Notes	B2	12.00	5/1/10	370	401,450
Sierra Pacific Resources, Inc., Sr. Notes	Ba3	8.625	3/15/14	199	211,613
Texas Competitive Electric Holdings Co. LLC, Bank Loan	Ba3	6.583	10/10/14	750(f)	683,778
Gtd. Notes, Ser. A, 144A	B3	10.25	11/1/15	475	463,124
Gtd. Notes, Ser. B, 144A	B3	10.25	11/1/15	475	463,125

5,921,878

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 7

## Portfolio of Investments

as of February 29, 2008 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Energy - Other 5.3%</b>					
Compagnie Generale de Geophysique-Veritas (France), Gtd. Notes	Ba3	7.50%	5/15/15	\$ 110(c)	\$ 110,550
Forest Oil Corp., Sr. Notes	B1	8.00	6/15/08	100	100,500
Sr. Notes	B1	8.00	12/15/11	170	176,800
McMoran Exploration Co., Gtd. Notes	Caa1	11.875	11/15/14	200	204,000
Newfield Exploration Co., Sr. Sub. Notes	Ba3	6.625	9/01/14	75	73,500
Sr. Sub. Notes	Ba3	6.625	4/15/16	400	388,999
Parker Drilling Co., Sr. Notes	B2	9.625	10/1/13	270	286,200
PetroHawk Energy Corp., Gtd. Notes	B3	9.125	7/15/13	250	255,000
Petroplus Finance Ltd. (Bermuda), 144A Gtd. Notes	B1	6.75	5/1/14	250(c)	226,875
Gtd. Notes	B1	7.00	5/1/17	75(c)	67,313
Pioneer Natural Resource Co., Sr. Notes	Ba1	5.875	7/15/16	50	45,799
Sr. Unsec. d. Notes	Ba1	6.65	3/15/17	315	302,025
Plains Exploration & Production Co., Gtd. Notes	B1	7.00	3/15/17	410	393,599
Swift Energy Co., Gtd. Notes	B1	7.125	6/1/17	225	209,250
Tesoro Corp., Gtd. Notes	Ba1	6.25	11/1/12	15	14,363
Gtd. Notes	Ba1	6.625	11/1/15	50	47,250
Sr. Notes	Ba1	6.50	6/1/17	175	162,750
					3,064,773
<b>Foods 2.5%</b>					
Ahold Finance USA, Inc., Gtd. Notes	Baa3	6.875	5/1/29	75	75,946
Notes	Baa3	8.25	7/15/10	75	83,378
Alberton s, Inc., Debentures	B1	8.70	5/1/30	100	99,873
Aramark Corp., Gtd. Notes	B3	6.739	2/1/15	200(h)	175,000
Gtd. Notes	B3	8.50	2/1/15	250	246,249
Carrols Corp., Gtd. Notes	B3	9.00	1/15/13	175	159,250

See Notes to Financial Statements.

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

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
Del Monte Corp., Sr. Sub. Notes	B2	8.625%	12/15/12	\$ 100	\$ 101,500
Dole Food Co., Inc., Gtd. Notes	Caa1	7.25	6/15/10	100	82,000
National Beef Packing Co. LLC, Sr. Notes	Caa1	10.50	8/1/11	150	132,000
Stater Brothers Holdings, Sr. Notes	B2	7.75	4/15/15	225	213,750
Sr. Notes	B2	8.125	6/15/12	100	99,500
					1,468,446
<b>Gaming 8.0%</b>					
Caesars Entertainment, Inc., Sr. Sub. Notes	Caa1	8.125	5/15/11	135	114,750
CCM Merger, Inc., Notes, 144A	B3	8.00	8/1/13	550	481,250
Downstream Development Authority of The Quapaw Tribe of Oklahoma, Sec d. Notes, 144A	B3	12.00	10/15/15	100	85,000
Fontainebleau Las Vegas Holdings LLC, Mortgage Backed, 144A	Caa1	10.25	6/15/15	275	198,000
Harrah's Operating Co., Inc., Gtd. Notes	Caa1	5.50	7/1/10	150	132,375
Gtd. Notes	Caa1	5.625	6/1/15	175	105,000
Gtd. Notes, 144A	B3	10.75	2/1/16	300	262,125
Notes	Caa1	6.50	6/1/16	25	14,938
Mandalay Resort Group, Sr. Notes	Ba2	9.50	8/1/08	250	253,125
Sub. Notes	B1	9.375	2/15/10	100	102,750
MGM Mirage, Inc. Gtd. Notes	Ba2	6.00	10/1/09	250	248,750
Gtd. Notes	Ba2	6.875	4/1/16	225	202,500
Gtd. Notes	Ba2	7.50	6/1/16	300	279,000
Gtd. Notes	Ba2	7.625	1/15/17	550	518,374
Mohegan Tribal Gaming Authority, Sr. Sub. Notes	Ba2	8.00	4/1/12	175	169,750

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 9

## Portfolio of Investments

as of February 29, 2008 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
Sr. Sub. Notes	Ba2	8.375%	7/1/11	\$ 850	\$ 859,562
Sr. Unsec. d. Notes	Baa3	6.125	2/15/13	25	22,625
Shingle Springs Tribal Gaming Authority, Sr. Notes, 144A	B3	9.375	6/15/15	150	133,500
Station Casinos, Inc., Sr. Notes	B2	6.00	4/1/12	100	84,500
Sr. Sub. Notes	Caa1	6.50	2/1/14	275	183,563
Sr. Sub. Notes	Caa1	6.625	3/15/18	75	45,938
Sr. Sub. Notes	Caa1	6.875	3/1/16	65	40,950
Tropicana Entertainment LLC, Sr. Sub. Notes	Caa3	9.625	12/15/14	275	132,000
					4,670,325
<b>Healthcare &amp; Pharmaceutical 16.2%</b>					
Accellent, Inc., Gtd. Notes	Caa3	10.50	12/1/13	575	454,250
Alliance Imaging, Inc., Sr. Sub. Notes	B3	7.25	12/15/12	200	189,000
Sr. Sub. Notes, 144A	B3	7.25	12/15/12	85	80,325
Columbia/HCA Healthcare Corp., M.T.N.	Caa1	8.70	2/10/10	500	507,207
Community Health Systems, Inc., Sr. Notes	B3	8.875	7/15/15	750	735,937
Elan Finance PLC (Ireland), Gtd. Notes	B3	7.065	11/15/11	103(c)(h)	94,503
Gtd. Notes	B3	7.75	11/15/11	275(c)	259,188
HCA, Inc., Bank Loan	Ba3	6.83	11/17/12	750(f)	687,991
Debentures	Caa1	7.50	11/15/95	100	73,794
Sec. d. Notes	B2	9.25	11/15/16	525	538,125
Sr. Sec. d. Notes	B2	9.125	11/15/14	600	612,000
LVB Acquisition Merger Sub, Inc., 144A Gtd. Notes	B3	10.00	10/15/17	300	310,125
Gtd. Notes	Caa1	11.625	10/15/17	515	506,631
Mylan, Inc., Bank Loan	B1	7.10	10/02/14	1,000(f)	964,721

See Notes to Financial Statements.

