

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-CSR

November 30, 2017

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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 811-07920

Western Asset High Income Opportunity Fund Inc.

(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY 10018

(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

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

Date of fiscal year end: September 30

Date of reporting period: September 30, 2017

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ITEM 1. REPORT TO STOCKHOLDERS.

The **Annual** Report to Stockholders is filed herewith.

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Annual Report

September 30, 2017

WESTERN ASSET

HIGH INCOME

OPPORTUNITY FUND INC. (HIO)

INVESTMENT PRODUCTS: NOT FDIC INSURED NO BANK GUARANTEE MAY LOSE VALUE

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Fund objectives

The Fund seeks high current income. Capital appreciation is a secondary objective.

In seeking to fulfill its investment objectives, the Fund invests, under normal market conditions, at least 80% of its net assets in high-yield securities and up to 20% in common stock equivalents, including options, warrants and rights.

Letter from the chairman

Dear Shareholder,

We are pleased to provide the annual report of Western Asset High Income Opportunity Fund Inc. for the twelve-month reporting period ended September 30, 2017. Please read on for a detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, www.lmcef.com. Here you can gain immediate access to market and investment information, including:

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

October 31, 2017

II Western Asset High Income Opportunity Fund Inc.

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Investment commentary

Economic review

The pace of U.S. economic activity fluctuated during the twelve months ended September 30, 2017 (the reporting period). Looking back, the U.S. Department of Commerce reported that third quarter 2016 U.S. gross domestic product (GDP) growth was revised to 2.8%. GDP growth then decelerated to 1.8% and 1.2%, as revised, for the fourth quarter of 2016 and the first quarter of 2017, respectively. Second quarter 2017 GDP growth then accelerated to 3.1%, the strongest reading in two years. Finally, the U.S. Department of Commerce's initial estimate for third quarter 2017 GDP growth released after the reporting period ended was 3.0%. Slightly slower growth was attributed to a number of factors, including decelerations in personal consumption expenditures, in nonresidential fixed investment and in exports that were partly offset by an acceleration in private inventory investment and a downturn in imports.

Job growth in the U.S. was solid overall and a tailwind for the economy during the reporting period. When the reporting period ended on September 30, 2017, the unemployment rate was 4.2%, as reported by the U.S. Department of Labor. This represented the lowest unemployment rate since February 2001. However, the percentage of longer-term unemployed ticked up over the reporting period. In September 2017, 25.5% of Americans looking for a job had been out of work for more than six months, versus 25.2% when the period began.

Looking back, after an extended period of maintaining the federal funds rateⁱⁱ at a historically low range between zero and 0.25%, the Federal Reserve Board (the Fedⁱ) increased the rate at its meeting on December 16, 2015. In particular, the U.S. central bank raised the federal funds rate to a range between 0.25% and 0.50%. The Fed then kept rates on hold at each meeting prior to its meeting on December 14, 2016, at which time, the Fed raised rates to a range between 0.50% and 0.75%.

After holding rates steady at its meeting that concluded on February 1, 2017, the Fed raised rates to a range between 0.75% and 1.00% at its meeting that ended on March 15, 2017. At its meeting that concluded on June 14, 2017, the Fed raised rates to a range between 1.00% and 1.25%. At its meeting that concluded on July 26, 2017, the Fed kept rates on hold, as expected. Finally, at its meeting that concluded on September 20, 2017, the Fed again kept rates on hold, but reiterated its intention to begin reducing its balance sheet, saying, "In October, the Committee will initiate the balance sheet normalization program."

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

October 31, 2017

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results.

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Investment commentary (cont d)

ⁱ Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

ⁱⁱ The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

ⁱⁱⁱ The Federal Reserve Board (the Fed) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

IV Western Asset High Income Opportunity Fund Inc.

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Fund overview

Q. What is the Fund's investment strategy?

A. The Fund seeks high current income. Capital appreciation is a secondary objective. In seeking to fulfill its investment objectives, the Fund invests, under normal market conditions, at least 80% of its net assets in high-yield securities and up to 20% in common stock equivalents, including options, warrants and rights.

We employ an actively managed approach that is risk-aware and incorporates top-down macroeconomic views with industry sector insights and bottom-up credit research to derive the general framework for the Fund's predominantly non-investment grade credit mandate. This framework provides the foundation for how the portfolio is positioned with respect to risk (aggressive, neutral, conservative), as well as sector overweights and underweights.

Risk and weightings are reviewed on a regular basis. Our bottom-up process provides the basis for populating the targeted industry weightings through individual credit selection. Analysts work closely with investment professionals to determine which securities provide the best risk/reward relationship within their respective sectors. The research team focuses on key fundamental measures such as leverage, cash flow adequacy, liquidity, amortization schedule, underlying asset value and management integrity/track record.

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio management personnel, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. The individuals responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are S. Kenneth Leech, Michael C. Buchanan and Christopher F. Kilpatrick.

Q. What were the overall market conditions during the Fund's reporting period?

A. Most spread sectors (non-Treasuries) posted positive returns, but generated mixed results versus equal-durationⁱ Treasuries over the twelve-month reporting period ended September 30, 2017. The fixed income market was impacted by a number of factors during the reporting period, including shifting expectations for economic growth, uncertainties related to future Federal Reserve Board (the Fed's) monetary policy and several geopolitical issues.

Both short- and long-term Treasury yields moved higher during the reporting period as a whole. The yield for the two-year Treasury note began the reporting period at 0.77% (the low for the period) and ended at 1.47% (equaling the high for the period). The yield for the ten-year Treasury was 1.60% at the beginning of the reporting period (the low for the period). The peak of 2.62% occurred on March 13, 2017, and ended the period at 2.33%.

The global credit markets also generated strong results for the twelve months ended September 30, 2017. Credit spreads narrowed as corporate profits often exceeded

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Fund overview (cont d)

expectations, defaults remained low and fundamentals were generally strong. In addition, demand was robust overall as investors looked to generate incremental yields in the low interest rate environment.

All told, the Bloomberg Barclays U.S. Aggregate Indexⁱⁱⁱ gained 0.07% for the twelve months ended September 30, 2017. For comparison purposes, riskier fixed-income securities, including the high-yield bond market, produced stronger results. Over the Fund's fiscal year, the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index (the Index) returned 8.87%. Lower quality issuers outperformed, with the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index Caa Component returning 14.40% over the same timeframe.

Q. How did we respond to these changing market conditions?

A. A number of adjustments were made to the Fund's portfolio during the reporting period. We reduced the Fund's overall risk exposure given the strong performance of the high-yield market and tighter spreads. This included paring the Fund's overweight to securities rated CCC. In addition to outright reducing exposure, a handful of the Fund's larger CCC-rated issuers were upgraded to single B during the reporting period. We also reduced the Fund's underweight to BB-rated bonds. We added attractively valued bonds in the primary market as well as rising star issuers that our credit team believes have a chance of being upgraded to investment grade.

Elsewhere, we increased the Fund's allocation to emerging markets debt given strengthening fundamentals and attractive valuations in countries such as Argentina and Brazil. We maintained the Fund's overweight to the Energy sector, remained cautious on big box retail and were extremely selective in the Health Care sector. The Fund ended the reporting period with an overweight to the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index by about a half of year duration at roughly 4.35 years.

Currency forwards, which were used to manage the Fund's currency exposure, did not meaningfully impact results.

Performance review

For the twelve months ended September 30, 2017, Western Asset High Income Opportunity Fund Inc. returned 8.81% based on its net asset value (NAV) and 9.28% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index, returned 8.87% for the same period. The Lipper High Yield Closed-End Funds Category Average^{vi} returned 10.24% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling \$0.37 per share, which included a return of capital of \$0.01 per share*. The performance table shows the Fund's twelve-month total return based on its NAV and market

*For the tax character of distributions paid during the fiscal year ended September 30, 2017, please refer to page 46 of this report.

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price as of September 30, 2017. **Past performance is no guarantee of future results.**

Performance Snapshot as of September 30, 2017

	12-Month Total Return**
Price Per Share	
\$5.65 (NAV)	8.81%
\$5.13 (Market Price)	9.28%

All figures represent past performance and are not a guarantee of future results.

**** Total returns are based on changes in NAV or market price, respectively. Returns reflect the deduction of all Fund expenses, including management fees, operating expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.**

Total return assumes the reinvestment of all distributions, including returns of capital, at NAV.

Total return assumes the reinvestment of all distributions, including returns of capital, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

Q. What were the leading contributors to performance?

A. The largest contributor to the Fund's relative performance during the reporting period was our issuer selection. Within the Communications sector, an overweight to Sprint (Sprint Communications, Inc. and Sprint Corp.) was beneficial to results. Sprint's management team made improvements both from an operational and financial standpoint, its debt was upgraded by Moody's in January 2017, and mergers and acquisitions (M&A) speculation continued to push Sprint bonds higher. In addition, its parent company, Softbank, reiterated its commitment to Sprint. Additional individual holdings that were positive for returns included overweight positions in Energy sector companies, Sanchez Energy Corp., Petrobras Global Finance, and Chesapeake Energy Corp. Prior to the reporting period, we had a backdrop of weakening oil prices and all of these companies were downgraded by Moody's. However, they subsequently improved their balance sheets and benefited from recovering oil prices. As a result, several of these companies have been recently upgraded. Brazilian metals and mining company, Vale Overseas, was also supported by a better backdrop for commodity prices, a strengthening balance sheet and an improving trajectory for Brazil's economy. The Fund's overweight to Vale contributed to results. Away from commodities, an overweight to Valeant Pharmaceuticals (VRX Escrow Corp., VPII Escrow Corp.) was beneficial. The company delivered on its promises to sell assets, reduce debt and stabilize fundamental results during the reporting period.

Our credit biases contributed to results as well. In particular, an overweight to lower quality CCC-rated credits and an underweight to BB-rated credits was rewarded given the significant outperformance of lower rated securities during the reporting period.

From a sector perspective, the previously mentioned overweight to the Energy sector was additive for results as it was the top performing sector during the reporting period. An overweight to banks and investment-grade credit was also beneficial, as was the Fund's allocation to the emerging markets debt asset class.

¹ Communications consists of the following industries: Media - Cable, Media - Non-Cable and Telecommunications.

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Fund overview (cont d)

Q. What were the leading detractors from performance?

A. A handful of positions detracted from relative results. The largest detractor from the Fund's performance was its allocation to bank loans (roughly 3.5% of the Fund). Bank loans lagged the riskier unsecured bond market. However, these positions helped to reduce the Fund's overall volatility, as well as provided exposure to the front-end of the yield curve^{viii}.

A number of the Fund's high-yield corporate bonds detracted from results, including overweight positions in communications firm Windstream Communications (Windstream Services LLC), energy consulting company Sierra Hamilton LLC and pet supplies retailer PetSmart, Inc. Windstream Communications was negatively impacted by lackluster fundamental results and management's decision to reduce its dividend and redirect free cash flow to a new stock buyback program. Lenders felt Windstream needed to focus on reducing debt and stabilizing results rather than returning capital to shareholders. Debt for pet servicer and retailer PetSmart underperformed during the reporting period. The company primarily used debt to purchase an online competitor Chewy.com. While we successfully navigated the Energy sector as a whole, a small overweight to unsecured bonds of Sierra Hamilton LLC/Sierra Hamilton Finance, Inc., an energy consulting company, was negative for performance as it defaulted on its debt obligation during the reporting period.

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 on-line under the symbol **XHIOX** on most financial websites. *Barron's* and the *Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as www.lmcef.com (click on the name of the Fund).

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Thank you for your investment in Western Asset High Income Opportunity Fund Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Western Asset Management Company

October 20, 2017

RISKS: The Fund is a diversified closed-end management investment company designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objectives. The Fund's common stock is traded on the New York Stock Exchange. Similar to stocks, the Fund's share price will fluctuate with market conditions and, at the time of sale, may be worth more or less than the original investment. Shares of closed-end funds often trade at a discount to their net asset value. Diversification does not

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assure against market loss. The Fund's investments are subject to a number of risks, such as credit risk, inflation risk and interest rate risk. The Fund may invest in lower-rated high-yield bonds, commonly known as junk bonds, which are subject to greater credit risk (risk of default) and liquidity risk than higher-rated obligations. The Fund is also permitted purchases of equity securities. Equity securities generally have greater price volatility than fixed-income securities. As interest rates rise, bond prices fall, reducing the value of the Fund's holdings. 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, the Fund may invest in foreign securities, which are subject to certain risks of overseas investing, including currency fluctuations and changes in political, social and economic conditions, which could result in significant fluctuations. These risks are magnified in emerging markets.

Portfolio holdings and breakdowns are as of September 30, 2017 and are subject to change and may not be representative of the portfolio managers' current or future investments. Please refer to pages 10 through 26 for a list and percentage breakdown of the Fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund's top five sector holdings (as a percentage of net assets) as of September 30, 2017 were: Consumer Discretionary (19.3%), Energy (15.6%), Financials (12.6%), Telecommunication Services (11.9%) and Health Care (7.4%). The Fund's portfolio composition is subject to change at any time.

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

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.

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Fund overview (cont d)

- ⁱ Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.

- ⁱⁱ The Federal Reserve Board (the Fed) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

- ⁱⁱⁱ The Bloomberg Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.

- ^{iv} The Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Bloomberg Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

- ^v The Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Caa Component is an index of the 2% Issuer Cap component of the broader Bloomberg Barclays U.S. Corporate High Yield Index and is comprised of the Caa-rated securities included in this index.

- ^{vi} Net asset value (NAV) is calculated by subtracting total liabilities, including liabilities associated with financial leverage (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.

- ^{vii} Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended September 30, 2017, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 7 funds in the Fund's Lipper category.

- ^{viii} The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.

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Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund's investments as of September 30, 2017 and September 30, 2016 and does not include derivatives, such as forward foreign currency contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

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Spread duration (unaudited)

Economic exposure September 30, 2017

Total Spread Duration

HIO 4.08 years
 Benchmark 3.79 years

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index
 EM Emerging Markets
 HIO Western Asset High Income Opportunity Fund Inc.
 HY High Yield
 IG Credit Investment Grade Credit

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Effective duration (unaudited)

Interest rate exposure September 30, 2017

Total Effective Duration

HIO 4.35 years

Benchmark 3.78 years

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark	Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index
EM	Emerging Markets
HIO	Western Asset High Income Opportunity Fund Inc.
HY	High Yield
IG Credit	Investment Grade Credit

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September 30, 2017

Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Corporate Bonds & Notes 83.2%				
Consumer Discretionary 17.6%				
<i>Auto Components</i> 1.3%				
Adient Global Holdings Ltd., Senior Notes	4.875%	8/15/26	4,290,000	\$ 4,407,975 (a)
Delphi Jersey Holdings PLC, Senior Notes	5.000%	10/1/25	1,090,000	1,111,800 (a)
IHO Verwaltungs GmbH, Senior Secured Bonds (4.750% Cash or 5.500% PIK)	4.750%	9/15/26	1,310,000	1,337,838 (a)(b)
ZF North America Capital Inc., Senior Notes	4.750%	4/29/25	2,730,000	2,890,387 (a)
<i>Total Auto Components</i>				<i>9,748,000</i>
<i>Diversified Consumer Services</i> 0.9%				
Prime Security Services Borrower LLC/Prime Finance Inc., Secured Notes	9.250%	5/15/23	3,630,000	4,014,998 (a)
Service Corp. International, Senior Notes	7.500%	4/1/27	1,975,000	2,374,937
<i>Total Diversified Consumer Services</i>				<i>6,389,935</i>
<i>Hotels, Restaurants & Leisure</i> 4.6%				
1011778 BC ULC/New Red Finance Inc., Secured Notes	5.000%	10/15/25	1,790,000	1,821,146 (a)(c)
1011778 BC ULC/New Red Finance Inc., Secured Notes	5.000%	10/15/25	1,050,000	1,068,270 (a)
Aramark Services Inc., Senior Notes	5.000%	4/1/25	1,190,000	1,268,838 (a)
Bossier Casino Venture Holdco Inc., Senior Secured Bonds (14.000% PIK)	14.000%	2/9/18	1,913,619	1,913,619 (a)(b)(d)(e)
Brinker International Inc., Senior Notes	5.000%	10/1/24	3,130,000	3,110,437 (a)
Carrols Restaurant Group Inc., Secured Notes	8.000%	5/1/22	1,540,000	1,643,950
Carrols Restaurant Group Inc., Secured Notes	8.000%	5/1/22	1,280,000	1,366,400 (a)
CCM Merger Inc., Senior Notes	6.000%	3/15/22	775,000	803,187 (a)
CEC Entertainment Inc., Senior Notes	8.000%	2/15/22	1,600,000	1,668,000
Fontainebleau Las Vegas Holdings LLC, Senior Secured Notes	10.250%	6/15/15	715,000	72 *(a)(f)
GLP Capital LP/GLP Financing II Inc., Senior Notes	5.375%	4/15/26	1,840,000	2,012,500
Golden Nugget Inc., Senior Notes	8.750%	10/1/25	490,000	499,800 (a)
Hilton Worldwide Finance LLC/Hilton Worldwide Finance Corp., Senior Notes	4.625%	4/1/25	2,170,000	2,240,525
Hilton Worldwide Finance LLC/Hilton Worldwide Finance Corp., Senior Notes	4.875%	4/1/27	1,530,000	1,610,325
Jack Ohio Finance LLC/Jack Ohio Finance 1 Corp., Senior Secured Notes	6.750%	11/15/21	1,360,000	1,429,700 (a)
Scientific Games International Inc., Senior Secured Notes	7.000%	1/1/22	1,310,000	1,393,512 (a)
Silversea Cruise Finance Ltd., Senior Secured Notes	7.250%	2/1/25	1,598,000	1,717,850 (a)
Sugarhouse HSP Gaming Prop Mezz LP/Sugarhouse HSP Gaming Finance Corp., Senior Secured Notes	5.875%	5/15/25	820,000	807,700 (a)
Viking Cruises Ltd., Senior Notes	8.500%	10/15/22	3,920,000	4,100,908 (a)
Viking Cruises Ltd., Senior Notes	5.875%	9/15/27	3,180,000	3,198,921 (a)
<i>Total Hotels, Restaurants & Leisure</i>				<i>33,675,660</i>

See Notes to Financial Statements.