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

	Moody s Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
Omega Healthcare Investors, Inc. Gtd. Notes	Ba3	7.00%	4/1/14	\$ 50	\$ 48,625
Gtd. Notes	Ba3	7.00	1/15/16	70	67,200
Omnicare, Inc., Sr. Sub. Notes	Ba3	6.125	6/1/13	125	109,063
PTS Acquisition Corp., Sr. Notes, PIK, 144A	Caa1	9.50	4/15/15	225	183,375
Res-Care, Inc., Sr. Notes	B1	7.75	10/15/13	300	287,250
Select Medical Corp., Gtd. Notes	B3	7.625	2/1/15	45	36,900
Senior Housing Properties Trust, Sr. Notes	Ba1	8.625	1/15/12	618	655,080
Skilled Healthcare Group, Inc., Sr. Sub. Notes	Caa1	11.00	1/15/14	303	318,150
Sun Healthcare Group, Inc., Sr. Sub. Notes	B3	9.125	4/15/15	300	288,750
Surgical Care Affiliates, Inc., Sr. Sub. Notes, 144A (original cost \$191,884; purchased 6/21/07 - 1/4/08)	Caa1	10.00	7/15/17	200(g)	152,000
Vanguard Health Holdings Co. II LLC, Sr. Sub. Notes	Caa1	9.00	10/1/14	375	358,125
Ventas Realty LP, Gtd. Notes	Ba1	8.75	5/1/09	300	306,750
Sr. Notes	Ba1	9.00	5/1/12	175	187,250
Viant Holdings, Inc., Gtd. Notes, 144A	Caa1	10.125	7/15/17	555	452,325
					9,464,640
<b>Lodging 1.6%</b>					
Felcor Lodging LP, Gtd. Notes	Ba3	8.50	6/1/11	225	225,563
Gaylord Entertainment Co., Sr. Notes	B3	8.00	11/15/13	25	23,000
Host Marriott LP, Gtd. Notes, Ser. Q	Ba1	6.75	6/1/16	325	307,937

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 11

## Portfolio of Investments

as of February 29, 2008 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
Sr. Notes	Ba1	7.125%	11/1/13	\$ 200	\$ 197,000
Sr. Notes, Ser. M	Ba1	7.00	8/15/12	200	195,000
					948,500
<b>Media &amp; Entertainment 8.6%</b>					
AMC Entertainment, Inc.,					
Gtd. Notes	B2	11.00	2/1/16	50	47,000
Sr. Sub. Notes	B2	8.00	3/1/14	100	84,250
Cinemark, Inc., Sr. Disc. Notes (Zero Coupon Until 3/15/09)					
	B3	Zero	3/15/14	90	81,900
Clear Channel Communications, Inc.,					
Debentures	Baa3	6.875	6/15/18	25	17,875
Sr. Notes	Baa3	5.50	9/15/14	150	99,000
Sr. Notes	Baa3	5.75	1/15/13	250	180,000
CMP Susquehanna Corp., Gtd. Notes					
	Caa1	9.875	5/15/14	50	33,063
Dex Media West LLC, Sr. Sub. Notes, Ser. B					
	B1	9.875	8/15/13	415	348,600
Dex Media, Inc., Notes					
	B2	8.00	11/15/13	165	117,150
DirecTV Holdings LLC, Gtd. Notes					
	Ba3	6.375	6/15/15	150	139,125
Sr. Notes	Ba3	8.375	3/15/13	150	154,500
Echostar DBS Corp., Gtd. Notes					
	Ba3	6.625	10/1/14	75	72,188
Gtd. Notes	Ba3	7.00	10/1/13	75	73,875
Gtd. Notes	Ba3	7.125	2/1/16	475	466,687
Sr. Notes	Ba3	6.375	10/1/11	75	73,875
Idearc, Inc., Bank Loan					
	Ba2	6.83	11/17/14	750(f)	617,030
Gtd. Notes	B2	8.00	11/15/16	350	206,500
Intelsat Bermuda Ltd. (Bermuda), Gtd. Notes					
	B3	9.25	6/15/16	175(c)	175,000
Sr. Unsec. d. Notes	Caa2	11.25	6/15/16	225(c)	224,156
LIN Television Corp., Gtd. Notes					
	B1	6.50	5/15/13	300	271,500
Medianews Group, Inc., Sr. Sub. Notes					
	B3	6.875	10/1/13	125	64,063

See Notes to Financial Statements.



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

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
Morris Publishing Group LLC, Gtd. Notes	B1	7.00%	8/1/13	\$ 65	\$ 39,000
Radio One, Inc., Gtd. Notes, Ser. B	B3	8.875	7/1/11	200	159,000
Rainbow National Services LLC, 144A					
Sr. Notes	B1	8.75	9/1/12	125	128,125
Sr. Sub. Debentures	B2	10.375	9/1/14	20	21,300
RH Donnelley Corp.,					
Sr. Notes, 144A	B3	8.875	10/15/17	150	87,750
Sr. Notes, Ser. A-3	B3	8.875	1/15/16	225	133,875
Sun Media Corp. (Canada), Gtd. Notes	Ba1	7.625	2/15/13	400(c)	384,000
Universal City Florida Holdings Co., Sr. Notes	B3	7.989	5/1/10	250(h)	240,313
Univision Communications, Inc., Sr. Notes, PIK, 144A	B3	9.75	3/15/15	400	276,000
					5,016,700
<b>Metal 7.3%</b>					
AK Steel Corp., Gtd. Notes	B1	7.75	6/15/12	200	201,500
Aleris International, Inc., Sr. Notes, PIK	B3	9.00	12/15/14	150	111,750
Century Aluminum Co., Gtd. Notes	B1	7.50	8/15/14	155	147,250
FMG Finance Pty Ltd. (Australia), 144A					
Sec d. Notes (original cost \$147,000; purchased 1/18/07)	B1	10.00	9/1/13	140(c)(g)	151,900
Sec d. Notes (original cost \$67,500; purchased 5/22/07)	B1	10.625	9/1/16	50(c)(g)	56,750
Freeport-McMoRan Copper & Gold, Inc.,					
Sr. Unsec d. Notes	Ba2	8.375	4/01/17	650	689,000
Sr. Unsec d. Notes	Ba2	8.394	4/1/15	300(h)	288,375
Gerdau Ameristeel Corp. (Canada), Sr. Notes	Ba1	10.375	7/15/11	1,000(c)	1,050,000

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 13

## Portfolio of Investments

as of February 29, 2008 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
Ispat Inland ULC (Canada), Sec. d. Notes	Baa2	9.75%	4/1/14	\$ 790(c)	\$ 858,059
Metals USA, Inc., Sec. d. Notes	B3	11.125	12/1/15	297	293,288
Novelis, Inc. (Canada), Gtd. Notes	B3	7.25	2/15/15	115(c)	103,500
PNA Group, Inc., Sr. Notes	B3	10.75	9/1/16	50	44,000
Ryerson, Inc., Sec. d. Notes, 144A (original cost \$250,000; purchased 10/3/07)	B2	12.00	11/1/15	250(g)	235,000
					4,230,372
<b>Non-Captive Finance 2.2%</b>					
General Motors Acceptance Corp., Notes	B1	6.75	12/1/14	85	64,023
Notes	B1	6.875	9/15/11	50	40,796
Notes	B1	6.875	8/28/12	1,020	814,172
GMAC LLC, Unsub. Notes	B1	6.625	5/15/12	75	59,478
Residential Capital LLC, Gtd. Notes	B2	7.875	6/30/10	380	216,600
Gtd. Notes	B2	8.50	6/1/12	200	109,000
					1,304,069
<b>Packaging 4.7%</b>					
Ball Corp., Gtd. Notes	Ba1	6.625	3/15/18	525	518,437
Berry Plastics Holding Corp., Sec. d. Notes	Caa1	8.866	9/15/14	225(h)	177,750
Sec. d. Notes	Caa1	8.875	9/15/14	175	154,438
BWAY Corp., Gtd. Notes	B3	10.00	10/15/10	150	145,500
Crown Americas LLC, Gtd. Notes	B1	7.625	11/15/13	300	303,750
Gtd. Notes	B1	7.75	11/15/15	250	255,625
Exopack Holding Corp., Gtd. Notes	B3	11.25	2/01/14	150	138,750
Graham Packaging Co., Inc., Gtd. Notes	Caa1	8.50	10/15/12	125	112,188
Sub. Notes	Caa1	9.875	10/15/14	75	63,938

See Notes to Financial Statements.

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

	Moody s Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
Greif, Inc., Sr. Notes	Ba2	6.75%	2/1/17	\$ 415	\$ 400,474
Owens Brockway Glass Container, Inc., Gtd. Notes	B3	8.25	5/15/13	300	310,500
Silgan Holdings, Inc., Sr. Sub. Notes	B1	6.75	11/15/13	175	164,500
					2,745,850
<b>Paper 5.0%</b>					
Cascades, Inc. (Canada), Sr. Notes	Ba3	7.25	2/15/13	275(c)	248,875
Catalyst Paper Corp., (Canada), Gtd. Notes, Ser. D	B2	8.625	6/15/11	315(c)	263,813
Cellu Tissue Holdings, Inc., Sec d. Notes	B2	9.75	3/15/10	75	69,375
Domtar, Inc., Notes	B+(d)	7.875	10/15/11	100	98,500
Georgia-Pacific LLC, Bank Loan (original cost \$695,869, purchased 1/30/08)	Ba2	6.836	12/20/12	750(f)(g)	690,124
Georgia-Pacific Corp., Gtd. Notes, 144A (original cost \$275,000; purchased 12/13/06)	Ba3	7.125	1/15/17	275(g)	255,750
Graphic Packaging International Corp., Sr. Notes	B2	8.50	8/15/11	275	265,375
Sr. Sub. Notes	B3	9.50	8/15/13	75	70,688
NewPage Corp., Sr. Sec d. Notes	B2	10.00	5/1/12	350	350,875
NewPage Corp., Sr. Sec d. Notes, 144A	B2	10.00	5/1/12	130	130,325
Norampac, Inc. (Canada), Sr. Notes	Ba3	6.75	6/1/13	110(c)	96,250
P.H. Glatfelter, Gtd. Notes	Ba2	7.125	5/1/16	40	39,700
Smurfit-Stone Container Enterprises, Inc., Sr. Notes	B3	8.00	3/15/17	165	146,025
Verso Paper Holdings LLC, Gtd. Notes, Ser. B	B3	11.375	8/1/16	200	181,000
					2,906,675