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Security	Rate	Maturity Date	Face Amount	Value
<i>Household Durables 0.6%</i>				
Beazer Homes USA Inc., Senior Notes	5.875%	10/15/27	1,730,000	\$ 1,734,325 ^{(a)(c)}
Weekley Homes LLC/Weekley Finance Corp., Senior Notes	6.625%	8/15/25	2,400,000	2,334,000 ^(a)
<i>Total Household Durables</i>				<i>4,068,325</i>
<i>Leisure Products 0.2%</i>				
Gibson Brands Inc., Senior Secured Notes	8.875%	8/1/18	2,010,000	1,628,100 ^(a)
<i>Media 7.5%</i>				
AMC Entertainment Holdings Inc., Senior Subordinated Notes	6.125%	5/15/27	270,000	267,975
Carmike Cinemas Inc., Secured Notes	6.000%	6/15/23	840,000	888,300 ^(a)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	5.750%	2/15/26	1,970,000	2,070,470 ^(a)
Charter Communications Operating LLC/Charter Communications Operating Capital Corp., Senior Secured Notes	4.908%	7/23/25	6,850,000	7,334,352
Charter Communications Operating LLC/Charter Communications Operating Capital Corp., Senior Secured Notes	4.200%	3/15/28	180,000	182,519 ^(a)
Charter Communications Operating LLC/Charter Communications Operating Capital Corp., Senior Secured Notes	6.484%	10/23/45	1,220,000	1,436,861
DISH DBS Corp., Senior Notes	5.875%	7/15/22	1,100,000	1,171,500
DISH DBS Corp., Senior Notes	5.875%	11/15/24	750,000	788,906
DISH DBS Corp., Senior Notes	7.750%	7/1/26	5,150,000	5,925,951
EW Scripps Co., Senior Notes	5.125%	5/15/25	1,210,000	1,237,225 ^(a)
iHeartCommunications Inc., Senior Notes (12.000% Cash, 2.000% PIK)	14.000%	2/1/21	2,584,612	374,769 ^(b)
Lions Gate Entertainment Corp., Senior Notes	5.875%	11/1/24	720,000	759,600 ^(a)
SFR Group SA, Senior Secured Bonds	6.250%	5/15/24	5,410,000	5,733,248 ^(a)
SFR Group SA, Senior Secured Notes	7.375%	5/1/26	7,810,000	8,464,087 ^(a)
Time Warner Cable LLC, Senior Notes	8.750%	2/14/19	2,311,000	2,511,122
Time Warner Cable LLC, Senior Notes	8.250%	4/1/19	1,039,000	1,130,076
Viacom Inc., Senior Notes	4.375%	3/15/43	1,260,000	1,089,381
Virgin Media Finance PLC, Senior Notes	6.375%	4/15/23	4,400,000	4,614,500 ^(a)
Virgin Media Finance PLC, Senior Notes	6.000%	10/15/24	3,030,000	3,196,650 ^(a)
Virgin Media Secured Finance PLC, Senior Secured Bonds	5.500%	1/15/25	1,400,000	1,477,000 ^(a)
Ziggo Secured Finance BV, Senior Secured Notes	5.500%	1/15/27	4,190,000	4,303,926 ^(a)
<i>Total Media</i>				<i>54,958,418</i>
<i>Specialty Retail 2.1%</i>				
American Greetings Corp., Senior Notes	7.875%	2/15/25	2,350,000	2,555,625 ^(a)
GameStop Corp., Senior Notes	6.750%	3/15/21	720,000	752,400 ^(a)
Guitar Center Inc., Senior Secured Bonds	6.500%	4/15/19	5,190,000	4,735,875 ^(a)
Hertz Corp., Senior Notes	5.875%	10/15/20	2,030,000	2,024,925
Hot Topic Inc., Senior Secured Notes	9.250%	6/15/21	1,170,000	993,038 ^(a)
Lithia Motors Inc., Senior Notes	5.250%	8/1/25	1,030,000	1,072,487 ^(a)

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September 30, 2017

Western Asset High Income Opportunity Fund Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Specialty Retail continued</i>				
PetSmart Inc., Senior Notes	8.875%	6/1/25	1,550,000	\$ 1,236,900 (a)
ServiceMaster Co., LLC, Senior Notes	5.125%	11/15/24	1,960,000	2,018,800 (a)
<i>Total Specialty Retail</i>				<i>15,390,050</i>
<i>Textiles, Apparel & Luxury Goods 0.4%</i>				
Hanesbrands Inc., Senior Notes	4.875%	5/15/26	2,700,000	2,818,125 (a)
Total Consumer Discretionary				128,676,613
Consumer Staples 2.9%				
<i>Beverages 0.4%</i>				
Carolina Beverage Group LLC/Carolina Beverage Group Finance Inc., Secured Notes	10.625%	8/1/18	1,500,000	1,520,625 (a)
DS Services of America Inc., Secured Notes	10.000%	9/1/21	1,357,000	1,438,420 (a)
<i>Total Beverages</i>				<i>2,959,045</i>
<i>Food & Staples Retailing 0.3%</i>				
Beverages & More Inc., Senior Secured Notes	11.500%	6/15/22	1,930,000	1,814,200 (a)
<i>Food Products 1.2%</i>				
Lamb Weston Holdings Inc., Senior Notes	4.625%	11/1/24	1,400,000	1,466,500 (a)
Lamb Weston Holdings Inc., Senior Notes	4.875%	11/1/26	670,000	705,175 (a)
Marfrig Holding Europe BV, Senior Notes	8.000%	6/8/23	2,000,000	2,076,400 (a)
Pilgrim s Pride Corp., Senior Notes	5.875%	9/30/27	1,140,000	1,167,075 (a)
Simmons Foods Inc., Secured Notes	7.875%	10/1/21	3,380,000	3,592,517 (a)
<i>Total Food Products</i>				<i>9,007,667</i>
<i>Household Products 0.6%</i>				
Central Garden & Pet Co., Senior Notes	6.125%	11/15/23	1,080,000	1,155,600
Spectrum Brands Inc., Senior Notes	6.625%	11/15/22	940,000	982,300
Spectrum Brands Inc., Senior Notes	6.125%	12/15/24	650,000	699,562
Spectrum Brands Inc., Senior Notes	5.750%	7/15/25	1,220,000	1,305,400
<i>Total Household Products</i>				<i>4,142,862</i>
<i>Tobacco 0.4%</i>				
Alliance One International Inc., Secured Notes	9.875%	7/15/21	2,910,000	2,571,713
Alliance One International Inc., Senior Secured Notes	8.500%	4/15/21	510,000	532,950 (a)
<i>Total Tobacco</i>				<i>3,104,663</i>
Total Consumer Staples				21,028,437
Energy 13.6%				
<i>Energy Equipment & Services 0.8%</i>				
KCA Deutag UK Finance PLC, Senior Secured Notes	9.875%	4/1/22	2,320,000	2,418,600 (a)
Pride International Inc., Senior Notes	7.875%	8/15/40	1,000,000	855,000
Transocean Inc., Senior Notes	9.000%	7/15/23	830,000	898,475 (a)
Transocean Inc., Senior Notes	6.800%	3/15/38	1,770,000	1,451,400
Trinidad Drilling Ltd., Senior Notes	6.625%	2/15/25	270,000	253,800 (a)
<i>Total Energy Equipment & Services</i>				<i>5,877,275</i>

See Notes to Financial Statements.

Table of Contents**Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels 12.8%</i>				
Andeavor Logistics LP/Tesoro Logistics Finance Corp., Senior Notes	6.125%	10/15/21	230,000	\$ 237,475
Andeavor Logistics LP/Tesoro Logistics Finance Corp., Senior Notes	6.375%	5/1/24	650,000	708,500
Andeavor Logistics LP/Tesoro Logistics Finance Corp., Senior Notes	5.250%	1/15/25	1,530,000	1,644,750
Berry Petroleum Co. Escrow			1,230,000	0 *(d)(e)(g)
Berry Petroleum Co. Escrow			3,484,000	0 *(d)(e)(g)
Blue Racer Midstream LLC/Blue Racer Finance Corp., Senior Notes	6.125%	11/15/22	2,840,000	2,960,700 (a)
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Secured Notes	11.500%	1/15/21	1,740,000	2,024,925 (a)
Cheniere Corpus Christi Holdings LLC, Senior Secured Notes	5.875%	3/31/25	2,120,000	2,289,600
Chesapeake Energy Corp., Senior Notes	6.875%	11/15/20	5,200,000	5,382,000
Chesapeake Energy Corp., Senior Notes	5.375%	6/15/21	1,655,000	1,584,662
Chesapeake Energy Corp., Senior Notes	5.750%	3/15/23	600,000	556,500
Chesapeake Energy Corp., Senior Notes	8.000%	1/15/25	930,000	941,625 (a)(c)
Chesapeake Energy Corp., Senior Notes	8.000%	6/15/27	680,000	674,900 (a)(c)
Continental Resources Inc., Senior Notes	3.800%	6/1/24	3,010,000	2,919,700
Continental Resources Inc., Senior Notes	4.900%	6/1/44	2,640,000	2,409,000
Ecopetrol SA, Senior Notes	7.375%	9/18/43	1,900,000	2,179,110
Genesis Energy LP/Genesis Energy Finance Corp., Senior Bonds	5.625%	6/15/24	2,100,000	2,047,500
Genesis Energy LP/Genesis Energy Finance Corp., Senior Notes	6.750%	8/1/22	1,320,000	1,356,300
Kinder Morgan Inc., Medium-Term Notes	7.750%	1/15/32	6,920,000	8,912,846
Magnum Hunter Resources Corp. Escrow			6,700,000	0 *(d)(e)(g)
MEG Energy Corp., Senior Notes	7.000%	3/31/24	2,900,000	2,501,250 (a)
Murphy Oil USA Inc., Senior Notes	5.625%	5/1/27	1,420,000	1,531,825
NGPL PipeCo LLC, Senior Bonds	4.875%	8/15/27	1,510,000	1,586,028 (a)
NGPL PipeCo LLC, Senior Notes	4.375%	8/15/22	1,010,000	1,050,400 (a)
NGPL PipeCo LLC, Senior Secured Notes	7.768%	12/15/37	1,520,000	1,900,000 (a)
Oasis Petroleum Inc., Senior Notes	7.250%	2/1/19	1,910,000	1,910,000
Oasis Petroleum Inc., Senior Notes	6.500%	11/1/21	2,730,000	2,798,250
Oasis Petroleum Inc., Senior Notes	6.875%	1/15/23	1,420,000	1,448,400
Petrobras Global Finance BV, Senior Notes	7.375%	1/17/27	2,550,000	2,812,650
Petrobras Global Finance BV, Senior Notes	6.750%	1/27/41	5,120,000	5,107,200
Rice Energy Inc., Senior Notes	7.250%	5/1/23	2,250,000	2,435,625
Rockies Express Pipeline LLC, Senior Notes	7.500%	7/15/38	1,080,000	1,239,300 (a)
Rockies Express Pipeline LLC, Senior Notes	6.875%	4/15/40	1,140,000	1,271,100 (a)

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Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels continued</i>				
Sabine Pass Liquefaction LLC, Senior Secured Notes	5.750%	5/15/24	1,340,000	\$ 1,492,721
Sanchez Energy Corp., Senior Notes	7.750%	6/15/21	1,960,000	1,866,900
Sanchez Energy Corp., Senior Notes	6.125%	1/15/23	8,970,000	7,714,200
Shelf Drilling Holdings Ltd., Secured Notes	9.500%	11/2/20	1,422,438	1,445,553 (a)
Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Bonds	5.125%	2/1/25	1,480,000	1,529,950
Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Bonds	5.375%	2/1/27	2,080,000	2,176,200
Whiting Petroleum Corp., Senior Notes	5.000%	3/15/19	1,720,000	1,729,116
Whiting Petroleum Corp., Senior Notes	6.250%	4/1/23	1,420,000	1,404,025
Williams Cos. Inc., Debentures	7.500%	1/15/31	620,000	747,100
Williams Cos. Inc., Senior Notes	3.700%	1/15/23	820,000	820,000
Williams Cos. Inc., Senior Notes	4.550%	6/24/24	1,030,000	1,071,200
Williams Cos. Inc., Senior Notes	5.750%	6/24/44	3,190,000	3,389,375
WPX Energy Inc., Senior Notes	7.500%	8/1/20	530,000	579,025
WPX Energy Inc., Senior Notes	8.250%	8/1/23	860,000	968,575
<i>Total Oil, Gas & Consumable Fuels</i>				<i>93,356,061</i>
Total Energy				99,233,336
Financials 11.6%				
<i>Banks 4.5%</i>				
Bank of America Corp., Junior Subordinated Notes (6.500% to 10/23/24 then 3 mo. USD LIBOR + 4.174%)	6.500%	10/23/24	2,160,000	2,444,850 (h)(i)
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	2,990,000	3,705,814 (a)
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	3,400,000	3,912,125
Barclays PLC, Junior Subordinated Bonds (8.250% to 12/15/18 then USD 5 year Swap Rate + 6.705%)	8.250%	12/15/18	650,000	687,976 (h)(i)
BNP Paribas SA, Junior Subordinated Notes (7.375% to 8/19/25 then USD 5 year Swap Rate + 5.150%)	7.375%	8/19/25	1,470,000	1,662,938 (a)(h)(i)
CIT Group Inc., Senior Notes	5.375%	5/15/20	640,000	688,800
CIT Group Inc., Senior Notes	5.000%	8/15/22	1,000,000	1,084,700
CIT Group Inc., Senior Notes	5.000%	8/1/23	3,470,000	3,747,600
Citigroup Inc., Junior Subordinated Bonds (6.300% to 5/15/24 then 3 mo. USD LIBOR + 3.423%)	6.300%	5/15/24	2,060,000	2,237,675 (h)(i)
Credit Agricole SA, Junior Subordinated Notes (8.375% to 10/13/19 then 3 mo. USD LIBOR + 6.982%)	8.375%	10/13/19	2,100,000	2,336,250 (a)(h)(i)
Credit Agricole SA, Junior Subordinated Notes (8.125% to 12/23/25 then USD 5 year Swap Rate + 6.185%)	8.125%	12/23/25	2,290,000	2,716,561 (a)(h)(i)
JPMorgan Chase & Co., Junior Subordinated Bonds (6.000% to 8/1/23 then 3 mo. USD LIBOR + 3.300%)	6.000%	8/1/23	1,390,000	1,515,100 (h)(i)
JPMorgan Chase & Co., Junior Subordinated Notes (6.100% to 10/1/24 then 3 mo. USD LIBOR + 3.330%)	6.100%	10/1/24	1,170,000	1,292,838 (h)(i)

See Notes to Financial Statements.

Table of Contents**Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Banks continued</i>				
Royal Bank of Scotland Group PLC, Junior Subordinated Bonds (7.648% to 9/30/31 then 3 mo. USD LIBOR + 2.500%)	7.648%	9/30/31	1,880,000	\$ 2,397,940 ^{(h)(i)}
Royal Bank of Scotland Group PLC, Junior Subordinated Notes (8.625% to 8/15/21 then USD 5 year Swap Rate + 7.598%)	8.625%	8/15/21	1,220,000	1,355,725 ^{(h)(i)}
Royal Bank of Scotland NV, Subordinated Bonds	7.750%	5/15/23	620,000	734,848
<i>Total Banks</i>				<i>32,521,740</i>
<i>Capital Markets 1.3%</i>				
Credit Suisse Group AG, Junior Subordinated Notes (6.250% to 12/18/24 then USD 5 year Swap Rate + 3.455%)	6.250%	12/18/24	2,750,000	2,933,048 ^{(a)(h)(i)}
Donnelley Financial Solutions Inc., Senior Notes	8.250%	10/15/24	1,680,000	1,801,800
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	1,880,000	2,484,795
Goldman Sachs Group Inc., Subordinated Notes	5.150%	5/22/45	2,030,000	2,329,323
<i>Total Capital Markets</i>				<i>9,548,966</i>
<i>Consumer Finance 2.2%</i>				
Ally Financial Inc., Senior Notes	8.000%	3/15/20	1,744,000	1,967,476
DAE Funding LLC, Senior Notes	4.500%	8/1/22	3,313,000	3,403,693 ^(a)
DAE Funding LLC, Senior Notes	5.000%	8/1/24	3,250,000	3,339,375 ^(a)
FirstCash Inc., Senior Notes	5.375%	6/1/24	1,520,000	1,592,200 ^(a)
Navient Corp., Medium-Term Notes, Senior Notes	8.450%	6/15/18	1,730,000	1,806,985
Navient Corp., Medium-Term Notes, Senior Notes	8.000%	3/25/20	1,510,000	1,668,550
TMX Finance LLC/TitleMax Finance Corp., Senior Secured Notes	8.500%	9/15/18	2,160,000	2,008,800 ^(a)
<i>Total Consumer Finance</i>				<i>15,787,079</i>
<i>Diversified Financial Services 3.1%</i>				
AerCap Ireland Capital DAC/AerCap Global Aviation Trust, Senior Bonds	4.625%	7/1/22	1,210,000	1,298,305
AerCap Ireland Capital DAC/AerCap Global Aviation Trust, Senior Notes	4.625%	10/30/20	650,000	692,223
ASP AMC Merger Subordinated Inc., Senior Notes	8.000%	5/15/25	2,160,000	2,089,800 ^(a)
CRC Escrow Issuer LLC/CRC Finco Inc., Senior Notes	5.250%	10/15/25	1,710,000	1,710,000 ^(c)
Interface Special Holdings Inc., Senior Notes (19.000% PIK)	19.000%	11/1/23	1,495,694	1,503,172 ^{(a)(b)}
International Lease Finance Corp., Senior Notes	6.250%	5/15/19	250,000	265,824
International Lease Finance Corp., Senior Notes	8.250%	12/15/20	3,675,000	4,303,476
International Lease Finance Corp., Senior Notes	8.625%	1/15/22	170,000	208,535
International Lease Finance Corp., Senior Notes	5.875%	8/15/22	600,000	673,336
Ladder Capital Finance Holdings LLLP/Ladder Capital Finance Corp., Senior Notes	5.250%	3/15/22	850,000	869,125 ^(a)
Ladder Capital Finance Holdings LLLP/Ladder Capital Finance Corp., Senior Notes	5.250%	10/1/25	1,110,000	1,102,374 ^(a)
Nielsen Co. (Luxembourg) Sarl, Senior Notes	5.000%	2/1/25	1,080,000	1,127,250 ^(a)

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September 30, 2017

Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Diversified Financial Services continued</i>				
Park Aerospace Holdings Ltd., Senior Notes	5.250%	8/15/22	2,090,000	\$ 2,181,438 ^(a)
Park Aerospace Holdings Ltd., Senior Notes	4.500%	3/15/23	770,000	770,855 ^(a)
Park Aerospace Holdings Ltd., Senior Notes	5.500%	2/15/24	3,800,000	3,999,500 ^(a)
<i>Total Diversified Financial Services</i>				<i>22,795,213</i>
<i>Insurance 0.5%</i>				
Fidelity & Guaranty Life Holdings Inc., Senior Notes	6.375%	4/1/21	1,310,000	1,344,387 ^(a)
Genworth Holdings Inc., Senior Notes	4.900%	8/15/23	1,450,000	1,247,000
MetLife Capital Trust IV, Junior Subordinated Notes	7.875%	12/15/37	1,010,000	1,358,450 ^(a)
<i>Total Insurance</i>				<i>3,949,837</i>
Total Financials				84,602,835
<i>Health Care 7.3%</i>				
<i>Biotechnology 0.2%</i>				
AMAG Pharmaceuticals Inc., Senior Notes	7.875%	9/1/23	1,240,000	1,261,700 ^(a)
<i>Health Care Equipment & Supplies 0.2%</i>				
Greatbatch Ltd., Senior Notes	9.125%	11/1/23	1,240,000	1,355,643 ^(a)
<i>Health Care Providers & Services 4.1%</i>				
BioScrip Inc., First Lien Notes (1 mo. USD LIBOR + 7.000%)	8.224%	6/30/22	2,575,000	2,579,120 ^{(d)(e)(h)(j)}
BioScrip Inc., Senior Notes	8.875%	2/15/21	960,000	883,200
Centene Corp., Senior Notes	5.625%	2/15/21	1,160,000	1,209,532
Centene Corp., Senior Notes	4.750%	5/15/22	790,000	828,513
Centene Corp., Senior Notes	6.125%	2/15/24	710,000	769,463
Centene Corp., Senior Notes	4.750%	1/15/25	4,320,000	4,492,800
CHS/Community Health Systems Inc., Senior Notes	8.000%	11/15/19	2,010,000	1,964,775
DaVita Inc., Senior Notes	5.750%	8/15/22	1,740,000	1,784,587
DaVita Inc., Senior Notes	5.125%	7/15/24	1,510,000	1,516,606
DaVita Inc., Senior Notes	5.000%	5/1/25	4,150,000	4,104,516
HCA Inc., Debentures	7.500%	11/15/95	6,265,000	6,499,937
HCA Inc., Notes	7.690%	6/15/25	490,000	572,075
HCA Inc., Senior Secured Notes	5.250%	6/15/26	870,000	939,600
Tenet Healthcare Corp., Senior Notes	8.125%	4/1/22	1,640,000	1,672,800
<i>Total Health Care Providers & Services</i>				<i>29,817,524</i>
<i>Pharmaceuticals 2.8%</i>				
Teva Pharmaceutical Finance Netherlands III BV, Senior Notes	4.100%	10/1/46	2,420,000	2,046,541
Valeant Pharmaceuticals International Inc., Senior Notes	5.375%	3/15/20	1,490,000	1,493,725 ^(a)
Valeant Pharmaceuticals International Inc., Senior Notes	7.000%	10/1/20	610,000	615,338 ^(a)
Valeant Pharmaceuticals International Inc., Senior Notes	6.375%	10/15/20	540,000	542,700 ^(a)
Valeant Pharmaceuticals International Inc., Senior Notes	7.500%	7/15/21	3,010,000	3,010,000 ^(a)

See Notes to Financial Statements.

Table of Contents**Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Pharmaceuticals continued</i>				
Valeant Pharmaceuticals International Inc., Senior Notes	6.750%	8/15/21	1,470,000	\$ 1,446,112 ^(a)
Valeant Pharmaceuticals International Inc., Senior Notes	7.250%	7/15/22	3,520,000	3,445,200 ^(a)
Valeant Pharmaceuticals International Inc., Senior Notes	5.875%	5/15/23	1,330,000	1,178,713 ^(a)
Valeant Pharmaceuticals International Inc., Senior Notes	6.125%	4/15/25	6,350,000	5,588,000 ^(a)
Valeant Pharmaceuticals International Inc., Senior Secured Notes	7.000%	3/15/24	1,300,000	1,391,117 ^(a)
<i>Total Pharmaceuticals</i>				<i>20,757,446</i>
Total Health Care				53,192,313
Industrials 6.2%				
<i>Aerospace & Defense 0.5%</i>				
CBC Ammo LLC/CBC FinCo Inc., Senior Notes	7.250%	11/15/21	3,600,000	3,654,000 ^(a)
<i>Air Freight & Logistics 0.2%</i>				
Air Medical Group Holdings Inc., Senior Notes	6.375%	5/15/23	520,000	503,100 ^(a)
XPO Logistics Inc., Senior Notes	6.500%	6/15/22	1,040,000	1,095,900 ^(a)
<i>Total Air Freight & Logistics</i>				<i>1,599,000</i>
<i>Airlines 0.2%</i>				
American Airlines, Pass-Through Trust, Secured Notes	7.000%	7/31/19	642,890	653,336 ^(a)
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	2/10/24	574,126	657,375
<i>Total Airlines</i>				<i>1,310,711</i>
<i>Building Products 0.1%</i>				
Standard Industries Inc., Senior Notes	5.500%	2/15/23	1,020,000	1,082,475 ^(a)
<i>Commercial Services & Supplies 1.8%</i>				
ACCO Brands Corp., Senior Notes	5.250%	12/15/24	1,270,000	1,320,800 ^(a)
Covanta Holding Corp., Senior Notes	5.875%	7/1/25	580,000	572,025
Garda World Security Corp., Senior Notes	7.250%	11/15/21	1,020,000	1,046,775 ^(a)
GFL Environmental Inc., Senior Notes	9.875%	2/1/21	1,910,000	2,049,201 ^(a)
Multi-Color Corp., Senior Notes	4.875%	11/1/25	430,000	435,784 ^{(a)(c)}
United Rentals North America Inc., Senior Notes	7.625%	4/15/22	684,000	712,762
United Rentals North America Inc., Senior Notes	4.625%	10/15/25	550,000	558,250
United Rentals North America Inc., Senior Notes	5.500%	5/15/27	910,000	972,562
United Rentals North America Inc., Senior Notes	4.875%	1/15/28	1,290,000	1,299,675
West Corp., Senior Notes	5.375%	7/15/22	3,790,000	3,837,375 ^(a)
<i>Total Commercial Services & Supplies</i>				<i>12,805,209</i>
<i>Construction & Engineering 0.3%</i>				
Brundage-Bone Concrete Pumping Inc., Senior Secured Notes	10.375%	9/1/23	1,930,000	1,997,550 ^(a)
Michael Baker Holdings LLC/Michael Baker Finance Corp., Senior Notes (8.875% Cash or 9.625% PIK)	8.875%	4/15/19	250,499	250,812 ^{(a)(b)}
<i>Total Construction & Engineering</i>				<i>2,248,362</i>

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Western Asset High Income Opportunity Fund Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Machinery 1.6%</i>				
Allison Transmission Inc., Senior Bonds	5.000%	10/1/24	3,650,000	\$ 3,797,278 (a)
Allison Transmission Inc., Senior Notes	4.750%	10/1/27	770,000	777,700 (a)
BlueLine Rental Finance Corp/BlueLine Rental LLC, Senior Secured Notes	9.250%	3/15/24	2,220,000	2,394,825 (a)
Park-Ohio Industries Inc., Senior Notes	6.625%	4/15/27	620,000	671,150
Tennant Co., Senior Notes	5.625%	5/1/25	2,290,000	2,387,325 (a)
Terex Corp., Senior Notes	5.625%	2/1/25	1,330,000	1,403,150 (a)
<i>Total Machinery</i>				<i>11,431,428</i>
<i>Marine 0.3%</i>				
Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes	8.125%	11/15/21	2,850,000	2,372,625 (a)
<i>Road & Rail 0.5%</i>				
Flexi-Van Leasing Inc., Senior Notes	7.875%	8/15/18	3,710,000	3,728,550 (a)
<i>Trading Companies & Distributors 0.6%</i>				
Ashtead Capital Inc., Secured Notes	4.125%	8/15/25	640,000	660,000 (a)
Ashtead Capital Inc., Secured Notes	4.375%	8/15/27	2,300,000	2,371,875 (a)
H&E Equipment Services Inc., Senior Notes	5.625%	9/1/25	1,460,000	1,543,950 (a)
<i>Total Trading Companies & Distributors</i>				<i>4,575,825</i>
<i>Transportation 0.1%</i>				
Neovia Logistics Services LLC/Logistics Intermediate Finance Corp., Senior Notes (10.000% Cash or 10.750% PIK)	10.000%	4/1/20	1,469,306	653,841 (a)(b)
Total Industrials				45,462,026
Information Technology 1.5%				
<i>Electronic Equipment, Instruments & Components 0.2%</i>				
CDW LLC/CDW Finance Corp., Senior Notes	5.000%	9/1/25	1,370,000	1,445,350
<i>Internet Software & Services 0.1%</i>				
Match Group Inc., Senior Notes	6.375%	6/1/24	940,000	1,026,950
<i>IT Services 0.3%</i>				
First Data Corp., Senior Secured Notes	5.000%	1/15/24	1,870,000	1,948,633 (a)
<i>Software 0.2%</i>				
j2 Cloud Services LLC/j2 Global Co.-Obligor Inc., Senior Notes	6.000%	7/15/25	1,630,000	1,713,538 (a)
<i>Technology Hardware, Storage & Peripherals 0.7%</i>				
Dell International LLC/EMC Corp., Senior Notes	5.875%	6/15/21	1,220,000	1,278,463 (a)
Dell International LLC/EMC Corp., Senior Notes	7.125%	6/15/24	990,000	1,094,217 (a)
Seagate HDD Cayman, Senior Bonds	4.750%	6/1/23	1,370,000	1,389,406
Seagate HDD Cayman, Senior Bonds	4.750%	1/1/25	670,000	652,645
Seagate HDD Cayman, Senior Bonds	4.875%	6/1/27	400,000	377,879
<i>Total Technology Hardware, Storage & Peripherals</i>				<i>4,792,610</i>
Total Information Technology				10,927,081

See Notes to Financial Statements.

Table of Contents**Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
Materials 7.4%				
<i>Chemicals 0.4%</i>				
Valvoline Inc., Senior Notes	5.500%	7/15/24	1,750,000	\$ 1,872,500 ^(a)
Venator Finance Sarl/Venator Materials Corp., Senior Notes	5.750%	7/15/25	1,310,000	1,365,675 ^(a)
<i>Total Chemicals</i>				<i>3,238,175</i>
Containers & Packaging 2.0%				
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	7.250%	5/15/24	1,670,000	1,838,035 ^(a)
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	6.000%	2/15/25	1,860,000	1,973,925 ^(a)
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Secured Notes	4.625%	5/15/23	1,890,000	1,948,496 ^(a)
Pactiv LLC, Senior Bonds	8.375%	4/15/27	5,070,000	5,805,150
Suzano Austria GmbH, Senior Notes	5.750%	7/14/26	2,570,000	2,767,376 ^(a)
<i>Total Containers & Packaging</i>				<i>14,332,982</i>
Metals & Mining 4.7%				
Alcoa Nederland Holding BV, Senior Notes	6.750%	9/30/24	950,000	1,056,875 ^(a)
Alcoa Nederland Holding BV, Senior Notes	7.000%	9/30/26	1,970,000	2,240,875 ^(a)
Anglo American Capital PLC, Senior Notes	3.625%	5/14/20	1,910,000	1,964,720 ^(a)
Anglo American Capital PLC, Senior Notes	4.125%	4/15/21	720,000	748,782 ^(a)
Anglo American Capital PLC, Senior Notes	4.125%	9/27/22	420,000	437,375 ^(a)
Anglo American Capital PLC, Senior Notes	4.875%	5/14/25	1,570,000	1,666,598 ^(a)
ArcelorMittal SA, Senior Notes	7.500%	10/15/39	2,960,000	3,566,800
First Quantum Minerals Ltd., Senior Notes	7.500%	4/1/25	2,460,000	2,524,575 ^(a)
Freeport-McMoRan Inc., Senior Notes	3.100%	3/15/20	30,000	30,173
Freeport-McMoRan Inc., Senior Notes	4.000%	11/14/21	780,000	787,800
Freeport-McMoRan Inc., Senior Notes	6.750%	2/1/22	833,000	872,567
Freeport-McMoRan Inc., Senior Notes	3.550%	3/1/22	550,000	542,955
Freeport-McMoRan Inc., Senior Notes	6.875%	2/15/23	3,160,000	3,460,200
Freeport-McMoRan Inc., Senior Notes	3.875%	3/15/23	730,000	722,700
Freeport-McMoRan Inc., Senior Notes	5.450%	3/15/43	2,970,000	2,789,944
HudBay Minerals Inc., Senior Notes	7.250%	1/15/23	950,000	1,016,500 ^(a)
HudBay Minerals Inc., Senior Notes	7.625%	1/15/25	1,420,000	1,544,278 ^(a)
Midwest Vanadium Pty Ltd., Senior Secured Notes	11.500%	2/15/18	2,265,465	73,628 ^{*(a)(k)}
Mirabela Nickel Ltd., Subordinated Notes (1.000% PIK)	1.000%	9/10/44	26,600	0 ^{(b)(d)(e)(g)}
Teck Resources Ltd., Senior Notes	8.500%	6/1/24	2,140,000	2,461,000 ^(a)
Teck Resources Ltd., Senior Notes	6.250%	7/15/41	1,050,000	1,191,036
Vale Overseas Ltd., Senior Notes	6.875%	11/21/36	2,320,000	2,668,000
Vale Overseas Ltd., Senior Notes	6.875%	11/10/39	1,500,000	1,726,800
<i>Total Metals & Mining</i>				<i>34,094,181</i>

See Notes to Financial Statements.

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September 30, 2017

Western Asset High Income Opportunity Fund Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Paper & Forest Products</i> 0.3%				
Mercer International Inc., Senior Notes	6.500%	2/1/24	2,020,000	\$ 2,105,850
Total Materials				53,771,188
Real Estate 2.4%				
<i>Equity Real Estate Investment Trusts (REITs)</i> 1.4%				
CoreCivic Inc., Senior Notes	4.125%	4/1/20	90,000	92,700
CoreCivic Inc., Senior Notes	5.000%	10/15/22	1,360,000	1,421,200
CoreCivic Inc., Senior Notes	4.625%	5/1/23	200,000	205,500
CTR Partnership LP/CareTrust Capital Corp., Senior Notes	5.250%	6/1/25	670,000	691,172
GEO Group Inc., Senior Notes	6.000%	4/15/26	1,050,000	1,109,063
iStar Inc., Senior Bonds	5.250%	9/15/22	1,430,000	1,455,025
MGM Growth Properties Operating Partnership LP/MGP Finance Co.-Issuer Inc., Senior Notes	4.500%	9/1/26	1,420,000	1,448,400
MPT Operating Partnership LP/MPT Finance Corp., Senior Notes	6.375%	3/1/24	820,000	888,675
MPT Operating Partnership LP/MPT Finance Corp., Senior Notes	5.000%	10/15/27	2,520,000	2,589,300
<i>Total Equity Real Estate Investment Trusts (REITs)</i>				<i>9,901,035</i>
<i>Real Estate Management & Development</i> 1.0%				
Caesars Entertainment Resort Properties LLC, Senior Secured Notes	8.000%	10/1/20	4,810,000	4,930,250
Greystar Real Estate Partners LLC, Senior Secured Notes	8.250%	12/1/22	2,490,000	2,664,300 ^(a)
<i>Total Real Estate Management & Development</i>				<i>7,594,550</i>
Total Real Estate				17,495,585
Telecommunication Services 10.8%				
<i>Diversified Telecommunication Services</i> 4.9%				
CenturyLink Inc., Senior Notes	6.750%	12/1/23	1,940,000	1,969,756
CenturyLink Inc., Senior Notes	7.650%	3/15/42	2,760,000	2,421,900
Cogent Communications Group Inc., Senior Secured Notes	5.375%	3/1/22	2,020,000	2,133,625 ^(a)
Intelsat Jackson Holdings SA, Senior Notes	7.250%	10/15/20	730,000	706,275
Intelsat Jackson Holdings SA, Senior Notes	7.500%	4/1/21	2,650,000	2,524,125
Intelsat Jackson Holdings SA, Senior Secured Notes	8.000%	2/15/24	2,910,000	3,135,525 ^(a)
Level 3 Financing Inc., Senior Notes	6.125%	1/15/21	980,000	1,004,353
Oi Brasil Holdings Cooperatief U.A., Senior Notes	5.750%	2/10/22	3,570,000	1,267,350 ^{*(a)(k)}
Telecom Italia Capital SpA, Senior Notes	6.000%	9/30/34	1,123,000	1,247,934
Telecom Italia SpA, Senior Notes	5.303%	5/30/24	9,360,000	10,214,100 ^(a)
Windstream Services LLC, Senior Notes	7.750%	10/15/20	11,420,000	9,193,100
<i>Total Diversified Telecommunication Services</i>				<i>35,818,043</i>

See Notes to Financial Statements.

Table of Contents**Western Asset High Income Opportunity Fund Inc.**

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Wireless Telecommunication Services 5.9%</i>				
Altice Financing SA, Senior Secured Bonds	7.500%	5/15/26	2,860,000	\$ 3,153,150 ^(a)
CSC Holdings LLC, Senior Notes	10.125%	1/15/23	665,000	768,906 ^(a)
CSC Holdings LLC, Senior Notes	6.625%	10/15/25	2,130,000	2,337,675 ^(a)
CSC Holdings LLC, Senior Notes	10.875%	10/15/25	1,899,000	2,352,386 ^(a)
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	2,190,000	2,458,275
Sprint Capital Corp., Senior Notes	8.750%	3/15/32	6,120,000	7,841,250
Sprint Communications Inc., Senior Notes	9.000%	11/15/18	4,250,000	4,570,535 ^(a)
Sprint Communications Inc., Senior Notes	7.000%	8/15/20	1,820,000	1,993,119
Sprint Communications Inc., Senior Notes	11.500%	11/15/21	3,770,000	4,810,746
Sprint Corp., Senior Notes	7.250%	9/15/21	2,800,000	3,118,500
Sprint Corp., Senior Notes	7.875%	9/15/23	360,000	418,500
T-Mobile USA Inc., Senior Notes	6.000%	3/1/23	1,580,000	1,668,875
T-Mobile USA Inc., Senior Notes	6.500%	1/15/26	910,000	1,006,688
Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, Senior Notes	9.125%	4/30/18	130,000	135,173 ^(l)
Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, Senior Notes	7.748%	2/2/21	3,170,000	3,604,277 ^(a)
VimpelCom Holdings BV, Senior Notes	7.504%	3/1/22	1,530,000	1,765,161 ^(l)
VimpelCom Holdings BV, Senior Notes	7.504%	3/1/22	940,000	1,084,478 ^(a)
<i>Total Wireless Telecommunication Services</i>				<i>43,087,694</i>
Total Telecommunication Services				78,905,737
Utilities 1.9%				
<i>Electric Utilities 0.8%</i>				
NRG REMA LLC, Pass-Through Certificates, Senior Secured Bonds	9.681%	7/2/26	3,820,000	2,788,600
Pampa Energia SA, Senior Notes	7.500%	1/24/27	2,170,000	2,363,846 ^(a)
Red Oak Power LLC, Secured Notes	9.200%	11/30/29	540,000	610,200
<i>Total Electric Utilities</i>				<i>5,762,646</i>
<i>Gas Utilities 0.4%</i>				
Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes	5.875%	3/1/27	2,780,000	2,766,100
<i>Independent Power and Renewable Electricity Producers 0.7%</i>				
Mirant Mid Atlantic LLC, Pass-Through Certificates, Secured Bonds	10.060%	12/30/28	5,875,970	5,611,551
Total Utilities				14,140,297
Total Corporate Bonds & Notes (Cost \$559,729,324)				607,435,448

See Notes to Financial Statements.