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 15

## Portfolio of Investments

as of February 29, 2008 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Pipelines &amp; Other 4.0%</b>					
AmeriGas Partners LP, Sr. Notes	B1	7.125%	5/20/16	\$ 175	\$ 170,625
El Paso Corp., Sr. Notes, M.T.N.	Ba3	7.75	1/15/32	390	402,420
Ferrellgas Partners LP, Sr. Notes	Ba3	6.75	5/1/14	50	48,813
Inergy LP, Gtd. Notes	B1	8.25	3/1/16	50	51,250
Sr. Notes	B1	6.875	12/15/14	150	145,500
Kinder Morgan Finance Co. ULC (Canada), Gtd. Notes	Ba2	5.70	1/5/16	125(c)	116,250
Gtd. Notes	Ba2	6.40	1/5/36	175(c)	157,500
Targa Resources, Inc., Gtd. Notes, 144A	B3	8.50	11/1/13	400	371,000
Williams Cos., Inc. (The), Sr. Unsec d. Notes	Baa3	8.125	3/15/12	475	517,749
Williams Partners LP, Gtd. Notes	Ba2	7.25	2/1/17	375	377,813
					2,358,920
<b>Retailers 2.8%</b>					
Couche-Tard Finance Corp., Sr. Sub. Notes	Ba2	7.50	12/15/13	125	124,375
GSC Holdings Corp., Gtd. Notes	Ba3	8.00	10/01/12	165	173,869
Neiman-Marcus Group, Inc., Gtd. Notes, PIK	B2	9.00	10/15/15	380	378,100
Pantry, Inc. (The), Sr. Sub. Notes	B3	7.75	2/15/14	165	146,850
Rite Aid Corp., Sec d. Notes	B3	8.125	5/01/10	545	525,925
Saks, Inc., Gtd. Notes	B3	9.875	10/01/11	58	58,290
Susser Holdings LLC, Gtd. Notes	B3	10.625	12/15/13	134	137,015
Sr. Notes, 144A	B3	10.625	12/15/13	70	71,575
					1,615,999

See Notes to Financial Statements.

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

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Technology 10.9%</b>					
Affiliated Computer Services, Inc.	Ba2	4.70%	6/1/10	\$ 1,100	\$ 1,038,124
Amkor Technology, Inc., Sr. Notes	B1	7.125	3/15/11	75	70,875
Avago Technologies Finance Wireless (Singapore),					
Gtd. Notes	B2	10.125	12/1/13	205(c)	216,275
Gtd. Notes	Caa1	11.875	12/1/15	125(c)	132,500
First Data Corp., Gtd. Notes, 144A	B3	9.875	9/24/15	150	130,125
Flextronics International Ltd., Bank Loan	Ba1	7.394	10/1/12	1,000(f)	928,333
Freescale Semiconductor, Inc., Sr. Sub. Notes	B3	10.125	12/15/16	20	14,200
Sr. Unsec. d. Notes, PIK	B2	9.125	12/15/14	955	725,800
Iron Mountain, Inc., Gtd. Notes	B3	7.75	1/15/15	250	250,625
Gtd. Notes	B3	8.625	4/1/13	175	176,313
Nortel Networks Ltd. (Canada), Gtd. Notes	B3	4.25	9/1/08	68(c)	67,235
NXP BV/NXP Funding LLC (Netherlands), Sec. d. Notes, Series WI	Ba3	7.875	10/15/14	100(c)	91,000
Open Solutions, Inc., Sr. Sub. Notes, 144A	Caa1	9.75	2/1/15	200	158,000
Seagate Technology HDD Holdings (Cayman Islands), Gtd. Notes	Ba1	6.375	10/1/11	300(c)	297,000
Sensata Technologies BV (Netherlands), Gtd. Notes	B3	8.00	5/1/14	400(c)	350,000
Serena Software, Inc., Gtd. Notes	Caa1	10.375	3/15/16	450	427,500

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 17

## Portfolio of Investments

as of February 29, 2008 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
STATS ChipPAC Ltd. (Singapore), Gtd. Notes	Ba1	6.75%	11/15/11	\$ 250(c)	\$ 258,750
Sr. Notes	Ba1	7.50	7/19/10	150(c)	157,500
Sungard Data Systems, Bank Loan	Ba3	5.128	2/28/14	750(f)	690,782
Gtd. Notes	Caa1	9.125	8/15/13	200	201,500
					6,382,437
<b>Telecommunications 10.7%</b>					
Alltel Communications, Inc., Bank Loan	Ba3	5.82	5/15/15	500(f)	453,239
American Tower Corp., Sr. Unsec. d. Notes	Ba1	7.125	10/15/12	750	768,750
Centennial Communications Corp., Gtd. Notes	B2	10.125	6/15/13	75	75,750
Cincinnati Bell, Inc., Sr. Sub. Notes	B2	8.375	1/15/14	175	168,000
Citizens Communications Co., Notes	Ba2	9.25	5/15/11	205	215,763
Sr. Notes	Ba2	6.25	1/15/13	150	138,000
Sr. Notes	Ba2	9.00	8/15/31	150	138,000
Hawaiian Telcom Communications, Inc., Gtd. Notes, Ser. B	Caa1	12.50	5/1/15	225	173,250
Level 3 Financing, Inc., Gtd. Notes	Caa1	12.25	3/15/13	425	395,250
Nordic Telephone Co. Holdings (Denmark), Sr. Notes, 144A	B2	8.875	5/1/16	265(c)	261,025
Qwest Capital Funding, Inc., Gtd. Notes	B1	7.00	8/3/09	1,000	997,499
Qwest Communications International, Inc., Gtd. Notes, Ser. B	Ba3	7.50	2/15/14	205	199,363
Qwest Corp., Sr. Notes	Ba1	7.50	10/1/14	275	272,250
Rural Cellular Corp., Sr. Notes	B3	9.875	2/1/10	135	138,713
Sprint Capital Corp., Gtd. Notes	Baa3	6.125	11/15/08	1,000	974,999

See Notes to Financial Statements.

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

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Corporate Bonds</b>					
Time Warner Telecom Holdings, Inc., Gtd. Notes	B3	9.25%	2/15/14	\$ 100	\$ 100,000
Windstream Corp., Sr. Notes	Ba3	7.00	3/15/19	500	455,000
Sr. Notes	Ba3	8.625	8/1/16	300	305,250
					6,230,101
Total corporate bonds (cost \$83,292,236)					78,543,177
<b>SOVEREIGN BONDS 1.5%</b>					
Republic of Argentina, Bonds, F.R.N.	B3	3.00	4/30/13	173(c)	108,670
Bonds, F.R.N.	B3	3.092	8/3/12	213(c)(h)	186,174
Republic of Colombia, Notes	Ba2	10.00	1/23/12	200(c)	236,000
Republic of Philippines, Bonds	B1	9.375	1/18/17	300(c)	366,750
Total sovereign bonds (cost \$871,147)					897,594
<b>Shares</b>					
<b>COMMON STOCK</b>					
Electric Mirant Corp. (cost \$1,623)				92	3,404
<b>Units</b>					
<b>WARRANTS(b)</b>					
Sterling Chemical Holdings, Inc., Expiring 8/15/08				140(f)	0
Viasystems Group, Inc., Expiring 1/10/31				10,871(f)	1
XM Satellite Radio, Inc., 144A, Expiring 3/15/10				150(f)	0
Total warrants (cost \$219,817)					1
Total long-term investments (cost \$84,384,823)					79,444,176

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 19

## Portfolio of Investments

as of February 29, 2008 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>SHORT-TERM INVESTMENT 16.3%</b>					
<b>U.S. GOVERNMENT AGENCY SECURITY</b>					
Federal Home Loan Bank, Discount Note (cost \$9,523,942)	A-1+(d)	2.00%(e)	3/03/08	\$ 9,525	\$ 9,523,413
<b>Total Investments(i) 152.3%</b> <b>(cost \$93,908,765; Note 4)</b>					<b>88,967,589</b>
Liabilities in excess of other assets (52.3%)					(30,565,865)
<b>Total Net Assets 100.0%</b>					<b>\$ 58,401,724</b>

The following abbreviations are used in portfolio descriptions:

F.R.N. Floating Rate Note

M.T.N. Medium Term Note

NR Not rated by Moody's or Standard & Poor's

PIK Payment in Kind

144A Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may not be resold subject to that rule except to qualified institution buyers. Unless otherwise noted, 144A securities are deemed to be liquid.

The ratings reflected are as of February 29, 2008. Ratings of certain bonds may have changed subsequent to that date.

(a) Represents issuer in default on interest payment; non-income producing security.

(b) Non-income producing security.

(c) US\$ denominated foreign securities.

(d) Standard & Poor's Rating.

(e) Percentage quoted represents yield-to-maturity as of purchase date.

(f) Indicates a security that has been deemed illiquid.

(g) Indicates a restricted security; the aggregate original cost of such securities is \$1,627,253. The aggregate value of \$1,541,524 is approximately 2.6% of net assets.

(h) Indicates a variable rate security. The interest rate shown reflects the rate in effect at February 29, 2008.

(i) As of February 29, 2008, two securities representing \$76 and 0.0% of the total net assets were fair valued in accordance with the policies adopted by the Board of Directors.

See Notes to Financial Statements.



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

The industry classification of portfolio holdings and liabilities in excess of other assets shown as a percentage of net assets as of February 29, 2008 were as follows:

U.S. Government Agency Security	16.3%
Healthcare & Pharmaceutical	16.2
Capital Goods	11.9
Technology	10.9
Telecommunications	10.7
Electric	10.1
Media & Entertainment	8.6
Gaming	8.0
Metals	7.3
Cable	6.5
Chemicals	5.6
Energy - Other	5.3
Paper	5.0
Packaging	4.7
Pipelines & Other	4.0
Aerospace/Defense	3.5
Automotive	3.5
Retailers	2.8
Foods	2.5
Non-Captive Finance	2.2
Consumer	2.1
Lodging	1.6
Sovereign Bonds	1.5
Banking	0.7
Building Materials & Construction	0.5
Airlines	0.3
	152.3
Liabilities in excess of other assets	(52.3)
	100.0%

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 21

## Statement of Assets and Liabilities

as of February 29, 2008 (Unaudited)

<b>Assets</b>	
Investments, at value (cost \$93,908,765)	\$ 88,967,589
Foreign currency, at value (cost \$65,126)	71,629
Interest receivable	1,651,000
Receivable for investments sold	585,125
Prepaid expenses	576
<b>Total assets</b>	<b>91,275,919</b>
<b>Liabilities</b>	
Loan payable (Note 5)	24,000,000
Payable for investments purchased	7,325,313
Payable to custodian	1,179,693
Accrued expenses	213,488
Loan interest payable	70,460
Deferred directors' fees	52,665
Management fee payable	32,576
<b>Total liabilities</b>	<b>32,874,195</b>
<b>Net Assets</b>	<b>\$ 58,401,724</b>
Net assets were comprised of:	
Common stock, at par	\$ 116,005
Paid-in capital in excess of par	86,545,245
	86,661,250
Undistributed net investment income	98,492
Accumulated net realized loss on investments and foreign currency transactions	(23,423,345)
Net unrealized depreciation on investments and foreign currencies	(4,934,673)
<b>Net assets, February 29, 2008</b>	<b>\$ 58,401,724</b>
Net asset value per share (\$58,401,724 ÷ 11,600,472 shares of common stock issued and outstanding)	\$ 5.03

See Notes to Financial Statements.

## Statement of Operations

Six Months Ended February 29, 2008 (Unaudited)

<b>Net Investment Income</b>	
Income	
Interest	\$ 3,428,008
Expenses	
Management fee	213,738
Loan interest expense (Note 5)	521,837
Custodian s fees and expenses	34,000
Reports to shareholders	30,000
Transfer agent s fees and expenses	15,000
Audit fee	13,000
Legal fees and expenses	12,000
Registration fees	12,000
Directors fees and expenses	5,000
Miscellaneous	18,220
<b>Total expenses</b>	<b>874,795</b>
Net investment income	2,553,213
<b>Realized And Unrealized Loss On Investments And Foreign Currency Transactions</b>	
Net realized loss on investments	(338,709)
Net change in net unrealized appreciation/depreciation on:	
Investments	(3,352,101)
Foreign currencies	(1,054)
	(3,353,155)
Net loss on investments and foreign currency transactions	(3,691,864)
<b>Net Decrease In Net Assets Resulting From Operations</b>	<b>\$ (1,138,651)</b>

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 23

## Statement of Cash Flows

Six Months Ended February 29, 2008 (Unaudited)

### Increase (Decrease) in Cash

#### Cash flows provided from (used in) operating activities:

Interest and dividends received (excluding discount and premium amortization of \$74,032)	\$ 3,436,378
Operating expenses paid	(321,701)
Loan interest paid	(537,002)
Maturities of short-term portfolio investments, net	(8,913,519)
Purchases of long-term portfolio investments	(30,613,328)
Proceeds from disposition of long-term portfolio investments	33,457,888
Prepaid expenses	679
Net cash used in operating activities	(3,490,605)

#### Cash flows provided from (used in) financing activities:

Cash dividends paid	(2,690,250)
Increase in borrowing	5,000,000

Net cash from financing activities 2,309,750

Net decrease in cash (1,180,855)  
Cash at beginning of period 72,791

Cash at end of period \$ (1,108,064)

#### Reconciliation of Net Decrease in Net Assets to Net Cash Provided from (used in) Operating Activities

Net decrease in net assets resulting from operations	\$ (1,138,651)
Increase in investments	(12,748,925)
Net realized loss on investment transactions	338,709
Increase in net unrealized depreciation on investments	3,353,155
Decrease in interest and dividends receivable	82,402
Increase in receivable for investments sold	(566,168)
Decrease in prepaid expenses	679
Increase in payable for investments purchased	7,172,102
Decrease in loan interest payable	(25,165)
Increase in accrued expenses and other liabilities	41,257
Total adjustments	(2,351,954)
Net cash used in operating activities	\$ (3,490,605)

See Notes to Financial Statements.