Table of Contents**Schedule of investments (cont d)**

September 30, 2017

Western Asset High Income Opportunity Fund Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
Convertible Bonds & Notes 0.8%				
Energy 0.4%				
<i>Oil, Gas & Consumable Fuels 0.4%</i>				
Oasis Petroleum Inc., Senior Notes	2.625%	9/15/23	2,350,000	\$ 2,564,437
Health Care 0.1%				
<i>Pharmaceuticals 0.1%</i>				
Jazz Investments I Ltd., Senior Notes	1.500%	8/15/24	900,000	887,625 (a)
Information Technology 0.3%				
<i>Semiconductors & Semiconductor Equipment 0.2%</i>				
ON Semiconductor Corp., Senior Notes	1.625%	10/15/23	1,070,000	1,247,888 (a)
<i>Software 0.1%</i>				
Workday Inc., Senior Notes	0.250%	10/1/22	1,150,000	1,146,406 (a)
Total Information Technology				2,394,294
Total Convertible Bonds & Notes (Cost \$5,746,167)				5,846,356
Senior Loans 3.4%				
Consumer Discretionary 1.5%				
<i>Auto Components 0.2%</i>				
American Axle & Manufacturing Inc., Term Loan B (1 mo. LIBOR + 2.250%)	3.490%	4/6/24	1,728,125	1,727,945 (h)(m)(n)
<i>Media 0.1%</i>				
Charter Communications Operating LLC, 2016 Term Loan I Add (1 mo. LIBOR + 2.250%)	3.490%	1/15/24	997,468	1,002,663 (h)(m)(n)
<i>Specialty Retail 1.1%</i>				
PetSmart Inc., Term Loan B2 (1 mo. LIBOR + 3.000%)	4.240%	3/11/22	5,821,106	4,956,259 (h)(m)(n)(o)
Sally Holdings LLC, Term Loan B1 (1 mo. LIBOR + 2.500%)	3.750%	7/5/24	1,820,000	1,832,513 (h)(m)(n)
Spencer Gifts LLC, Second Lien Term Loan (2 mo. LIBOR + 8.250%)	9.510%	6/29/22	1,710,000	940,500 (d)(h)(m)(n)
Total Specialty Retail				7,729,272
<i>Textiles, Apparel & Luxury Goods 0.1%</i>				
TOMS Shoes LLC, Term Loan B (3 mo. LIBOR + 5.500%)	6.820%	10/28/20	1,248,000	602,160 (h)(m)(n)
Total Consumer Discretionary				11,062,040
Energy 0.3%				
<i>Energy Equipment & Services 0.1%</i>				
Hercules Offshore Inc. (wind-down lender claim)			706,745	547,727 *(d)
<i>Oil, Gas & Consumable Fuels 0.2%</i>				
Blue Ridge Mountain Resources Inc., Exit Term Loan (LIBOR + 7.000% Cash, LIBOR + 7.000% PIK)	16.624%	5/6/19	675,177	671,801 (b)(d)(e)(h)(m)(n)
Chesapeake Energy Corp., Term Loan (3 mo. LIBOR + 7.500%)	8.814%	8/23/21	1,130,000	1,218,635 (h)(m)(n)
Total Oil, Gas & Consumable Fuels				1,890,436
Total Energy				2,438,163

See Notes to Financial Statements.

Table of Contents**Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
Information Technology 0.3%				
<i>IT Services 0.3%</i>				
First Data Corp., 2017 Term Loan (1 mo. LIBOR + 2.500%)	3.737%	4/26/24	1,905,146	\$ 1,912,831 ^{(h)(m)(n)}
Telecommunication Services 1.1%				
<i>Diversified Telecommunication Services 1.1%</i>				
CenturyLink Inc., 2017 Term Loan B	2.750%	1/31/25	3,520,000	3,417,543 ^{(m)(n)}
Level 3 Financing Inc., 2017 Term Loan B (1 mo. LIBOR + 2.250%)	3.486%	2/22/24	1,500,000	1,501,340 ^{(h)(m)(n)}
Unitymedia Finance LLC, Term Loan B (1 mo. LIBOR + 2.250%)	3.487%	9/30/25	2,480,000	2,477,094 ^{(h)(m)(n)(o)}
Windstream Services LLC, Repriced Term Loan B6 (1 mo. LIBOR + 4.000%)	5.240%	3/29/21	488,766	437,445 ^{(h)(m)(n)}
Total Telecommunication Services				7,833,422
Utilities 0.2%				
<i>Electric Utilities 0.2%</i>				
Panda Temple Power LLC, 2015 Term Loan B (3 mo. LIBOR + 6.250% PIK)	7.250%	3/4/22	1,865,571	1,315,227 ^{*(b)(h)(k)(m)(n)}
Total Senior Loans (Cost \$27,251,121)				24,561,683
Sovereign Bonds 4.5%				
<i>Argentina 1.7%</i>				
Republic of Argentina, Bonds (Argentina Central Bank 7 Day Repo Reference Rate)	26.250%	6/21/20	32,520,000 ARS	1,964,217 ^(h)
Republic of Argentina, Bonds	18.200%	10/3/21	1,270,000 ARS	75,895
Republic of Argentina, Senior Bonds (Argentina BADLAR Private Deposit Rate + 2.500%)	22.710%	3/11/19	25,450,000 ARS	1,486,463 ^(h)
Republic of Argentina, Senior Bonds	6.875%	4/22/21	640,000	698,800
Republic of Argentina, Senior Bonds	7.500%	4/22/26	5,600,000	6,308,400
Republic of Argentina, Senior Bonds	7.625%	4/22/46	410,000	456,125
Republic of Argentina, Senior Notes	6.875%	1/26/27	1,540,000	1,666,280
<i>Total Argentina</i>				<i>12,656,180</i>
<i>Brazil 0.5%</i>				
Federative Republic of Brazil, Notes	10.000%	1/1/21	844,000 BRL	275,946
Federative Republic of Brazil, Notes	10.000%	1/1/23	11,300,000 BRL	3,671,703
<i>Total Brazil</i>				<i>3,947,649</i>
<i>Ecuador 0.7%</i>				
Republic of Ecuador, Senior Bonds	10.750%	3/28/22	4,340,000	4,860,800 ^(a)
<i>Poland 1.0%</i>				
Republic of Poland, Bonds	4.000%	10/25/23	24,500,000 PLN	7,115,340
<i>Russia 0.6%</i>				
Russian Federal Bond, Bonds	7.050%	1/19/28	275,723,000 RUB	4,654,943
Total Sovereign Bonds (Cost \$31,757,415)				33,234,912

See Notes to Financial Statements.

Table of Contents**Schedule of investments (cont d)**

September 30, 2017

Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
U.S. Government & Agency Obligations 2.8%				
<i>U.S. Government Obligations 2.8%</i>				
U.S. Treasury Notes	1.250%	1/31/20	1,000,000	\$ 993,574
U.S. Treasury Notes	1.375%	1/31/21	2,000,000	1,979,102
U.S. Treasury Notes	1.125%	9/30/21	2,850,000	2,775,189
U.S. Treasury Notes	1.875%	1/31/22	1,000,000	1,000,644
U.S. Treasury Notes	1.750%	6/30/22	4,250,000	4,219,536
U.S. Treasury Notes	2.125%	6/30/22	2,000,000	2,019,531
U.S. Treasury Notes	2.000%	11/30/22	4,500,000	4,508,701
U.S. Treasury Notes	1.625%	5/31/23	2,500,000	2,446,436
U.S. Treasury Notes	2.125%	3/31/24	500,000	500,205
Total U.S. Government & Agency Obligations (Cost \$20,513,367)				20,442,918
			Shares	
Common Stocks 1.2%				
Consumer Discretionary 0.2%				
<i>Hotels, Restaurants & Leisure 0.2%</i>				
Bossier Casino Venture Holdco Inc.			133,649	1,075,874 *(d)(e)
Energy 1.0%				
<i>Energy Equipment & Services 0.3%</i>				
Hercules Offshore Inc. (Escrow)			87,452	24,662 *(d)(e)
KCAD Holdings I Ltd.			427,421,041	2,179,847 *(d)(e)
<i>Total Energy Equipment & Services Oil, Gas & Consumable Fuels 0.7%</i>				<i>2,204,509</i>
Berry Petroleum Co.			185,879	1,790,015 *
Blue Ridge Mountain Resources Inc.			345,384	3,384,763 *
MWO Holdings LLC			848	159,085 *(d)(e)
<i>Total Oil, Gas & Consumable Fuels</i>				<i>5,333,863</i>
Total Energy				7,538,372
Industrials 0.0%				
<i>Marine 0.0%</i>				
Tricer HoldCo, S.C.A.			86,802	258,670 *(d)(e)
<i>Road & Rail 0.0%</i>				
Jack Cooper Enterprises Inc.			4,958	0 *(d)(e)(g)
Total Industrials				258,670
Total Common Stocks (Cost \$19,343,031)				8,872,916

See Notes to Financial Statements.

Table of Contents**Western Asset High Income Opportunity Fund Inc.**

	Rate	Shares	Value
Security			
Convertible Preferred Stocks 0.3%			
Energy 0.3%			
<i>Oil, Gas & Consumable Fuels 0.3%</i>			
Berry Petroleum Co., (6.000% Cash or 6.000% PIK)	6.000%	202,364	\$ 2,353,493 ^(b)
Berry Petroleum Co., (6.000% Cash or 6.000% PIK)	6.000%	3,031	35,251 ^{(b)(i)}
Total Convertible Preferred Stocks (Cost \$1,885,810)			2,388,744
Preferred Stocks 1.1%			
Financials 1.0%			
<i>Consumer Finance 0.5%</i>			
GMAC Capital Trust 1 (3 mo. USD LIBOR + 5.785%)	7.100%	145,709	3,846,718 ^(h)
<i>Diversified Financial Services 0.5%</i>			
Citigroup Capital XIII (3 mo. USD LIBOR + 6.370%)	7.681%	138,925	3,859,336 ^(h)
Total Financials			7,706,054
Industrials 0.1%			
<i>Marine 0.1%</i>			
Tricer Tracking Preferred Equity Certificates	8.000%	38,665,900	386,659 ^{*(d)(e)}
Total Preferred Stocks (Cost \$10,442,036)			8,092,713
Total Investments before Short-Term Investments (Cost \$676,668,271)			710,875,690
	Maturity Date	Face Amount	
Short-Term Investments 2.2%			
<i>Repurchase Agreements 2.1%</i>			
Deutsche Bank Securities Inc. repurchase			
agreement dated 9/29/17; Proceeds at maturity			
\$15,001,300; (Fully collateralized by U.S. government			
obligations, 0.125% due 4/15/22;			
Market value \$15,300,000)			
(Cost \$15,000,000)	1.040%	10/2/17	15,000,000
			15,000,000
		Shares	
<i>Money Market Funds 0.1%</i>			
State Street Institutional U.S. Government Money Market Fund, Premier Class			
(Cost \$1,033,481)	0.907%	1,033,481	1,033,481
Total Short-Term Investments (Cost \$16,033,481)			16,033,481
Total Investments 99.5% (Cost \$692,701,752)			726,909,171
Other Assets in Excess of Liabilities 0.5%			3,580,093
Total Net Assets 100.0%			\$ 730,489,264

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

* Non-income producing security.

^(a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors.

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Schedule of investments (cont d)

September 30, 2017

Western Asset High Income Opportunity Fund Inc.

- (b) Payment-in-kind security for which the issuer has the option at each interest payment date of making interest payments in cash or additional debt securities.
- (c) Securities traded on a when-issued or delayed delivery basis.
- (d) Security is valued using significant unobservable inputs (See Note 1).
- (e) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).
- (f) The maturity principal is currently in default as of September 30, 2017.
- (g) Value is less than \$1.
- (h) Variable rate security. Interest rate disclosed is as of the most recent information available. Certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent and are based on current market conditions. These securities do not indicate a reference rate and spread in their description above.
- (i) Security has no maturity date. The date shown represents the next call date.
- (j) Restricted security (See Note 5).
- (k) The coupon payment on these securities is currently in default as of September 30, 2017.
- (l) Security is exempt from registration under Regulation S of the Securities Act of 1933. Regulation S applies to securities offerings that are made outside of the United States and do not involve direct selling efforts in the United States. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors.
- (m) Senior loans may be considered restricted in that the Fund ordinarily is contractually obligated to receive approval from the agent bank and/or borrower prior to the disposition of a senior loan.

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⁽ⁿ⁾ Interest rates disclosed represent the effective rates on senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.

^(o) All or a portion of this loan is unfunded as of September 30, 2017. The interest rate for fully unfunded term loans is to be determined.

Abbreviation used in this schedule:

ARS Argentine Peso
BRL Brazilian Real
LIBOR London Interbank Offered Rate
OJSC Open Joint Stock Company
PLN Polish Zloty
RUB Russian Ruble

At September 30, 2017, the Fund had the following open forward foreign currency contracts:

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Depreciation
USD 142	EUR 123	Barclays Bank PLC	10/19/17	\$ (4)

Abbreviations used in this table:

EUR Euro
USD United States Dollar

See Notes to Financial Statements.

Table of Contents**Statement of assets and liabilities**

September 30, 2017

Assets:	
Investments, at value (Cost \$692,701,752)	\$ 726,909,171
Foreign currency, at value (Cost \$131,554)	133,086
Cash	824,813
Interest receivable	11,855,035
Receivable for securities sold	7,513,435
Prepaid expenses	36,558
Total Assets	747,272,098
Liabilities:	
Payable for securities purchased	12,395,425
Distributions payable	3,747,735
Investment management fee payable	478,860
Directors' fees payable	27,839
Unrealized depreciation on forward foreign currency contracts	4
Accrued expenses	132,971
Total Liabilities	16,782,834
Total Net Assets	\$ 730,489,264
Net Assets:	
Par value (\$0.001 par value; 129,232,211 shares issued and outstanding; 500,000,000 shares authorized)	\$ 129,232
Paid-in capital in excess of par value	856,043,151
Overdistributed net investment income	(4,171,379)
Accumulated net realized loss on investments, futures contracts, swap contracts, forward foreign currency contracts and foreign currency transactions	(155,720,913)
Net unrealized appreciation on investments, forward foreign currency contracts and foreign currencies	34,209,173
Total Net Assets	\$ 730,489,264
Shares Outstanding	129,232,211
Net Asset Value	\$5.65

See Notes to Financial Statements.

Table of Contents**Statement of operations**

For the Year Ended September 30, 2017

Investment Income:	
Interest	\$ 50,741,118
Dividends	736,102
Total Investment Income	51,477,220
Expenses:	
Investment management fee (Note 2)	5,795,876
Transfer agent fees	228,541
Directors' fees	180,999
Reorganization fees	129,498
Legal fees	90,034
Audit and tax fees	72,804
Stock exchange listing fees	68,994
Shareholder reports	38,583
Insurance	10,976
Custody fees	8,214
Interest expense	619
Miscellaneous expenses	23,261
Total Expenses	6,648,399
Net Investment Income	44,828,821
Realized and Unrealized Gain (Loss) on Investments, Futures Contracts, Swap Contracts, Forward Foreign Currency Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):	
Net Realized Gain (Loss) From:	
Investment transactions	(5,532,241)
Futures contracts	363,315
Swap contracts	(111,898)
Forward foreign currency contracts	26,155
Foreign currency transactions	10,947
Net Realized Loss	(5,243,722)
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	21,971,007
Forward foreign currency contracts	(2,180)
Foreign currencies	(4,120)
Change in Net Unrealized Appreciation (Depreciation)	21,964,707
Net Gain on Investments, Futures Contracts, Swap Contracts, Forward Foreign Currency Contracts and Foreign Currency Transactions	16,720,985
Increase in Net Assets From Operations	\$ 61,549,806

See Notes to Financial Statements.

Table of Contents**Statements of changes in net assets**

For the Years Ended September 30,	2017	2016
Operations:		
Net investment income	\$ 44,828,821	\$ 33,981,183
Net realized loss	(5,243,722)	(31,480,999)
Change in net unrealized appreciation (depreciation)	21,964,707	42,963,401
<i>Increase in Net Assets From Operations</i>	<i>61,549,806</i>	<i>45,463,585</i>
Distributions to Shareholders From (Note 1):		
Net investment income	(47,055,181)	(37,268,134)
Return of capital	(1,148,434)	
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(48,203,615)</i>	<i>(37,268,134)</i>
Fund Share Transactions:		
Net assets of shares issued in connection with merger (45,543,715 shares issued) (Note 7)		251,547,580
Cost of aggregate fractional shares repurchased (84 aggregate fractional shares) (Note 7)		(464)
<i>Increase in Net Assets From Fund Share Transactions</i>		<i>251,547,116</i>
<i>Increase in Net Assets</i>	<i>13,346,191</i>	<i>259,742,567</i>
Net Assets:		
Beginning of year	717,143,073	457,400,506
End of year*	\$ 730,489,264	\$ 717,143,073
*Includes overdistributed net investment income of:	\$(4,171,379)	\$(2,469,115)

See Notes to Financial Statements.

Table of Contents**Financial highlights****For a share of capital stock outstanding throughout each year ended September 30:**

	2017 ¹	2016 ¹	2015 ¹	2014 ¹	2013 ¹
Net asset value, beginning of year	\$5.55	\$5.47	\$6.31	\$6.36	\$6.26
Income (loss) from operations:					
Net investment income	0.35	0.39	0.41	0.43	0.45
Net realized and unrealized gain (loss)	0.12	0.12	(0.82)	(0.04)	0.13
<i>Total income (loss) from operations</i>	<i>0.47</i>	<i>0.51</i>	<i>(0.41)</i>	<i>0.39</i>	<i>0.58</i>
Less distributions from:					
Net investment income	(0.36)	(0.43)	(0.43)	(0.44)	(0.48)
Return of capital	(0.01)				
<i>Total distributions</i>	<i>(0.37)</i>	<i>(0.43)</i>	<i>(0.43)</i>	<i>(0.44)</i>	<i>(0.48)</i>
Net asset value, end of year	\$5.65	\$5.55	\$5.47	\$6.31	\$6.36
Market price, end of year	\$5.13	\$5.05	\$4.69	\$5.79	\$5.97
<i>Total return, based on NAV^{2,3}</i>	<i>8.81%</i>	<i>9.99%</i>	<i>(6.90)%</i>	<i>6.17%</i>	<i>9.49%</i>
<i>Total return, based on Market Price⁴</i>	<i>9.28%</i>	<i>17.69%</i>	<i>(12.21)%</i>	<i>4.28%</i>	<i>(3.07)%</i>
Net assets, end of year (millions)	\$730	\$717	\$457	\$528	\$532
Ratios to average net assets:					
Gross expenses	0.92% ⁵	0.97% ⁵	0.89%	0.88%	0.90%
Net expenses	0.92 ⁵	0.97 ⁵	0.89	0.88	0.90
Net investment income	6.19	7.29	6.88	6.68	7.04
Portfolio turnover rate	79%	67%	59%	37%	53%

¹ Per share amounts have been calculated using the average shares method.

² Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results.

³ The total return calculation assumes that distributions are reinvested at NAV. Past performance is no guarantee of future results.

⁴ The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results.

⁵ Included in the expense ratios are certain non-recurring reorganization fees that were incurred by the Fund during the period. Without these fees, the gross and net expense ratios would both have been 0.90% and 0.93% for the years ended September 30, 2017 and 2016, respectively.

See Notes to Financial Statements.

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Notes to financial statements

1. Organization and significant accounting policies

Western Asset High Income Opportunity Fund Inc. (the Fund) was incorporated in Maryland and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund seeks high current income. Capital appreciation is a secondary objective. In seeking to fulfill its investment objectives, the Fund invests, under normal market conditions, at least 80% of its net assets in high-yield securities and up to 20% in common stock equivalents, including options, warrants and rights.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP). Estimates and assumptions are 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. Subsequent events have been evaluated through the date the financial statements were issued.

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

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Notes to financial statements (cont'd)

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

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

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

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

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

Level 1 quoted prices in active markets for identical investments

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

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

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

Description	ASSETS			Total
	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Long-term investments :				
Corporate bonds & notes:				
Consumer discretionary		\$ 126,762,994	\$ 1,913,619	\$ 128,676,613
Energy		99,233,336	0*	99,233,336
Health care		50,613,193	2,579,120	53,192,313
Materials		53,771,188	0*	53,771,188
Other corporate bonds & notes		272,561,998		272,561,998
Convertible bonds & notes		5,846,356		5,846,356
Senior loans:				
Consumer discretionary		10,121,540	940,500	11,062,040
Energy		1,218,635	1,219,528	2,438,163
Other senior loans		11,061,480		11,061,480
Sovereign bonds		33,234,912		33,234,912
U.S. government & agency obligations		20,442,918		20,442,918
Common stocks:				
Consumer discretionary			1,075,874	1,075,874
Energy	\$ 3,384,763	1,790,015	2,363,594	7,538,372
Industrials			258,670	258,670
Convertible preferred stocks		2,388,744		2,388,744
Preferred stocks:				
Financials	7,706,054			7,706,054
Industrials			386,659	386,659
Total long-term investments	11,090,817	689,047,309	10,737,564	710,875,690
Short-term investments :				
Repurchase agreements		15,000,000		15,000,000
Money market funds	1,033,481			1,033,481
Total short-term investments	1,033,481	15,000,000		16,033,481
Total investments	\$ 12,124,298	\$ 704,047,309	\$ 10,737,564	\$ 726,909,171

Table of Contents**Notes to financial statements (cont d)**

Description	LIABILITIES			Total
	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Other financial instruments:				
Forward foreign currency contracts		\$ 4		\$ 4

See Schedule of Investments for additional detailed categorizations.

* Amount represents less than \$1.

The Fund's policy is to recognize transfers between levels as of the end of the reporting period. At September 30, 2017, securities valued at \$3,384,763 were transferred from Level 2 to Level 1 within the fair value hierarchy because of the availability of a quoted price in an active market for an identical investment.

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

Investments in Securities	Corporate Bonds & Notes				
	Consumer	Energy	Health Care	Industrials	Materials
Balance as of September 30, 2016	\$ 2,195,826	\$ 0*		\$ 1,298,975	\$ 0*
Accrued premiums/discounts	40,170		\$ 1,067	12,585	
Realized gain (loss) ¹	8,859				
Change in unrealized appreciation					
(depreciation) ²	(49,029)		28,803	(10,779)	(263)
Purchases	241,469		2,549,250	26,782	263
Sales	(523,676)			(1,327,563)	
Transfers into Level 3					
Transfers out Level 3 ³					
Balance as of September 30, 2017	\$ 1,913,619	\$ 0*	\$ 2,579,120		\$ 0*
Net change in unrealized appreciation (depreciation) for investments in securities still held at September 30, 2017 ²	\$ (49,029)		\$ 28,803		\$ (263)

Investments in Securities (cont d)	Senior Loans			
	Consumer	Energy	Health Care	Utilities
Balance as of September 30, 2016	\$ 1,410,750	\$ 3,276,746	\$ 1,931,627	\$ 1,666,620
Accrued premiums/discounts	1,026	7,926	1,806	4,732
Realized gain (loss) ¹		(249,882)	8,253	74
Change in unrealized appreciation (depreciation) ²	(471,276)	695,789	(3,953)	(369,970)
Purchases		2,039,717		18,471
Sales		(4,550,768)	(1,937,733)	(4,700)
Transfers into Level 3				
Transfers out Level 3 ³				(1,315,227)
Balance as of September 30, 2017	\$ 940,500	\$ 1,219,528		
	\$ (471,276)	\$ 440,607		

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Net change in unrealized appreciation (depreciation) for investments in securities still held at September 30, 2017²

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	Common Stocks					Preferred Stocks	
	Consumer						
Investments in Securities (cont d)	Discretionary	Energy	Health Care	Industrials	Materials	Industrials	Total
Balance as of September 30, 2016	\$ 1,233,580	\$ 4,883,060	\$ 312,495	\$ 1,283,930	\$ 0*		\$ 19,493,609
Accrued premiums/discounts							69,312
Realized gain (loss) ¹			117,338		(438,856)		(554,214)
Change in unrealized appreciation (depreciation) ²	(157,706)	(5,999,310)	(111,618)	2,133,257	438,856	\$ (2,771,858)	(6,649,057)
Purchases		3,545,469		710,792		3,158,517	12,290,730
Sales		(65,625)	(318,215)	(3,869,309)	(0)*		(12,597,589)
Transfers into Level 3							
Transfers out Level 3 ³							(1,315,227)
Balance as of September 30, 2017	\$ 1,075,874	\$ 2,363,594		\$ 258,670		\$ 386,659	\$ 10,737,564
Net change in unrealized appreciation (depreciation) for investments in securities still held at September 30, 2017 ²	\$ (157,706)	\$ (5,999,310)		\$ (452,122)		\$ (2,771,858)	\$ (9,432,154)

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

* Amount represents less than \$1.

¹ This amount is included in net realized gain (loss) from investment transactions in the accompanying Statement of Operations.

² This amount is included in the change in net unrealized appreciation (depreciation) in the accompanying Statement of Operations. Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

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

(b) Repurchase agreements. The Fund may enter into repurchase agreements with institutions that its subadviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Under the terms of a typical repurchase agreement, the Fund acquires a debt security subject to an obligation of the seller to repurchase, and of the Fund to resell, the security at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian, acting on the Fund's behalf, take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction maturity exceeds one business day, the value of the collateral is marked-to-market and measured against the value of the agreement in an effort to ensure the adequacy of the collateral. If the counterparty defaults, the Fund generally has the right to use the collateral to satisfy the terms of the repurchase transaction. However, if the market value of the collateral declines during the period in which

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Notes to financial statements (cont d)

the Fund seeks to assert its rights 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.

(c) Futures contracts. The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. The daily changes in contract value are recorded as unrealized gains or losses in the Statement of Operations and the Fund recognizes a realized gain or loss when the contract is closed.

Futures contracts involve, to varying degrees, risk of loss in excess of the amounts reflected in the financial statements. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(d) Forward foreign currency contracts. The Fund enters into a forward foreign currency contract to hedge against foreign currency exchange rate risk on its non-U.S. dollar denominated securities or to facilitate settlement of a foreign currency denominated portfolio transaction. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price with delivery and settlement at a future date. The contract is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When a forward foreign currency contract is closed, through either delivery or offset by entering into another forward foreign currency contract, the Fund recognizes a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it is closed.

Forward foreign currency contracts involve elements of market risk in excess of the amounts reflected on the Statement of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

(e) Foreign currency translation. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

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The Fund does not isolate that portion of the results of operations resulting from fluctuations in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, including gains and losses on forward foreign currency contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the values of assets and liabilities, other than investments in securities, on the date of valuation, resulting from changes in exchange rates.

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

(f) Swap agreements. The Fund invests in swaps for the purpose of managing its exposure to interest rate, credit or market risk, or for other purposes. The use of swaps involves risks that are different from those associated with other portfolio transactions. Swap agreements are privately negotiated in the over-the-counter market and may be entered into as a bilateral contract (OTC Swaps) or centrally cleared (Centrally Cleared Swaps). Unlike Centrally Cleared Swaps, the Fund has credit exposure to the counterparties of OTC Swaps.

In a Centrally Cleared Swap, immediately following execution of the swap, the swap agreement is submitted to a clearinghouse or central counterparty (the CCP) and the CCP becomes the ultimate counterparty of the swap agreement. The Fund is required to interface with the CCP through a broker, acting in an agency capacity. All payments are settled with the CCP through the broker. Upon entering into a Centrally Cleared Swap, the Fund is required to deposit initial margin with the broker in the form of cash or securities.

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). The daily change in valuation of Centrally Cleared Swaps, if any, is recorded as a receivable or payable for variation margin on the Statement of Assets and Liabilities. Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund's custodian in compliance with the terms of the swap contracts. Securities posted as collateral for swap contracts are identified in the Schedule of Investments and restricted cash, if any, is identified on the Statement of Assets and Liabilities. Risks may exceed amounts recorded in the Statement of Assets and Liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts' terms, and the possible lack of liquidity with respect to the swap agreements.

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Notes to financial statements (cont d)

OTC swap payments received or made at the beginning of the measurement period are reflected as a premium or deposit, respectively, on the Statement of Assets and Liabilities. These upfront payments are amortized over the life of the swap and are recognized as realized gain or loss in the Statement of Operations. Net periodic payments received or paid by the Fund are recognized as a realized gain or loss in the Statement of Operations.

The Fund's maximum exposure in the event of a defined credit event on a credit default swap to sell protection is the notional amount. As of September 30, 2017, the Fund did not hold any credit default swaps to sell protection.

For average notional amounts of swaps held during the year ended September 30, 2017, see Note 4.

Credit default swaps

The Fund enters into credit default swap (CDS) contracts for investment purposes, to manage its credit risk or to add leverage. CDS agreements involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party, typically corporate or sovereign issuers, on a specified obligation, or in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising a credit index. The Fund may use a CDS to provide protection against defaults of the issuers (i.e., to reduce risk where the Fund has exposure to an issuer) or to take an active long or short position with respect to the likelihood of a particular issuer's default. As a seller of protection, the Fund generally receives an upfront payment or a stream of payments throughout the term of the swap provided that there is no credit event. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the maximum potential amount of future payments (undiscounted) that the Fund could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. These amounts of potential payments will be partially offset by any recovery of values from the respective referenced obligations. As a seller of protection, the Fund effectively adds leverage to its portfolio because, in addition to its total net assets, the Fund is subject to investment exposure on the notional amount of the swap. As a buyer of protection, the Fund generally receives an amount up to the notional value of the swap if a credit event occurs.

Implied spreads are the theoretical prices a lender receives for credit default protection. When spreads rise, market perceived credit risk rises and when spreads fall, market perceived credit risk falls. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to enter into the agreement. Wider credit spreads and decreasing market values, when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. Credit spreads utilized in determining the period end market value of credit default swap agreements on corporate or sovereign issues are disclosed in the Schedule of Investments and serve as an indicator of the current status of

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the payment/performance risk and represent the likelihood or risk of default for credit derivatives. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values, particularly in relation to the notional amount of the contract as well as the annual payment rate, serve as an indication of the current status of the payment/performance risk.

The Fund's maximum risk of loss from counterparty risk, as the protection buyer, is the fair value of the contract (this risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty). As the protection seller, the Fund's maximum risk is the notional amount of the contract. Credit default swaps are considered to have credit risk-related contingent features since they require payment by the protection seller to the protection buyer upon the occurrence of a defined credit event.

Entering into a CDS agreement involves, to varying degrees, elements of credit, market and documentation risk in excess of the related amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreement may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreement, and that there will be unfavorable changes in net interest rates.

(g) Loan participations. The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund's investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement related to the loan, or any rights of off-set against the borrower and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

The Fund assumes the credit risk of the borrower, the lender that is selling the participation and any other persons interpositioned between the Fund and the borrower. In the event of the insolvency of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not benefit from any off-set between the lender and the borrower.

(h) Unfunded loan commitments. The Fund may enter into certain credit agreements where all or a portion of which may be unfunded. The Fund is obligated to fund these commitments at the borrower's discretion. The commitments are disclosed in the accompanying Schedule of Investments. At September 30, 2017, the Fund had sufficient cash and/or securities to cover these commitments.

(i) Securities traded on a when-issued and delayed delivery basis. The Fund may trade securities on a when-issued or delayed delivery basis. In when-issued and delayed delivery transactions, the securities are purchased or sold by the Fund with payment and delivery taking place in the future in order to secure what is considered to be an advantageous price and yield to the Fund at the time of entering into the transaction.

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Notes to financial statements (cont d)

Purchasing such securities involves risk of loss if the value of the securities declines prior to settlement. These securities are subject to market fluctuations and their current value is determined in the same manner as for other securities.

(j) Credit and market risk. The Fund invests in high-yield and emerging market instruments that are subject to certain credit and market risks. The yields of high-yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund's investments in securities rated below investment grade typically involve risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund's investments in non-U.S. dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

Investments in securities that are collateralized by real estate mortgages are subject to certain credit and liquidity risks. When market conditions result in an increase in default rates of the underlying mortgages and the foreclosure values of underlying real estate properties are materially below the outstanding amount of these underlying mortgages, collection of the full amount of accrued interest and principal on these investments may be doubtful. Such market conditions may significantly impair the value and liquidity of these investments and may result in a lack of correlation between their credit ratings and values.

(k) Foreign investment risks. The Fund's investments in foreign securities may involve risks not present in domestic investments. Since securities may be denominated in foreign currencies, may require settlement in foreign currencies or pay interest or dividends in foreign currencies, changes in the relationship of these foreign currencies to the U.S. dollar can significantly affect the value of the investments and earnings of the Fund. Foreign investments may also subject the Fund to foreign government exchange restrictions, expropriation, taxation or other political, social or economic developments, all of which affect the market and/or credit risk of the investments.

(l) Counterparty risk and credit-risk-related contingent features of derivative instruments. The Fund may invest in certain securities or engage in other transactions, where the Fund is exposed to counterparty credit risk in addition to broader market risks. The Fund may invest in securities of issuers, which may also be considered counterparties as trading partners in other transactions. This may increase the risk of loss in the event of default or bankruptcy by the counterparty or if the counterparty otherwise fails to meet its contractual obligations. The Fund's subadviser attempts to mitigate counterparty risk by (i) periodically assessing the creditworthiness of its trading partners, (ii) monitoring and/or limiting the amount of its net exposure to each individual counterparty based on its assessment and (iii) requiring collateral from the counterparty for certain transactions. Market events and changes in overall economic conditions may impact the assessment of

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such counterparty risk by the subadviser. In addition, declines in the values of underlying collateral received may expose the Fund to increased risk of loss.

With exchange traded and centrally cleared derivatives, there is less counterparty risk to the Fund since the exchange or clearinghouse, as counterparty to such instruments, guarantees against a possible default. The clearinghouse stands between the buyer and the seller of the contract; therefore, the credit risk is limited to failure of the clearinghouse. While offset rights may exist under applicable law, the Fund does not have a contractual right of offset against a clearing broker or clearinghouse in the event of a default of the clearing broker or clearinghouse.

The Fund has entered into master agreements, such as an International Swaps and Derivatives Association, Inc. Master Agreement (ISDA Master Agreement) or similar agreement, with certain of its derivative counterparties that govern over-the-counter derivatives and provide for general obligations, representations, agreements, collateral posting terms, netting provisions in the event of default or termination and credit related contingent features. The credit related contingent features include, but are not limited to, a percentage decrease in the Fund's net assets or NAV over a specified period of time. If these credit related contingent features were triggered, the derivatives counterparty could terminate the positions and demand payment or require additional collateral.

Under an ISDA Master Agreement, the Fund may, under certain circumstances, offset with the counterparty certain derivative financial instruments payables and/or receivables with collateral held and/or posted and create one single net payment. However, absent an event of default by the counterparty or a termination of the agreement, the terms of the ISDA Master Agreements do not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the Fund and the applicable counterparty. The enforceability of the right to offset may vary by jurisdiction.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearinghouse for exchange traded derivatives while collateral terms are contract specific for over-the-counter traded derivatives. Cash collateral that has been pledged to cover obligations of the Fund under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities. Securities pledged as collateral, if any, for the same purpose are noted in the Schedule of Investments.

As of September 30, 2017, the Fund held forward foreign currency contracts with credit related contingent features which had a liability position of \$4. If a contingent feature in the master agreements would have been triggered, the Fund would have been required to pay this amount to its derivatives counterparties.

(m) Security transactions and investment income. Security transactions are accounted for on a trade date basis. Interest income (including interest income from payment-in-kind securities), adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. Paydown gains and losses on mortgage- and asset-backed

Table of Contents**Notes to financial statements (cont'd)**

securities are recorded as adjustments to interest income. Dividend income is recorded on the ex-dividend date for dividends received in cash and/or securities. Foreign dividend income is recorded on the ex-dividend date or as soon as practicable after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults or a credit event occurs that impacts the issuer, the Fund may halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default or credit event.

(n) Distributions to shareholders. Distributions from net investment income of the Fund, if any, are declared quarterly and paid on a monthly basis. Distributions of net realized gains, if any, are declared at least annually. Distributions to shareholders of the Fund are recorded on the ex-dividend date and are determined in accordance with income tax regulations, which may differ from GAAP.

(o) Compensating balance arrangements. The Fund has an arrangement with its custodian bank whereby a portion of the custodian's fees is paid indirectly by credits earned on the Fund's cash on deposit with the bank.

(p) Federal and other taxes. It is the Fund's policy to comply with the federal income and excise tax requirements of the Internal Revenue Code of 1986 (the Code), as amended, applicable to regulated investment companies. Accordingly, the Fund intends to distribute its taxable income and net realized gains, if any, to shareholders in accordance with timing requirements imposed by the Code. Therefore, no federal or state income tax provision is required in the Fund's financial statements.

Management has analyzed the Fund's tax positions taken on income tax returns for all open tax years and has concluded that as of September 30, 2017, no provision for income tax is required in the Fund's 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.

Under the applicable foreign tax laws, a withholding tax may be imposed on interest, dividends and capital gains at various rates.

(q) Reclassification. GAAP requires that certain components of net assets be reclassified to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. During the current year, the following reclassifications have been made:

	Overdistributed Net Investment Income	Accumulated Net Realized Loss	Paid-in Capital
(a)	\$ 129,498	\$ 23,181,153	\$ (23,310,651)
(b)	394,598	(394,598)	

^(a) Reclassifications are due to the expiration of a capital loss carryforward and non-deductible reorganization costs for tax purposes.

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(b) Reclassifications are due to foreign currency transactions treated as ordinary income for tax purposes, differences between book and tax amortization of premium on fixed income securities and book/tax differences in the treatment of swap contracts.

2. Investment management agreement and other transactions with affiliates

Legg Mason Partners Fund Advisor, LLC (LMPFA) is the Fund’s investment manager. Western Asset Management Company (Western Asset) and Western Asset Management Company Limited (Western Asset Limited) are the Fund’s subadvisers. LMPFA, Western Asset and Western Asset Limited are wholly-owned subsidiaries of Legg Mason, Inc. (Legg Mason).

LMPFA provides administrative and certain oversight services to the Fund. The Fund pays LMPFA an investment management fee, calculated daily and paid monthly, at an annual rate of 0.80% of the Fund’s average daily net assets.

LMPFA delegates to Western Asset the day-to-day portfolio management of the Fund. Western Asset Limited provides certain subadvisory services to the Fund relating to currency transactions and investments in non-U.S. dollar denominated debt securities. Western Asset Limited does not receive any compensation from the Fund and is paid by Western Asset for its services to the Fund. For its services, LMPFA pays Western Asset monthly 70% of the net management fee it receives from the Fund. In turn, Western Asset pays Western Asset Limited a monthly subadvisory fee at an annual rate of 0.30% related to the assets managed by Western Asset Limited.

The Fund had adopted an unfunded, non-qualified deferred compensation plan (the Plan) which allowed non-interested directors (Independent Directors) to defer the receipt of all or a portion of their fees earned until a later date specified by the Independent Directors. The deferred balances were reported in the Statement of Assets and Liabilities under Directors’ fees payable and were considered a general obligation of the Fund and any payments made pursuant to the Plan were made from the Fund’s general assets. The Plan was terminated effective January 1, 2006. This change had no effect on fees previously deferred. As of September 30, 2017, the Fund had no deferred compensation payable.

All officers and one Director of the Fund are employees of Legg Mason or its affiliates and do not receive compensation from the Fund.

3. Investments

During the year ended September 30, 2017, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) and U.S. Government & Agency Obligations were as follows:

	Investments	U.S. Government & Agency Obligations
Purchases	\$ 437,977,607	\$ 126,328,882
Sales	439,369,799	143,845,332

Table of Contents**Notes to financial statements (cont d)**

At September 30, 2017, the aggregate cost of investments and the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

	Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation (Depreciation)
Securities	\$ 695,383,510	\$ 61,555,342	\$ (30,029,681)	\$ 31,525,661
Forward foreign currency contracts			(4)	(4)

4. Derivative instruments and hedging activities

Below is a table, grouped by derivative type, that provides information about the fair value and the location of derivatives within the Statement of Assets and Liabilities at September 30, 2017.