## Statement of Changes in Net Assets

(Unaudited)

	Six Months Ended February 29, 2008	Year Ended August 31, 2007
<b>Decrease In Net Assets</b>		
<b>Operations</b>		
Net investment income	\$ 2,553,213	\$ 4,886,621
Net realized gain (loss) on investment and foreign currency transactions	(338,709)	1,244,579
Net change in unrealized appreciation/depreciation on investments and foreign currencies	(3,353,155)	(2,174,339)
Net increase (decrease) in net assets resulting from operations	(1,138,651)	3,956,861
Dividends paid to shareholders from net investment income	(2,668,109)	(5,162,210)
Total decrease	(3,806,760)	(1,205,349)
<b>Net Assets</b>		
Beginning of period	62,208,484	63,413,833
End of period(a)	\$ 58,401,724	\$ 62,208,484
(a) Includes undistributed net investment income of	\$ 98,492	\$ 213,388

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 25

## Notes to Financial Statements

(Unaudited)

The High Yield Income Fund, Inc. (the Fund) was organized in Maryland on August 21, 1987 as a diversified, closed-end management investment company. The Fund's primary investment objective is to maximize current income to shareholders through investment in a diversified portfolio of high-yield, fixed-income securities rated in the medium to lower categories by recognized rating services, or non-rated securities of comparable quality. As a secondary investment objective, the Fund will seek capital appreciation, but only when consistent with its primary objective. The ability of issuers of debt securities held by the Fund to meet their obligations may be affected by economic or political developments in a specific industry or region.

### **Note 1. Accounting Policies**

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

*Securities Valuation:* Securities for which market quotations are readily available including securities listed on national securities exchanges and those traded over-the-counter are valued at the last quoted sales price on the valuation date on which the security is traded. If such securities were not traded on the valuation date, but market quotations are readily available, they are valued at the most recently quoted bid price provided by an independent pricing service or by a principal market maker. Securities for which market quotations are not readily available or for which the pricing agent or market maker does not provide a valuation or methodology, or provides a valuation or methodology that, in the judgment of the adviser, does not represent fair value, are valued by a Valuation Committee appointed by the Board of Directors, in consultation with the adviser. When determining the fair valuation of securities some of the factors influencing the valuation include, the nature of any restrictions on disposition of the securities; assessment of the general liquidity of the securities; the issuer's financial condition and the markets in which it does business; the cost of the investment; the size of the holding and the capitalization of issuer; the prices of any recent transactions or bids/offers for such securities or any comparable securities; any available analyst media or other reports or information deemed reliable by the investment adviser regarding the issuer or the markets or industry in which it operates. Using fair value to price securities may result in a value that is different from a security's most recent closing price and from the price used by other mutual funds to calculate their net asset values. As of February 29, 2008, there were two securities representing \$76 whose values were adjusted in accordance with procedures approved by the Board of Directors.

Short-term debt securities, which mature in sixty days or less, are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of the difference between the principal amount due at maturity and cost. Short-term debt securities, which mature in more than sixty days, are valued at current market quotations.

In connection with transactions in repurchase agreements with U.S. financial institutions, it is the Fund's policy that its custodian or designated subcustodians, as the case may be under tri-party repurchase agreements, take possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction including accrued interest. 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. The Fund's custodian will maintain, in a segregated account of the Fund, cash, U.S. Government securities, equity securities or other liquid, unencumbered assets marked to market daily, having a value equal to or greater than the Fund's purchase commitments with respect to certain investments.

*Restricted Securities:* The Fund may invest up to 20% of its total assets in securities, which are not readily marketable, including those which are restricted as to disposition under securities law ( restricted securities ).

*Cash Flow Information:* The Fund invests in securities and distributes dividends from net investment income, which are paid in cash or are reinvested at the discretion of shareholders. These activities are reported in the Statement of Changes in Net Assets and additional information on cash receipts and cash payments is presented in the Statement of Cash Flows.

Accounting practices that do not affect reporting activities on a cash basis include carrying investments at value, accruing income on PIK (payment-in-kind) securities and accreting discounts and amortizing premiums on debt obligations.

*Foreign Currency Translation:* The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars on the following basis:

- (i) market value of investment securities, other assets and liabilities at the current rates of exchange.
  
- (ii) purchases and sales of investment securities, income and expenses at the rates of exchange prevailing on the respective dates of such transactions.

## Notes to Financial Statements

(Unaudited) continued

The Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of the securities held at the end of the period. Similarly, the Fund does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of long-term debt securities sold during the period. Accordingly, such realized foreign currency gains or losses are included in the reported net realized gains or losses on investment transactions.

Net realized gains or losses on foreign currency transactions represent net foreign exchange gains or losses from sales and maturities of short-term securities and forward currency contracts, disposition of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of interest, discount and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid. Net currency gains or losses resulting from the valuing of foreign currency denominated assets (excluding investments) and liabilities at period-end exchange rates are reflected as a component of net unrealized appreciation or depreciation on investments and foreign currencies.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. companies as a result of, among other factors, the possibility of political or economic instability and the level of governmental supervision and regulation of foreign securities markets.

*Security Transactions and Investment Income:* Security transactions are recorded on the trade date. Realized and unrealized gains or losses from securities transactions are calculated on the identified cost basis. Interest income, which is comprised of stated coupon rate, original issue discount, market discount and premium, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. The Fund amortizes premium and accretes discounts on debt securities as adjustments to interest income. Expenses are recorded on the accrual basis.