LIABILITY DERIVATIVES¹

	Foreign Exchange Risk
Forward foreign currency contracts	\$ 4

¹ Generally, the balance sheet location for asset derivatives is receivables/net unrealized appreciation (depreciation) and for liability derivatives is payables/net unrealized appreciation (depreciation).

The following tables provide information about the effect of derivatives and hedging activities on the Fund's Statement of Operations for the year ended September 30, 2017. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the period. The second table provides additional information about the change in unrealized appreciation (depreciation) resulting from the Fund's derivatives and hedging activities during the period.

AMOUNT OF REALIZED GAIN (LOSS) ON DERIVATIVES RECOGNIZED

	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Total
Futures contracts	\$ 363,315			\$ 363,315
Swap contracts			\$ (111,898)	(111,898)
Forward foreign currency contracts		\$ 26,155		26,155
Total	\$ 363,315	\$ 26,155	\$ (111,898)	\$ 277,572

CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON DERIVATIVES RECOGNIZED

	Foreign Exchange Risk
Forward foreign currency contracts	\$ (2,180)

During the year ended September 30, 2017, the volume of derivative activity for the Fund was as follows:

Average Market
Value

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Futures contracts (to sell)	\$	1,531,490
Forward foreign currency contracts (to buy)		379,683
Forward foreign currency contracts (to sell)		543,332

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	Average Notional Balance
Credit default swap contracts (to buy protection)	\$ 309,205

At September 30, 2017, there were no open positions held in this derivative.

The following table presents the Fund's OTC derivative assets and liabilities by counterparty net of amounts available for offset under an ISDA Master Agreement and net of the related collateral pledged (received) by the Fund as of September 30, 2017.

Counterparty	Gross Assets Subject to Master Agreements	Gross Liabilities Subject to Master Agreements ¹	Net Assets (Liabilities) Subject to Master Agreements	Collateral Pledged (Received)	Net Amount ²
Barclays Bank PLC		\$ (4)	\$ (4)		\$ (4)

¹ Absent an event of default or early termination, derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

² Represents the net amount receivable (payable) from (to) the counterparty in the event of default.

5. Restricted securities

The following Fund investments are restricted as to resale.

Security	Number of Shares/Face Amount	Acquisition Date	Cost	Value at 9/30/17	Value per Share/Unit	Percent of Net Assets
Berry Petroleum Co.	3,031	2/17	\$ 30,310	\$ 35,251	\$ 11.63	0.00%
BioScrip Inc., First Lien Notes, 8.224%, due 6/30/22	\$ 2,575,000	6/17	\$ 2,550,317	\$ 2,579,120 ^(a)	\$ 100.16	0.35%

^(a) Security is valued in good faith in accordance with procedures approved by the Board of Directors.

6. Distributions subsequent to September 30, 2017

The following distributions have been declared by the Fund's Board of Directors and are payable subsequent to the period end of this report:

Record Date	Payable Date	Amount
9/22/2017	10/2/2017	\$ 0.0290
10/20/2017	11/1/2017	\$ 0.0290
11/24/2017	12/1/2017	\$ 0.0290
12/22/2017	12/29/2017	\$ 0.0275
1/19/2018	2/1/2018	\$ 0.0275
2/16/2018	3/1/2018	\$ 0.0275

7. Transfer of net assets

On August 26, 2016, the Fund acquired the assets and certain liabilities of Western Asset Managed High Income Fund Inc. (the Acquired Fund), pursuant to a plan of reorganization approved by shareholders of both the Acquired Fund and the Fund. Total shares issued by the Fund and the total net assets of the Acquired Fund and the Fund on the date of the transfer were as follows:

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Acquired Fund	Shares Issued by the Fund	Total Net Assets of the Acquired Fund	Total Net Assets of the Fund
Western Asset Managed High Income Fund Inc.	45,543,715	\$ 251,547,580	\$ 462,228,312

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Table of Contents**Notes to financial statements (cont d)**

As part of the reorganization, for each share they held, shareholders of the Acquired Fund received 0.964839 shares of the Fund. The Fund did not issue any fractional shares to shareholders of the Acquired Fund. In lieu thereof, the Fund purchased all fractional shares at the current net asset value of the shares and remitted the cash proceeds to former shareholders of the Acquired Fund in proportion to their fractional shares.

The total net assets of the Acquired Fund before acquisition included unrealized appreciation of \$3,725,973, accumulated net realized loss of \$72,448,992 and overdistributed net investment income of \$205,460. Total net assets of the Fund immediately after the transfer were \$713,775,892. The transaction was structured to qualify as a tax-free reorganization under the Internal Revenue Code of 1986, as amended.

Pro forma results of operations of the combined entity for the entire year ended September 30, 2016, as though the acquisition had occurred as of the beginning of the year (rather than on the actual acquisition date), are as follows:

Net investment income	\$ 50,493,310
Net realized loss	(48,601,341)
Change in net unrealized appreciation (depreciation)	64,229,246
Increase in net assets from operations	\$ 66,121,215

Because the combined investment portfolios have been managed as a single portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of the Acquired Fund that have been included in the Fund's accompanying Statement of Operations since the close of business on August 26, 2016.

8. Stock repurchase program

On November 16, 2015, the Fund announced that the Fund's Board of Directors (the Board) had authorized the Fund to repurchase in the open market up to approximately 10% of the Fund's outstanding common stock when the Fund's shares are trading at a discount to net asset value. The Board has directed management of the Fund to repurchase shares of common stock at such times and in such amounts as management reasonably believes may enhance stockholder value. The Fund is under no obligation to purchase shares at any specific discount levels or in any specific amounts. During the year ended September 30, 2017, the Fund did not repurchase any shares.

9. Income tax information and distributions to shareholders

The tax character of distributions paid during the fiscal years ended September 30, was as follows:

	2017	2016
Distributions paid from:		
Ordinary income	\$ 47,055,181	\$ 37,268,134
Tax return of capital	1,148,434	
Total distributions paid	\$ 48,203,615	\$ 37,268,134

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As of September 30, 2017, the components of accumulated earnings (losses) on a tax basis were as follows:

Deferred Capital Losses*	\$ (92,300,115)
Capital loss carryforward**	(60,709,000)
Other book/tax temporary differences ^(a)	(4,201,419)
Unrealized appreciation (depreciation) ^(b)	31,527,415
Total accumulated earnings (losses) net	\$ (125,683,119)

* These capital losses have been deferred in the current year as either short-term or long-term losses. The losses will be deemed to occur on the first day of the next taxable year in the same character as they were originally deferred and will be available to offset future taxable capital gains. These losses must be utilized before any of the Fund's capital loss carryforward may be utilized.

** As of September 30, 2017, the Fund had the following net capital loss carryforward remaining:

Year of Expiration	Amount
9/30/2018	\$ (49,024,877)
9/30/2019	(11,684,123)
	\$ (60,709,000)

These amounts will be available to offset any future taxable capital gains.

^(a) Other book/tax temporary differences are attributable to the tax deferral of losses on straddles, the realization for tax purposes of unrealized gains / (losses) on certain foreign currency contracts, book/tax difference in the accrual of interest income on securities in default and book/tax differences in the timing of the deductibility of various expenses.

^(b) The difference between book-basis and tax-basis unrealized appreciation (depreciation) is attributable to the tax deferral of losses on wash sales and the difference between book and tax amortization methods for premiums on fixed income securities.

10. Recent accounting pronouncement

In October 2016, the U.S. Securities and Exchange Commission adopted new rules and amended existing rules (together, the final rules) intended to modernize the reporting and disclosure of information by registered investment companies. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X was August 1, 2017. The Fund has adopted the amendments to Regulation S-X and, upon evaluation, has concluded that the amendments do not materially impact the financial statement amounts; however, as required, additional or enhanced disclosure has been included.

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Report of independent registered public accounting firm

To the Board of Directors and Shareholders of the

Western Asset High Income Opportunity Fund Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the Western Asset High Income Opportunity Fund Inc. (the Fund) as of September 30, 2017, the results of its operations, the changes in its net assets and the financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements) are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit, which included confirmation of securities as of September 30, 2017 by correspondence with the custodian and brokers, provides a reasonable basis for our opinion. The financial statements of the Fund as of and for the year ended September 30, 2016 and the financial highlights for each of the years or periods ended on or prior to September 30, 2016 (not presented herein, other than the statement of changes in net assets and the financial highlights) were audited by other auditors whose report dated November 21, 2016 expressed an unqualified opinion on those financial statements and financial highlights.

/s/ PricewaterhouseCoopers LLP

Baltimore, Maryland

November 17, 2017

Table of Contents**Additional information** (unaudited)**Information about Directors and Officers**

The business and affairs of Western Asset High Income Opportunity Fund Inc. (the Fund) are conducted by management under the supervision and subject to the direction of its Board of Directors. The business address of each Director is c/o Jane Trust, Legg Mason, 100 International Drive, 11th Floor, Baltimore, Maryland 21202. Information pertaining to the Directors and officers of the Fund is set forth below.

The Fund's annual proxy statement includes additional information about Directors and is available, without charge, upon request by calling the Fund at 1-888-777-0102.

Independent Directors:**Robert D. Agdern**

Year of birth	1950
Position(s) held with Fund ¹	Director and Member of Nominating and Audit Committees, Class I Since 2015
Term of office ¹ and length of time served	Member of the Advisory Committee of the Dispute Resolution Research Center at the Kellogg Graduate School of Business, Northwestern University (2002 to 2016); formerly, Deputy General Counsel responsible for western hemisphere matters for BP PLC (1999 to 2001); formerly, Associate General Counsel at Amoco Corporation responsible for corporate, chemical, and refining and marketing matters and special assignments (1993 to 1998) (Amoco merged with British Petroleum in 1998 forming BP PLC).
Principal occupation(s) during past five years	
Number of portfolios in fund complex overseen by Director (including the Fund)	27
Other board memberships held by Director during past five years	None

Carol L. Colman

Year of birth	1946
Position(s) held with Fund ¹	Director and Member of Nominating and Audit Committees, Class I Since 2007
Term of office ¹ and length of time served	President, Colman Consulting Company (consulting)
Principal occupation(s) during past five years	
Number of portfolios in fund complex overseen by Director (including the Fund)	27
Other board memberships held by Director during past five years	None

Table of Contents**Additional information (unaudited) (cont d)****Information about Directors and Officers****Independent Directors cont d****Daniel P. Cronin**

Year of birth	1946
Position(s) held with Fund ¹	Director and Member of Nominating and Audit Committees, Class I
Term of office ¹ and length of time served	Since 2007
Principal occupation(s) during past five years	Retired; formerly, Associate General Counsel, Pfizer Inc. (prior to and including 2004)
Number of portfolios in fund complex overseen by Director (including the Fund)	27
Other board memberships held by Director during past five years	None

Paolo M. Cucchi

Year of birth	1941
Position(s) held with Fund ¹	Director and Member of Nominating and Audit Committees, Class II
Term of office ¹ and length of time served	Since 2007
Principal occupation(s) during past five years	Emeritus Professor of French and Italian (since 2014) and formerly, Vice President and Dean of The College of Liberal Arts (1984 to 2009) and Professor of French and Italian (2009 to 2014) at Drew University
Number of portfolios in fund complex overseen by Director (including the Fund)	27
Other board memberships held by Director during past five years	None

Leslie H. Gelb

Year of birth	1937
Position(s) held with Fund ¹	Director and Member of Nominating and Audit Committees, Class III
Term of office ¹ and length of time served	Since 2007
Principal occupation(s) during past five years	Consultant and Lecturer; President Emeritus (since 2003); formerly, Senior Board Fellow (2003 to 2015) and President, (prior to 2003), the Council on Foreign Relations; formerly, Columnist, Deputy Editorial Page Editor and Editor, Op-Ed Page, The New York Times
Number of portfolios in fund complex overseen by Director (including the Fund)	27
Other board memberships held by Director during past five years	Director of two registered investment companies advised by Aberdeen Asset Management Asia Limited (since 1994); Trustee, Encyclopedia Britannica; Director, Centre Partners IV and V, LP and Affiliates

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Independent Directors cont d

William R. Hutchinson

Year of birth	1942
Position(s) held with Fund ¹	Director and Member of Nominating and Audit Committees, Class III
Term of office ¹ and length of time served	Since 2007
Principal occupation(s) during past five years	President, W.R. Hutchinson & Associates Inc. (Consulting) (since 2001)
Number of portfolios in fund complex overseen by Director (including the Fund)	27
Other board memberships held by Director during past five years	Director (Non-Executive Chairman of the Board (since December 1, 2009)), Associated Banc Corp. (banking) (since 1994)

Eileen A. Kamerick

Year of birth	1958
Position(s) held with Fund ¹	Director and Member of Nominating and Audit Committees, Class II
Term of office ¹ and length of time served	Since 2013
Principal occupation(s) during past five years	National Association of Corporate Directors Board Leadership Fellow and financial expert; Adjunct Professor, Washington University in St. Louis and University of Iowa law schools (since 2007); formerly, Senior Advisor to the Chief Executive Officer and Executive Vice President and Chief Financial Officer of ConnectWise, Inc. (software and services company) (2015 to 2016); Chief Financial Officer, Press Ganey Associates (health care informatics company) (2012 to 2014); Managing Director and Chief Financial Officer, Houlihan Lokey (international investment bank) and President, Houlihan Lokey Foundation (2010 to 2012)
Number of portfolios in fund complex overseen by Director (including the Fund)	27
Other board memberships held by Director during past five years	Hochschild Mining plc (precious metals company) (since 2016); Director of Associated Banc-Corp (financial services company) (since 2007); Westell Technologies, Inc. (technology company) (2003 to 2016)

Riordan Roett

Year of birth	1938
Position(s) held with Fund ¹	Director and Member of Nominating and Audit Committees, Class III
Term of office ¹ and length of time served	Since 2007
Principal occupation(s) during past five years	The Sarita and Don Johnston Professor of Political Science and Director of Latin American Studies, Paul H. Nitze School of Advanced International Studies, The Johns Hopkins University (since 1973)
Number of portfolios in fund complex overseen by Director (including the Fund)	27
Other board memberships held by Director during past five years	None

Table of Contents**Additional information (unaudited) (cont d)****Information about Directors and Officers****Interested Director and Officer:****Jane Trust, CFA²**

Year of birth	1962
Position(s) held with Fund ¹	Director, Chairman, President and Chief Executive Officer, Class II Since 2015
Term of office ¹ and length of time served	Managing Director of Legg Mason & Co., LLC (Legg Mason & Co.) (since 2016); Officer and/or Trustee/Director of 143 funds associated with Legg Mason Partners Fund Advisor, LLC (LMPFA) or its affiliates (since 2015); President and Chief Executive Officer of LMPFA (since 2015); formerly, Senior Vice President of LMPFA (2015); Director of ClearBridge, LLC (formerly, Legg Mason Capital Management, LLC) (2007 to 2014); Managing Director of Legg Mason Investment Counsel & Trust Co. (2000 to 2007)
Principal occupation(s) during past five years	
Number of portfolios in fund complex overseen by Director (including the Fund)	150
Other board memberships held by Director during past five years	None

Additional Officers:**Todd F. Kuehl³**

Legg Mason

100 International Drive, 9th Floor, Baltimore, MD 21202

Year of birth	1969
Position(s) held with Fund ¹	Chief Compliance Officer
Term of office ¹ and length of time served	Since 2010
Principal occupation(s) during past five years	Managing Director of Legg Mason & Co. (since 2011); Chief Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006); formerly, Chief Compliance Officer of Legg Mason Private Portfolio Group (prior to 2010); formerly, Branch Chief, Division of Investment Management, U.S. Securities and Exchange Commission (2002 to 2006)

Jenna Bailey

Legg Mason

100 First Stamford Place, 6th Floor, Stamford, CT 06902

Year of birth	1978
Position(s) held with Fund ¹	Identity Theft Prevention Officer
Term of office ¹ and length of time served	Since 2015
Principal occupation(s) during past five years	Identity Theft Prevention Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2015); Compliance Officer of Legg Mason & Co. (since 2013); Assistant Vice President of Legg Mason & Co. (since 2011); formerly, Associate Compliance Officer of Legg Mason & Co. (2011 to 2013)

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Additional Officers continued

Robert I. Frenkel

Legg Mason

100 First Stamford Place, 6th Floor, Stamford, CT 06902

Year of birth

Position(s) held with Fund¹

Term of office¹ and length of time served

Principal occupation(s) during past five years

1954

Secretary and Chief Legal Officer

Since 2010

Vice President and Deputy General Counsel of Legg Mason (since 2006); Managing Director and General Counsel U.S. Mutual Funds for Legg Mason & Co. (since 2006) and Legg Mason & Co. predecessors (since 1994); Secretary and Chief Legal Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006)

Thomas C. Mandia

Legg Mason

100 First Stamford Place, 6th Floor, Stamford, CT 06902

Year of birth

Position(s) held with Fund¹

Term of office¹ and length of time served

Principal occupation(s) during past five years

1962

Assistant Secretary

Since 2010

Managing Director and Deputy General Counsel of Legg Mason & Co. (since 2005) and Legg Mason & Co. predecessors (prior to 2005); Secretary of LMPFA (since 2006); Assistant Secretary of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006); Secretary of LM Asset Services, LLC (LMAS) (since 2002) and Legg Mason Fund Asset Management, Inc. (LMFAM) (since 2013) (formerly registered investment advisers)

Richard F. Sennett

Legg Mason

100 International Drive, 7th Floor, Baltimore, MD 21202

Year of birth

Position(s) held with Fund¹

Term of office¹ and length of time served

Principal occupation(s) during past five years

1970

Principal Financial Officer

Since 2011

Principal Financial Officer and Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011 and since 2013); Managing Director of Legg Mason & Co. and Senior Manager of the Treasury Policy group for Legg Mason & Co.'s Global Fiduciary Platform (since 2011); Chief Accountant within the SEC's Division of Investment Management (2007 to 2011); formerly, Assistant Chief Accountant within the SEC's Division of Investment Management (2002 to 2007)

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Additional information (unaudited) (cont d)

Information about Directors and Officers

Additional Officers cont d

Steven Frank

Legg Mason

620 Eighth Avenue, 49th Floor, New York, NY 10018

Year of birth

Position(s) held with Fund¹

Term of office¹ and length of time served

Principal occupation(s) during past five years

1967

Treasurer

Since 2010

Director of Legg Mason & Co. (since 2015); Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2010); formerly, Vice President of Legg Mason & Co. and Legg Mason & Co. predecessors (2002 to 2015); Controller of certain mutual funds associated with Legg Mason & Co. or its affiliates (prior to 2010)

Jeanne M. Kelly

Legg Mason

620 Eighth Avenue, 49th Floor, New York, NY 10018

Year of birth

Position(s) held with Fund¹

Term of office¹ and length of time served

Principal occupation(s) during past five years

1951

Senior Vice President

Since 2010

Senior Vice President of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2007); Senior Vice President of LMPFA (since 2006); President and Chief Executive Officer of LMAS and LMFAM (since 2015); Managing Director of Legg Mason & Co. (since 2005) and Legg Mason & Co. predecessors (prior to 2005); formerly, Senior Vice President of LMFAM (2013 to 2015)

Directors who are not interested persons of the Fund within the meaning of Section 2(a)(19) of the Investment Company Act of 1940, as amended (the 1940 Act).

¹ The Fund's Board of Directors is divided into three classes: Class I, Class II and Class III. The terms of office of the Class I, II and III Directors expire at the Annual Meetings of Stockholders in the year 2020, year 2018 and year 2019, respectively, or thereafter in each case when their respective successors are duly elected and qualified. The Fund's executive officers are chosen each year, to hold office until their successors are duly elected and qualified.