*Taxes:* For federal income tax purposes, it is the Fund's policy to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable net income and capital gains, if any, to its shareholders. Therefore, no federal income tax provision is required.



Withholding taxes on foreign dividends are recorded net of reclaimable amounts at the time the related income is earned.

*Dividends and Distributions:* The Fund expects to pay dividends of net investment income monthly and make distributions of net realized capital and currency gains, if any, annually. Dividends and distributions to shareholders, which are determined in accordance with federal income tax regulations and which may differ from generally accepted accounting principles, are recorded on the ex-dividend date. Permanent book/tax differences relating to income and gains are reclassified amongst undistributed net investment income, accumulated net realized gain or loss and paid-in capital in excess of par, as appropriate.

*Estimates:* The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

## **Note 2. Agreements**

The Fund has a management agreement with Prudential Investments LLC ( PI ). Pursuant to this agreement, PI has responsibility for all investment advisory services and supervises the subadviser s performance of such services. PI has entered into a subadvisory agreement with Prudential Investment Management, Inc. ( PIM ). PIM furnishes investment advisory services in connection with the management of the Fund. PI pays for the services of PIM, the compensation of officers and employees of the Fund, occupancy and certain clerical and bookkeeping costs of the Fund. The Fund bears all other costs and expenses.

The management fee paid to PI is computed weekly and payable monthly, at an annual rate of .70 of 1% of the average weekly net assets of the Fund.

PI and PIM are indirect, wholly-owned subsidiaries of Prudential Financial, Inc. ( Prudential ).

## **Note 3. Portfolio Securities**

Purchases and sales of investment securities, other than short-term investments, for the six months ended February 29, 2008, aggregated \$38,239,370 and \$33,511,189, respectively.

## Notes to Financial Statements

(Unaudited) continued

### Note 4. Tax Information

The United States federal income tax basis of the Fund's investments and the net unrealized depreciation as of February 29, 2008, were as follows:

Tax Basis of Investments	Appreciation	Depreciation	Net Unrealized Depreciation
\$94,329,304	\$599,644	\$(5,961,359)	\$(5,361,715)

The difference between book basis and tax basis was attributed to deferred losses on wash sales and differences in the treatment of premium amortization and accreting market discount for book and tax purposes.

Management has analyzed the Funds' tax positions taken on federal income tax returns for all open tax years and has concluded that as of February 29, 2008, no provision for income tax would be required in the Funds' financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

### Note 5. Borrowings

The Fund has a credit agreement with State Street Bank & Trust Co. The maximum commitment under this agreement is \$30,000,000. The Fund may utilize these borrowings (leverage) in order to increase the potential for gain on amounts invested. There can be no guarantee that these gains will be realized. There are increased risks associated with the use of leverage. Interest on any such borrowings outstanding fluctuates daily at .50 of 1% over the Federal Funds rate and is payable monthly. The expiration of the renewed credit agreement is June 2, 2008. The average daily balance outstanding for the six months ended February 29, 2008, was \$20,989,010 at a weighted average interest rate of 4.87%. The maximum face amount of borrowings outstanding at any month-end during the six months ended February 29, 2008 was \$24,000,000.

The Fund pays commitment fees at an annual rate of .08 of 1% on any unused portion of the credit agreement. The commitment fee is accrued daily and paid quarterly. Commitment fees are included in Loan interest expense as reported on the Statement of Operations.

**Note 6. Capital**

There are 200 million shares of \$.01 par value common stock authorized. Prudential owned 11,000 shares of common stock as of February 29, 2008.

During the six months ended February 29, 2008 and the year ended August 31, 2007 the Fund did not issue shares in connection with the reinvestment of dividends.

**Note 7. Subsequent Events**

On March 3, 2008 the Board of Directors of the Fund declared dividends of \$.035 per share payable on March 31 2008, to shareholders of record on March 17, 2008, respectively.

**Note 8. New Accounting Pronouncements**

On September 20, 2006, the FASB released Statement of Financial Accounting Standards No. 157 Fair Value Measurements ( FAS 157 ). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 157 and its impact, if any, in the financial statements has not yet been determined.

## Financial Highlights

(Unaudited)

	<b>Six Months Ended February, 29 2008</b>
<b>Per Share Operating Performance:</b>	
<b>Net Asset Value, Beginning Of Period(a)</b>	\$ 5.36
Net investment income	.22
Net realized and unrealized gain (loss) on investments	(.32)
Total from investment operations	(.10)
Dividends paid to shareholders from net investment income	(.23)
Net asset value, at end of period(a)	\$ 5.03
Market price per share, end of period(a)	\$ 4.47
<b>Total Investment Return(b)</b>	<b>(4.49)%</b>
<b>Ratios/Supplemental Data:</b>	
Net assets, end of period (000)	\$ 58,402
Average net assets (000)	\$ 61,404
Ratios to average net assets:	
Expenses, before loan interest	1.16%(c)
Total expenses	2.86%(c)
Net investment income	8.36%(c)
Portfolio turnover rate	41%(d)
Asset coverage	343%
Total debt outstanding at period-end (000)	\$ 24,000

(a) NAV and market value are published in The Wall Street Journal each Monday.

(b) Total investment return is calculated assuming a purchase of common stock at the current market price on the first day and a sale at the closing market price on the last day of each period reported. Dividends are assumed, for the purpose of this calculation, to be reinvested at prices obtainable under the Fund's dividend reinvestment plan. This amount does not reflect brokerage commissions.

(c) Annualized.

(d) Not annualized.

See Notes to Financial Statements.

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

2007	2006	Year Ended August 31, 2005	2004	2003
\$ 5.47	\$ 5.61	\$ 5.57	\$ 5.25	\$ 4.53
.42	.43	.45	.50	.52
(.08)	(.14)	.09	.39	.74
.34	.29	.54	.89	1.26
(.45)	(.43)	(.50)	(.57)	(.54)
\$ 5.36	\$ 5.47	\$ 5.61	\$ 5.57	\$ 5.25
\$ 4.91	\$ 4.89	\$ 5.43	\$ 5.93	\$ 5.23
9.29%	(1.87)%	(.04)%	25.47%	24.52%
\$ 62,208	\$ 63,414	\$ 65,047	\$ 64,471	\$ 60,446
\$ 64,798	\$ 63,605	\$ 65,406	\$ 63,724	\$ 55,261
1.12%	1.16%	1.36%	1.48%	1.44%
3.17%	3.12%	2.71%	2.31%	2.38%
7.54%	7.85%	7.91%	9.05%	10.93%
66%	58%	75%	98%	118%
427%	376%	383%	358%	347%
\$ 19,000	\$ 23,000	\$ 23,000	\$ 25,000	\$ 24,500

See Notes to Financial Statements.