² Ms. Trust is an interested person of the Fund as defined in the 1940 Act because Ms. Trust is an officer of LMPFA and certain of its affiliates.

³ Effective May 11, 2017, Mr. Kuehl became Chief Compliance Officer.

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Change in Independent Registered Public Accounting Firm

On August 14, 2017, KPMG LLP (KPMG) resigned, at the request of the Fund, as the independent registered public accounting firm to the Fund. The Audit Committee of the Fund's Board of Directors participated in, and approved, the decision to change the independent registered public accounting firm. KPMG's reports on the Fund's financial statements for the fiscal periods ended September 30, 2016 and September 30, 2015 contained no adverse opinion or disclaimer of opinion nor were they qualified or modified as to uncertainty, audit scope or accounting principle. During the Fund's fiscal periods ended September 30, 2016 and September 30, 2015 and the subsequent interim period through August 14, 2017, (i) there were no disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of KPMG, would have caused them to make reference to the subject matter of the disagreements in connection with their reports on the Fund's financial statements for such periods, and (ii) there were no reportable events of the kind described in Item 304(a)(1)(v) of Regulation S-K under the Securities Exchange Act of 1934, as amended.

The Audit Committee of the Fund's Board of Directors approved the engagement of PricewaterhouseCoopers LLP (PwC) as the Fund's independent registered public accounting firm for the fiscal year ending September 30, 2017. The selection of PwC does not reflect any disagreements with or dissatisfaction by the Fund or the Board of Directors with the performance of the Fund's prior independent registered public accounting firm, KPMG. During the Fund's fiscal periods ended September 30, 2016 and September 30, 2015, and the subsequent interim period through August 14, 2017, neither the Fund, nor anyone on its behalf, consulted with PwC on items which: (i) concerned the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Fund's financial statements; or (ii) concerned the subject of a disagreement (as defined in paragraph (a)(1)(iv) of Item 304 of Regulation S-K) or reportable events (as described in paragraph (a)(1)(v) of said Item 304).

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Annual chief executive officer and principal financial officer certifications
(unaudited)

The Fund's Chief Executive Officer (CEO) has submitted to the NYSE the required annual certification and the Fund also has included the Certifications of the Fund's CEO and Principal Financial Officer required by Section 302 of the Sarbanes-Oxley Act in the Fund's Form N-CSR filed with the SEC for the period of this report.

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Other shareholder communications regarding accounting matters (unaudited)

The Fund's Audit Committee has established guidelines and procedures regarding the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters (collectively, "Accounting Matters"). Persons with complaints or concerns regarding Accounting Matters may submit their complaints to the Chief Compliance Officer ("CCO"). Persons who are uncomfortable submitting complaints to the CCO, including complaints involving the CCO, may submit complaints directly to the Fund's Audit Committee Chair. Complaints may be submitted on an anonymous basis.

The CCO may be contacted at:

Legg Mason & Co., LLC

Compliance Department

620 Eighth Avenue, 49th Floor

New York, New York 10018

Complaints may also be submitted by telephone at 1-800-742-5274. Complaints submitted through this number will be received by the CCO.

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Dividend reinvestment plan (unaudited)

On December 15, 2016, the Fund announced that the Board of Directors has authorized changes to the Fund's Dividend Reinvestment Plan (the Plan) with respect to dividend reinvestment determinations and transaction fees for Plan participants selling their shares. A copy of the revised Plan is included below.

Effective July 1, 2017, the Fund uses the dividend payment date to determine if new shares are issued or shares are purchased in the open market for Plan participants reinvesting their distributions. If on the payment date the closing market price (plus \$0.03 per share commission) is at or above the net asset value (NAV), the Fund will issue new shares of common stock. Newly issued shares of common stock will be issued at a price equal to the greater of (a) the NAV per share on the date prior to issuance or (b) 95% of the closing market price per share. If the closing market price (plus \$0.03 per share commission) is lower than the NAV per share on the payment date, the Plan Agent will receive the distribution in cash and purchase common stock in the open market. In addition, effective July 1, 2017, fees paid by Plan participants to sell Fund shares increased, with Plan participants paying a \$5.00 transaction fee plus a \$0.05 per share commission upon a sale of shares held pursuant to the Plan.

Revised dividend reinvestment plan:

Unless you elect to receive distributions in cash (i.e., opt-out), all dividends, including any capital gain dividends and return of capital distributions, on your Common Stock will be automatically reinvested by Computershare Trust Company, N.A., as agent for the stockholders (the Plan Agent), in additional shares of Common Stock under the Fund's Dividend Reinvestment Plan (the Plan). You may elect not to participate in the Plan by contacting the Plan Agent. If you do not participate, you will receive all cash distributions paid by check mailed directly to you by Computershare Trust Company, N.A., as dividend paying agent.

If you participate in the Plan, the number of shares of Common Stock you will receive will be determined as follows:

(1) If the market price of the Common Stock (plus \$0.03 per share commission) on the payment date (or, if the payment date is not a NYSE trading day, the immediately preceding trading day) is equal to or exceeds the net asset value per share of the Common Stock at the close of trading on the NYSE on the payment date, the Fund will issue new Common Stock at a price equal to the greater of (a) the net asset value per share at the close of trading on the NYSE on the payment date or (b) 95% of the market price per share of the Common Stock on the payment date.

(2) If the net asset value per share of the Common Stock exceeds the market price of the Common Stock (plus \$0.03 per share commission) at the close of trading on the NYSE on the payment date, the Plan Agent will receive the dividend or distribution in cash and will buy Common Stock in the open market, on the NYSE or elsewhere, for your account as soon as practicable commencing on the trading day following the payment date and terminating no later than the earlier of (a) 30 days after the dividend or distribution payment date, or (b) the payment date for the next succeeding dividend or distribution to be made to the stockholders; except when necessary to comply with applicable provisions of the federal securities laws. If during this period:

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(i) the market price (plus \$0.03 per share commission) rises so that it equals or exceeds the net asset value per share of the Common Stock at the close of trading on the NYSE on the payment date before the Plan Agent has completed the open market purchases or (ii) if the Plan Agent is unable to invest the full amount eligible to be reinvested in open market purchases, the Plan Agent will cease purchasing Common Stock in the open market and the Fund shall issue the remaining Common Stock at a price per share equal to the greater of (a) the net asset value per share at the close of trading on the NYSE on the day prior to the issuance of shares for reinvestment or (b) 95% of the then current market price per share.

Common Stock in your account will be held by the Plan Agent in non-certificated form. Any proxy you receive will include all shares of Common Stock you have received under the Plan. You may withdraw from the Plan (i.e., opt-out) by notifying the Plan Agent in writing at 462 South 4th Street, Suite 1600, Louisville, KY 40202 or by calling the Plan Agent at 1-888-888-0151. Such withdrawal will be effective immediately if notice is received by the Plan Agent not less than ten business days prior to any dividend or distribution record date; otherwise such withdrawal will be effective as soon as practicable after the Plan Agent's investment of the most recently declared dividend or distribution on the Common Stock.

Plan participants who sell their shares will be charged a service charge (currently \$5.00 per transaction) and the Plan Agent is authorized to deduct brokerage charges actually incurred from the proceeds (currently \$0.05 per share commission). There is no service charge for reinvestment of your dividends or distributions in Common Stock. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases. Because all dividends and distributions will be automatically reinvested in additional shares of Common Stock, this allows you to add to your investment through dollar cost averaging, which may lower the average cost of your Common Stock over time. Dollar cost averaging is a technique for lowering the average cost per share over time if the Fund's net asset value declines. While dollar cost averaging has definite advantages, it cannot assure profit or protect against loss in declining markets.

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon receiving dividends and distributions. Investors will be subject to income tax on amounts reinvested under the Plan.

The Fund reserves the right to amend or terminate the Plan if, in the judgment of the Board of Directors, the change is warranted. The Plan may be terminated, amended or supplemented by the Fund upon notice in writing mailed to stockholders at least 30 days prior to the record date for the payment of any dividend or distribution by the Fund for which the termination or amendment is to be effective. Upon any termination, you will be sent cash for any fractional share of Common Stock in your account. You may elect to notify the Plan Agent in advance of such termination to have the Plan Agent sell part or all of your Common Stock on your behalf. Additional information about the Plan and your account may be obtained from the Plan Agent at 462 South 4th Street, Suite 1600, Louisville, KY 40202 or by calling the Plan Agent at 1-888-888-0151.

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Important tax information (unaudited)

The following information is provided with respect to the distributions paid during the taxable year ended September 30, 2017:

Record date:	9/21/2016	Monthly	Monthly
Payable date:		October 2016 -	January 2017 -
	10/3/2016	December 2016	September 2017
Ordinary income:			
Qualified dividend income for individuals	1.90%	1.76%	2.04%
Dividends qualifying for the dividends received deduction for corporations	1.30%	1.07%	1.10%
Tax return of capital			3.66%

The following information is applicable to non-U.S. resident shareholders:

Record date:	Monthly	Monthly
Payable date:	October 2016 through December 2016	January 2017 through September 2017
Ordinary income**	55.00%	70.00%

** The following percentages of the ordinary income distributions paid by the Fund represent Qualified Net Interest Income and Qualified Short-Term Capital Gains eligible for exemption from U.S. withholding tax for nonresident aliens and foreign corporations. Please retain this information for your records.

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Western Asset

High Income Opportunity Fund Inc.

Directors

Robert D. Agdern

Carol L. Colman

Daniel P. Cronin

Paolo M. Cucchi

Leslie H. Gelb

William R. Hutchinson

Eileen A. Kamerick

Riordan Roett

Jane Trust

Chairman

Officers

Jane Trust

President and Chief Executive Officer

Richard F. Sennett

Principal Financial Officer

Todd F. Kuehl*

Chief Compliance Officer

Jenna Bailey

Identity Theft Prevention Officer

Robert I. Frenkel

Secretary and Chief Legal Officer

Thomas C. Mandia

Assistant Secretary

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Steven Frank

Treasurer

Jeanne M. Kelly

Senior Vice President

Western Asset High Income Opportunity Fund Inc.

620 Eighth Avenue

49th Floor

New York, NY 10018

Investment manager

Legg Mason Partners Fund Advisor, LLC

Subadvisers

Western Asset Management Company

Western Asset Management Company Limited

Custodian

State Street Bank and Trust Company

1 Lincoln Street

Boston, MA 02111

Transfer agent

Computershare Inc.

462 South 4th Street, Suite 1600

Louisville, KY 40202

Independent registered public accounting firm

PricewaterhouseCoopers LLP

Baltimore, MD

Legal counsel

Simpson Thacher & Bartlett LLP

425 Lexington Avenue

New York, NY 10017

New York Stock Exchange Symbol

HIO

* Effective May 11, 2017, Mr. Kuehl became Chief Compliance Officer.

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Legg Mason Funds Privacy and Security Notice (cont d)

Your Privacy and the Security of Your Personal Information is Very Important to the Legg Mason Funds

This Privacy and Security Notice (the **Privacy Notice**) addresses the Legg Mason Funds' privacy and data protection practices with respect to nonpublic personal information the Funds receive. The Legg Mason Funds include any funds sold by the Funds' distributor, Legg Mason Investor Services, LLC, as well as Legg Mason-sponsored closed-end funds and certain closed-end funds managed or sub-advised by Legg Mason or its affiliates. The provisions of this Privacy Notice apply to your information both while you are a shareholder and after you are no longer invested with the Funds.

The Type of Nonpublic Personal Information the Funds Collect About You

The Funds collect and maintain nonpublic personal information about you in connection with your shareholder account. Such information may include, but is not limited to:

Personal information included on applications or other forms;

Account balances, transactions, and mutual fund holdings and positions;

Online account access user IDs, passwords, security challenge question responses; and

Information received from consumer reporting agencies regarding credit history and creditworthiness (such as the amount of an individual's total debt, payment history, etc.).

How the Funds Use Nonpublic Personal Information About You

The Funds do not sell or share your nonpublic personal information with third parties or with affiliates for their marketing purposes, or with other financial institutions or affiliates for joint marketing purposes, unless you have authorized the Funds to do so. The Funds do not disclose any nonpublic personal information about you except as may be required to perform transactions or services you have authorized or as permitted or required by law. The Funds may disclose information about you to:

Employees, agents, and affiliates on a **need to know** basis to enable the Funds to conduct ordinary business or comply with obligations to government regulators;

Service providers, including the Funds' affiliates, who assist the Funds as part of the ordinary course of business (such as printing, mailing services, or processing or servicing your account with us) or otherwise perform services on the Funds' behalf, including companies that may perform marketing services solely for the Funds;

The Funds' representatives such as legal counsel, accountants and auditors; and

Fiduciaries or representatives acting on your behalf, such as an IRA custodian or trustee of a grantor trust.

NOT PART OF THE ANNUAL REPORT

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Legg Mason Funds Privacy and Security Notice (cont d)

Except as otherwise permitted by applicable law, companies acting on the Funds' behalf are contractually obligated to keep nonpublic personal information the Funds provide to them confidential and to use the information the Funds share only to provide the services the Funds ask them to perform.

The Funds may disclose nonpublic personal information about you when necessary to enforce their rights or protect against fraud, or as permitted or required by applicable law, such as in connection with a law enforcement or regulatory request, subpoena, or similar legal process. In the event of a corporate action or in the event a Fund service provider changes, the Funds may be required to disclose your nonpublic personal information to third parties. While it is the Funds' practice to obtain protections for disclosed information in these types of transactions, the Funds cannot guarantee their privacy policy will remain unchanged.

Keeping You Informed of the Funds' Privacy and Security Practices

The Funds will notify you annually of their privacy policy as required by federal law. While the Funds reserve the right to modify this policy at any time they will notify you promptly if this privacy policy changes.

The Funds' Security Practices

The Funds maintain appropriate physical, electronic and procedural safeguards designed to guard your nonpublic personal information. The Funds' internal data security policies restrict access to your nonpublic personal information to authorized employees, who may use your nonpublic personal information for Fund business purposes only.

Although the Funds strive to protect your nonpublic personal information, they cannot ensure or warrant the security of any information you provide or transmit to them, and you do so at your own risk. In the event of a breach of the confidentiality or security of your nonpublic personal information, the Funds will attempt to notify you as necessary so you can take appropriate protective steps. If you have consented to the Funds using electronic communications or electronic delivery of statements, they may notify you under such circumstances using the most current email address you have on record with them.

In order for the Funds to provide effective service to you, keeping your account information accurate is very important. If you believe that your account information is incomplete, not accurate or not current, or if you have questions about the Funds' privacy practices, write the Funds using the contact information on your account statements, email the Funds by clicking on the Contact Us section of the Funds' website at www.leggmason.com, or contact the Fund at 1-888-777-0102.

NOT PART OF THE ANNUAL REPORT

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Western Asset High Income Opportunity Fund Inc.

Western Asset High Income Opportunity Fund Inc.

620 Eighth Avenue

49th Floor

New York, NY 10018

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 prices, shares of its stock.

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at www.sec.gov. The Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. To obtain information on Form N-Q from the Fund, shareholders can call 1-888-777-0102.

Information on how the Fund voted proxies relating to portfolio securities during the prior 12-month period ended June 30th of each year and a description of the policies and procedures that the Fund uses to determine how to vote proxies related to portfolio transactions are available (1) without charge, upon request, by calling 1-888-777-0102, (2) at www.lmcef.com and (3) on the SEC's website at www.sec.gov.

This report is transmitted to the shareholders of Western Asset High Income Opportunity Fund Inc. for their information. This is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report.

Computershare Inc.

462 South 4th Street, Suite 1600

Louisville, KY 40202

WASX010408 11/17 SR17-3204

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ITEM 2. CODE OF ETHICS.

The registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Board of Directors of the registrant has determined that Eileen A. Kamerick, a member of the Board's Audit Committee, possesses the technical attributes identified in Instruction 2(b) of Item 3 to Form N-CSR to qualify as an audit committee financial expert and that she is independent for purposes of this item.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) **Audit Fees.** The aggregate fees billed in the previous fiscal years ending September 30, 2016 and September 30, 2017 (the Reporting Periods) for professional services rendered by the Registrant's principal accountant (the Auditor) for the audit of the Registrant's annual financial statements, or services that are normally provided by the Auditor in connection with the statutory and regulatory filings or engagements for the Reporting Periods, were \$53,000 in 2016 and \$73,100 in 2017.

(b) **Audit-Related Fees.** The aggregate fees billed in the Reporting Periods for assurance and related services by the Auditor that are reasonably related to the performance of the audit of the Registrant's financial statements were \$0 in 2016 and \$0 in 2017.

(c) **Tax Fees.** The aggregate fees billed in the Reporting Periods for professional services rendered by the Auditor for tax compliance, tax advice and tax planning (Tax Services) were \$4,480 in 2016 and \$9,170 in 2017. These services consisted of (i) review or preparation of U.S. federal, state, local and excise tax returns; (ii) U.S. federal, state and local tax planning, advice and assistance regarding statutory, regulatory or administrative developments, and (iii) tax advice regarding tax qualification matters and/or treatment of various financial instruments held or proposed to be acquired or held.

There were no fees billed for tax services by the Auditors to service affiliates during the Reporting Periods that required pre-approval by the Audit Committee.

(d) **All Other Fees.** There were no other fees billed in the Reporting Periods for products and services provided by the Auditor, other than the services reported in paragraphs (a) through (c) of this Item 4 for the Western Asset High Income Opportunity Fund Inc.

All Other Fees. There were no other non-audit services rendered by the Auditor to Legg Mason Partners Fund Advisors, LLC (LMPFA), and any entity controlling, controlled by or under common control with LMPFA that provided ongoing services to Western Asset High Income Opportunity Fund Inc. requiring pre-approval by the Audit Committee in the Reporting Period.

(e) Audit Committee's pre-approval policies and procedures described in paragraph (c) (7) of Rule 2-01 of Regulation S-X.

(1) The Charter for the Audit Committee (the Committee) of the Board of each registered investment company (the Fund) advised by LMPFA or one of their affiliates (each, an Adviser) requires that the Committee shall approve (a) all

audit and permissible non-audit services to be provided to the Fund and (b) all permissible non-audit

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services to be provided by the Fund's independent auditors to the Adviser and any Covered Service Providers if the engagement relates directly to the operations and financial reporting of the Fund. The Committee may implement policies and procedures by which such services are approved other than by the full Committee.

The Committee shall not approve non-audit services that the Committee believes may impair the independence of the auditors. As of the date of the approval of this Audit Committee Charter, permissible non-audit services include any professional services (including tax services), that are not prohibited services as described below, provided to the Fund by the independent auditors, other than those provided to the Fund in connection with an audit or a review of the financial statements of the Fund. Permissible non-audit services may not include: (i) bookkeeping or other services related to the accounting records or financial statements of the Fund; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

Pre-approval by the Committee of any permissible non-audit services is not required so long as: (i) the aggregate amount of all such permissible non-audit services provided to the Fund, the Adviser and any service providers controlling, controlled by or under common control with the Adviser that provide ongoing services to the Fund (Covered Service Providers) constitutes not more than 5% of the total amount of revenues paid to the independent auditors during the fiscal year in which the permissible non-audit services are provided to (a) the Fund, (b) the Adviser and (c) any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the Fund during the fiscal year in which the services are provided that would have to be approved by the Committee; (ii) the permissible non-audit services were not recognized by the Fund at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Committee and approved by the Committee (or its delegate(s)) prior to the completion of the audit.