The High Yield Income Fund, Inc. 33

✉ **MAIL**

Gateway Center Three

100 Mulberry Street

Newark, NJ 07102-4077

☎ **TELEPHONE**

(800) 451-6788

🌐 **WEBSITE**

www.prudential.com

**DIRECTORS**

Linda W. Bynoe David E. A. Carson Robert F. Gunia Robert E. La Blanc  
 Douglas H. McCorkindale Richard A. Redeker Judy A. Rice Robin B. Smith  
 Stephen G. Stoneburn Clay T. Whitehead

**OFFICERS**

Judy A. Rice, *President* Robert F. Gunia, *Vice President* Grace C. Torres, *Treasurer and Principal Financial and Accounting Officer* Deborah A. Docs, *Chief Legal Officer and Secretary* Timothy J. Knierim, *Chief Compliance Officer* Valerie M. Simpson, *Deputy Chief Compliance Officer* Jonathan D. Shain, *Assistant Secretary* Andrew R. French, *Assistant Secretary* M. Sadiq Peshimam, *Assistant Treasurer* Peter Parrella, *Assistant Treasurer*

**MANAGER**

Prudential  
 Investments LLC

Gateway Center  
 Three

100 Mulberry  
 Street

Newark, NJ  
 07102

**INVESTMENT ADVISER**

Prudential Investment  
 Management, Inc.

Gateway Center  
 Two  
 100 Mulberry  
 Street

Newark, NJ  
 07102

**CUSTODIAN**

The Bank of New  
 York

One Wall Street  
 New York, NY  
 10286

**TRANSFER AGENT AND REGISTRAR**

Computershare Trust  
 Company, N.A.

PO Box 43011

c/o Computershare  
 Investor Services

Providence, RI  
 02940

**INDEPENDENT REGISTERED PUBLIC  
 ACCOUNTING FIRM**

KPMG LLP

345 Park Avenue

New York, NY  
 10154

**FUND COUNSEL**

Sullivan & Cromwell  
 LLP

125 Broad Street

New York, NY  
 10004

**PROXY VOTING**

The Board of Directors of the Fund has delegated to the Fund's investment adviser the responsibility for voting any proxies and maintaining proxy recordkeeping with respect to the Fund. A description of these proxy voting policies and procedures is available without charge, upon request, by calling (800) 451-6788 or by visiting the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov). Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available on the Fund's website and on the Commission's website.

**An investor should consider the investment objectives, risks, charges, and expenses of the Fund carefully before investing.**

**SHAREHOLDER COMMUNICATIONS WITH DIRECTORS**

Shareholders can communicate directly with the Board of Directors by writing to the Chair of the Board, The High Yield Income Fund, Inc., Prudential Investments, Attn: Board of Directors, 100 Mulberry Street, Gateway Center Three, Newark, NJ 07102. Shareholders can communicate directly with an individual Director by writing to that Director at the same address. Communications are not screened before being delivered to the addressee.

**AVAILABILITY OF PORTFOLIO SCHEDULE**

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the Commission's website at [www.sec.gov](http://www.sec.gov). The Fund's Forms N-Q may also be reviewed and copied at the Commission's Public Reference Room in Washington, D.C. Information on the operation and location of the Public Reference Room may be obtained by calling (800) SEC-0330 (732-0330).

**Mutual Funds:**

ARE NOT INSURED BY THE FDIC OR ANY  
FEDERAL GOVERNMENT AGENCY

MAY LOSE VALUE

ARE NOT A DEPOSIT OF OR GUARANTEED BY  
ANY BANK OR ANY BANK AFFILIATE

HYIS 429904105 IFS-A146564 Ed. 04/2008



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

---

Item 2 Code of Ethics Not required, as this is not an annual filing.

Item 3 Audit Committee Financial Expert Not required, as this is not an annual filing.

Item 4 Principal Accountant Fees and Services Not required, as this is not an annual filing.

Item 5 Audit Committee of Listed Registrants Not required, as this is not an annual filing.

Item 6 Schedule of Investments The schedule is included as part of the report to shareholders filed under Item 1 of this Form.

Item 7 Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies Not required, as this is not an annual filing.

Item 8 Portfolio Managers of Closed-End Management Investment Companies Not required, as this is not an annual filing.

Item 9 Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers There have been no purchases of equity securities by the registrant or any affiliated purchasers during the period covered by this report.

Item 10 Submission of Matters to a Vote of Security Holders Not applicable.

Item 11 Controls and Procedures

- (a) It is the conclusion of the registrant's principal executive officer and principal financial officer that the effectiveness of the registrant's current disclosure controls and procedures (such disclosure controls and procedures having been evaluated within 90 days of the date of this filing) provide reasonable assurance that the information required to be disclosed by the registrant has been recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms and that the information required to be disclosed by the registrant has been accumulated and communicated to the registrant's principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.
- (b) There has been no significant change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter of the period covered by this report that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting.

Item 12 Exhibits

- (a)
  - (1) Code of Ethics Not required, as this is not an annual filing.
  - (2) Certifications pursuant to Section 302 of the Sarbanes-Oxley Act Attached hereto as Exhibit EX-99.CERT.
  - (3) Any written solicitation to purchase securities under Rule 23c-1. Not applicable.
- (b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act Attached hereto as Exhibit EX-99.906CERT.

**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.

(Registrant) The High Yield Income Fund, Inc.

By (Signature and Title)\* /s/ Deborah A. Docs  
Deborah A. Docs  
Secretary

Date April 23, 2008

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 (Signature and Title)\* /s/ Judy A. Rice  
Judy A. Rice  
President and Principal Executive Officer

Date April 23, 2008

By (Signature and Title)\* /s/ Grace C. Torres  
Grace C. Torres  
Treasurer and Principal Financial Officer

Date April 23, 2008

\* Print the name and title of each signing officer under his or her signature.