(2) For the Western Asset High Income Opportunity Fund Inc., the percentage of fees that were approved by the audit committee, with respect to: Audit-Related Fees were 100% and 100% for 2016 and 2017; Tax Fees were 100% and 100% for 2016 and 2017; and Other Fees were 100% and 100% for 2016 and 2017.

(f) N/A

(g) Non-audit fees billed by the Auditor for services rendered to Western Asset High Income Opportunity Fund Inc., LMPFA and any entity controlling, controlled by, or under common control with LMPFA that provides ongoing services to Western Asset High Income Opportunity Fund Inc. during the reporting period were \$0 in 2016 and \$160,000 in 2017.

(h) Yes. Western Asset High Income Opportunity Fund Inc.'s Audit Committee has considered whether the provision of non-audit services that were rendered to Service Affiliates, which were not pre-approved (not requiring pre-approval), is compatible with maintaining the Accountant's independence. All services provided by the Auditor to the Western Asset High Income Opportunity Fund Inc. or to Service Affiliates, which were required to be pre-approved, were pre-approved as required.

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ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

a) Registrant has a separately-designated standing Audit Committee established in accordance with *Section 3(a)58(A) of the Exchange Act*. The Audit Committee consists of the following Board members:

Robert D. Agdern

Paolo M. Cucchi

Daniel P. Cronin

Carol L. Colman

Leslie H. Gelb

William R. Hutchinson

Eileen A. Kamerick

Dr. Riordan Roett

b) Not applicable

ITEM 6. SCHEDULE OF INVESTMENTS.

Included herein under Item 1.

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

Proxy Voting Policy

Legg Mason Partners Fund Advisor, LLC (LMPFA) delegates to each sub-adviser the responsibility for voting proxies for its funds, as applicable, to each sub-adviser through its contracts with each sub-adviser. Each sub-adviser may use its own proxy voting policies and procedures to vote proxies of the funds if the funds Board reviews and approves the use of those policies and procedures. Accordingly, LMPFA does not expect to have proxy-voting responsibility for any of the funds.

Should LMPFA become responsible for voting proxies for any reason, such as the inability of a sub-adviser to provide investment advisory services, LMPFA shall utilize the proxy voting guidelines established by the most recent sub-adviser to vote proxies until a new sub-adviser is retained and the use of its proxy voting policies and procedures is authorized by the Board. In the case of a material conflict between the interests of LMPFA (or its affiliates if such conflict is known to persons responsible for voting at LMPFA) and any fund, the Board of Directors of LMPFA shall consider how to address the conflict and/or how to vote the proxies. LMPFA shall maintain records of all proxy votes in accordance with applicable securities laws and regulations.

LMPFA shall be responsible for gathering relevant documents and records related to proxy voting from each sub-adviser and providing them to the funds as required for the funds to comply with applicable rules under the Investment Company Act of 1940. LMPFA shall also be responsible for coordinating the provision of information to the Board with regard to the proxy voting policies and procedures of each sub-adviser, including the actual proxy voting policies and procedures of each sub-adviser, changes to such policies and procedures, and reports on the administration of such policies and procedures.

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Questions regarding this policy should be referred to the Legal and Compliance Department of Legg Mason, Inc.

Background

Western Asset Management Company (WA) and Western Asset Management Company Limited (WAML) (together Western Asset) have adopted and implemented policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interest of clients, in accordance with our fiduciary duties and SEC Rule 206(4)-6 under the Investment Advisers Act of 1940 (Advisers Act). Our authority to vote the proxies of our clients is established through investment management agreements or comparable documents, and our proxy voting guidelines have been tailored to reflect these specific contractual obligations. In addition to SEC requirements governing advisers, our proxy voting policies reflect the long-standing fiduciary standards and responsibilities for ERISA accounts. Unless a manager of ERISA assets has been expressly precluded from voting proxies, the Department of Labor has determined that the responsibility for these votes lies with the Investment Manager.

In exercising its voting authority, Western Asset will not consult or enter into agreements with officers, directors or employees of Legg Mason Inc. or any of its affiliates (except that WA and WAML may so consult and agree with each other) regarding the voting of any securities owned by its clients.

Western Asset s proxy voting procedures are designed and implemented in a way that is reasonably expected to ensure that proxy matters are handled in the best interest of our clients. While the guidelines included in the procedures are intended to provide a benchmark for voting standards, each vote is ultimately cast on a case-by-case basis, taking into consideration Western Asset s contractual obligations to our clients and all other relevant facts and circumstances at the time of the vote (such that these guidelines may be overridden to the extent Western Asset deems appropriate).

Procedures

Responsibility and Oversight

The Western Asset Legal and Compliance Department (Legal and Compliance Department) is responsible for administering and overseeing the proxy voting process. The gathering of proxies is coordinated through the Corporate Actions area of Investment Support (Corporate Actions). Research analysts and portfolio managers are responsible for determining appropriate voting positions on each proxy utilizing any applicable guidelines contained in these procedures.

Client Authority

The Investment Management Agreement for each client is reviewed at account start-up for proxy voting instructions. If an agreement is silent on proxy voting, but contains an overall delegation of discretionary authority or if the account represents assets of an ERISA plan, Western Asset will assume responsibility for proxy voting. The Legal and Compliance Department maintains a matrix of proxy voting authority.

Proxy Gathering

Registered owners of record, client custodians, client banks and trustees (Proxy Recipients) that receive proxy materials on behalf of clients should forward them to Corporate Actions. Proxy Recipients for new clients (or, if Western Asset becomes aware that the applicable Proxy Recipient for an existing client has

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changed, the Proxy Recipient for the existing client) are notified at start-up of appropriate routing to Corporate Actions of proxy materials received and reminded of their responsibility to forward all proxy materials on a timely basis. If Western Asset personnel other than Corporate Actions receive proxy materials, they should promptly forward the materials to Corporate Actions.

Proxy Voting

Once proxy materials are received by Corporate Actions, they are forwarded to the Legal and Compliance Department for coordination and the following actions:

- a. Proxies are reviewed to determine accounts impacted.
- b. Impacted accounts are checked to confirm Western Asset voting authority.
- c. Legal and Compliance Department staff reviews proxy issues to determine any material conflicts of interest. (See conflicts of interest section of these procedures for further information on determining material conflicts of interest.)
- d. If a material conflict of interest exists, (i) to the extent reasonably practicable and permitted by applicable law, the client is promptly notified, the conflict is disclosed and Western Asset obtains the client's proxy voting instructions, and (ii) to the extent that it is not reasonably practicable or permitted by applicable law to notify the client and obtain such instructions (e.g., the client is a mutual fund or other commingled vehicle or is an ERISA plan client), Western Asset seeks voting instructions from an independent third party.
- e. Legal and Compliance Department staff provides proxy material to the appropriate research analyst or portfolio manager to obtain their recommended vote. Research analysts and portfolio managers determine votes on a case-by-case basis taking into account the voting guidelines contained in these procedures. For avoidance of doubt, depending on the best interest of each individual client, Western Asset may vote the same proxy differently for different clients. The analyst's or portfolio manager's basis for their decision is documented and maintained by the Legal and Compliance Department.
- f. Legal and Compliance Department staff votes the proxy pursuant to the instructions received in (d) or (e) and returns the voted proxy as indicated in the proxy materials.

Timing

Western Asset personnel act in such a manner to ensure that, absent special circumstances, the proxy gathering and proxy voting steps noted above can be completed before the applicable deadline for returning proxy votes.

Recordkeeping

Western Asset maintains records of proxies voted pursuant to Section 204-2 of the Advisers Act and ERISA DOL Bulletin 94-2. These records include:

- a. A copy of Western Asset's policies and procedures.
- b. Copies of proxy statements received regarding client securities.

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- c. A copy of any document created by Western Asset that was material to making a decision how to vote proxies.
 - d. Each written client request for proxy voting records and Western Asset's written response to both verbal and written client requests.
 - e. A proxy log including:
 - 1. Issuer name;
 - 2. Exchange ticker symbol of the issuer's shares to be voted;
 - 3. Committee on Uniform Securities Identification Procedures (CUSIP) number for the shares to be voted;
 - 4. A brief identification of the matter voted on;
 - 5. Whether the matter was proposed by the issuer or by a shareholder of the issuer;
 - 6. Whether a vote was cast on the matter;
 - 7. A record of how the vote was cast; and
 - 8. Whether the vote was cast for or against the recommendation of the issuer's management team.
- Records are maintained in an easily accessible place for five years, the first two in Western Asset's offices.

Disclosure

Part II of the WA Form ADV and the WAML Form ADV, each, contain a description of Western Asset's proxy policies. Clients will be provided a copy of these policies and procedures upon request. In addition, upon request, clients may receive reports on how their proxies have been voted.

Conflicts of Interest

All proxies are reviewed by the Legal and Compliance Department for material conflicts of interest. Issues to be reviewed include, but are not limited to:

1. Whether Western Asset (or, to the extent required to be considered by applicable law, its affiliates) manages assets for the company or an employee group of the company or otherwise has an interest in the company;
2. Whether Western Asset or an officer or director of Western Asset or the applicable portfolio manager or analyst responsible for recommending the proxy vote (together, "Voting Persons") is a close relative of or has a personal or business relationship with an executive, director or person who is a candidate for director of the company or is a participant in a proxy contest; and
3. Whether there is any other business or personal relationship where a Voting Person has a personal interest in the outcome of the matter before shareholders.

Voting Guidelines

Western Asset's substantive voting decisions turn on the particular facts and circumstances of each proxy vote and are evaluated by the designated research analyst or portfolio manager. The examples outlined below are meant as guidelines to aid in the decision making process.

Guidelines are grouped according to the types of proposals generally presented to shareholders. Part I deals with proposals which have been approved and are recommended by a company's board of directors; Part II deals with proposals submitted by shareholders for inclusion in proxy statements; Part III addresses issues relating to voting shares of investment companies; and Part IV addresses unique considerations pertaining to foreign issuers.

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I. Board Approved Proposals

The vast majority of matters presented to shareholders for a vote involve proposals made by a company itself that have been approved and recommended by its board of directors. In view of the enhanced corporate governance practices currently being implemented in public companies, Western Asset generally votes in support of decisions reached by independent boards of directors. More specific guidelines related to certain board-approved proposals are as follows:

1. Matters relating to the Board of Directors

Western Asset votes proxies for the election of the company's nominees for directors and for board-approved proposals on other matters relating to the board of directors with the following exceptions:

- a. Votes are withheld for the entire board of directors if the board does not have a majority of independent directors or the board does not have nominating, audit and compensation committees composed solely of independent directors.
- b. Votes are withheld for any nominee for director who is considered an independent director by the company and who has received compensation from the company other than for service as a director.
- c. Votes are withheld for any nominee for director who attends less than 75% of board and committee meetings without valid reasons for absences.
- d. Votes are cast on a case-by-case basis in contested elections of directors.

2. Matters relating to Executive Compensation

Western Asset generally favors compensation programs that relate executive compensation to a company's long-term performance. Votes are cast on a case-by-case basis on board-approved proposals relating to executive compensation, except as follows:

- a. Except where the firm is otherwise withholding votes for the entire board of directors, Western Asset votes for stock option plans that will result in a minimal annual dilution.
- b. Western Asset votes against stock option plans or proposals that permit replacing or repricing of underwater options.

- c. Western Asset votes against stock option plans that permit issuance of options with an exercise price below the stock's current market price.

- d. Except where the firm is otherwise withholding votes for the entire board of directors, Western Asset votes for employee stock purchase plans that limit the discount for shares purchased under the plan to no more than 15% of their market value, have an offering period of 27 months or less and result in dilution of 10% or less.

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3. Matters relating to Capitalization

The management of a company's capital structure involves a number of important issues, including cash flows, financing needs and market conditions that are unique to the circumstances of each company. As a result, Western Asset votes on a case-by-case basis on board-approved proposals involving changes to a company's capitalization except where Western Asset is otherwise withholding votes for the entire board of directors.

- a. Western Asset votes for proposals relating to the authorization of additional common stock.
- b. Western Asset votes for proposals to effect stock splits (excluding reverse stock splits).
- c. Western Asset votes for proposals authorizing share repurchase programs.

4. Matters relating to Acquisitions, Mergers, Reorganizations and Other Transactions

Western Asset votes these issues on a case-by-case basis on board-approved transactions.

5. Matters relating to Anti-Takeover Measures

Western Asset votes against board-approved proposals to adopt anti-takeover measures except as follows:

- a. Western Asset votes on a case-by-case basis on proposals to ratify or approve shareholder rights plans.
- b. Western Asset votes on a case-by-case basis on proposals to adopt fair price provisions.

6. Other Business Matters

Western Asset votes for board-approved proposals approving such routine business matters such as changing the company's name, ratifying the appointment of auditors and procedural matters relating to the shareholder meeting.

- a. Western Asset votes on a case-by-case basis on proposals to amend a company's charter or bylaws.
- b. Western Asset votes against authorization to transact other unidentified, substantive business at the meeting.

II. Shareholder Proposals

SEC regulations permit shareholders to submit proposals for inclusion in a company's proxy statement. These proposals generally seek to change some aspect of a company's corporate governance structure or to change some aspect of its business operations. Western Asset votes in accordance with the recommendation of the company's board of directors on all shareholder proposals, except as follows:

1. Western Asset votes for shareholder proposals to require shareholder approval of shareholder rights plans.
2. Western Asset votes for shareholder proposals that are consistent with Western Asset's proxy voting guidelines for board-approved proposals.

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3. Western Asset votes on a case-by-case basis on other shareholder proposals where the firm is otherwise withholding votes for the entire board of directors.

III. Voting Shares of Investment Companies

Western Asset may utilize shares of open or closed-end investment companies to implement its investment strategies. Shareholder votes for investment companies that fall within the categories listed in Parts I and II above are voted in accordance with those guidelines.

1. Western Asset votes on a case-by-case basis on proposals relating to changes in the investment objectives of an investment company taking into account the original intent of the fund and the role the fund plays in the clients portfolios.

2. Western Asset votes on a case-by-case basis all proposals that would result in increases in expenses (e.g., proposals to adopt 12b-1 plans, alter investment advisory arrangements or approve fund mergers) taking into account comparable expenses for similar funds and the services to be provided.

IV. Voting Shares of Foreign Issuers

In the event Western Asset is required to vote on securities held in non-U.S. issuers i.e. issuers that are incorporated under the laws of a foreign jurisdiction and that are not listed on a U.S. securities exchange or the NASDAQ stock market, the following guidelines are used, which are premised on the existence of a sound corporate governance and disclosure framework. These guidelines, however, may not be appropriate under some circumstances for foreign issuers and therefore apply only where applicable.

1. Western Asset votes for shareholder proposals calling for a majority of the directors to be independent of management.

2. Western Asset votes for shareholder proposals seeking to increase the independence of board nominating, audit and compensation committees.

3. Western Asset votes for shareholder proposals that implement corporate governance standards similar to those established under U.S. federal law and the listing requirements of U.S. stock exchanges, and that do not otherwise violate the laws of the jurisdiction under which the company is incorporated.

4. Western Asset votes on a case-by-case basis on proposals relating to (1) the issuance of common stock in excess of 20% of a company's outstanding common stock where shareholders do not have preemptive rights, or (2) the issuance of common stock in excess of 100% of a company's outstanding common stock where shareholders have preemptive rights.

Retirement Accounts

For accounts subject to ERISA, as well as other Retirement Accounts, Western Asset is presumed to have the responsibility to vote proxies for the client. The Department of Labor (DOL) has issued a bulletin that states that investment managers have the responsibility to vote proxies on behalf of Retirement Accounts unless the authority to vote proxies has been specifically reserved to another named fiduciary. Furthermore, unless Western Asset is expressly precluded from voting the proxies, the DOL has determined that the responsibility remains with the investment manager.

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In order to comply with the DOL's position, Western Asset will be presumed to have the obligation to vote proxies for its Retirement Accounts unless Western Asset has obtained a specific written instruction indicating that: (a) the right to vote proxies has been reserved to a named fiduciary of the client, and (b) Western Asset is precluded from voting proxies on behalf of the client. If Western Asset does not receive such an instruction, Western Asset will be responsible for voting proxies in the best interests of the Retirement Account client and in accordance with any proxy voting guidelines provided by the client.

ITEM 8. INVESTMENT PROFESSIONALS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.**(a)(1):**

NAME AND ADDRESS	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
S. Kenneth Leech Western Asset 385 East Colorado Blvd. Pasadena, CA 91101	Since 2014	Responsible for the day-to-day management with other members of the Fund's portfolio management team; Chief Investment Officer of Western Asset from 1998 to 2008 and since 2014; Senior Advisor/Chief Investment Officer Emeritus of Western Asset from 2008-2013; Co- Chief Investment Officer of Western Asset from 2013-2014.
Christopher F. Kilpatrick Western Asset 385 East Colorado Blvd. Pasadena, CA 91101	Since 2012	Responsible for the day-to-day management with other members of the Fund's portfolio management team; employed by Western Asset Management as an investment professional for at least the past five years.
Michael C. Buchanan Western Asset 385 East Colorado Blvd. Pasadena, CA 91101	Since 2006	Responsible for the day-to-day management with other members of the Fund's portfolio management team; formerly, Managing Director and head of U.S. Credit Products from 2003-2005 at Credit Suisse Asset Management

Western Asset

385 East

Colorado Blvd.

Pasadena, CA

91101

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The following tables set forth certain additional information with respect to the fund's investment professionals for the fund. Unless noted otherwise, all information is provided as of September 30, 2017.

Other Accounts Managed by Investment Professionals

The table below identifies the number of accounts (other than the fund) for which the fund's investment professionals have day-to-day management responsibilities and the total assets in such accounts, within each of the following categories: registered investment companies, other pooled investment vehicles, and other accounts. For each category, the number of accounts and total assets in the accounts where fees are based on performance is also indicated.

Name of PM	Type of Account	Number of Accounts Managed	Total Assets Managed	Number of Accounts Managed for which Advisory Fee is Performance- Based	Assets Managed for which Advisory Fee is Performance- Based
S. Kenneth Leech	Other Registered Investment Companies	95	\$ 147.0 billion	None	None
	Other Pooled Vehicles	269	\$ 86.3 billion	6	\$ 1.7 billion
	Other Accounts	590	\$ 201.0 billion	30	\$ 12.2 billion
Michael C. Buchanan	Other Registered Investment Companies	40	\$ 48.5 billion	None	None
	Other Pooled Vehicles	80	\$ 34.8 billion	3	\$ 1.2 billion
	Other Accounts	235	\$ 79.7 billion	16	\$ 6.8 billion
Christopher Kilpatrick	Other Registered Investment Companies	9	\$ 3.5 billion	None	None
	Other Pooled Vehicles	4	\$ 817 million	None	None
	Other Accounts	None	None	None	None

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The numbers above reflect the overall number of portfolios managed by employees of Western Asset Management Company (Western Asset). Mr. Leech is involved in the management of all the Firm s portfolios, but they are not solely responsible for particular portfolios. Western Asset s investment discipline emphasizes a team approach that combines the efforts of groups of specialists working in different market sectors. They are responsible for overseeing implementation of Western Asset s overall investment ideas and coordinating the work of the various sector teams. This structure ensures that client portfolios benefit from a consensus that draws on the expertise of all team members.

(a)(3): Investment Professional Compensation

With respect to the compensation of the investment professionals, Western Asset s compensation system assigns each employee a total compensation range, which is derived from annual market surveys that benchmark each role with its job function and peer universe. This method is designed to reward employees with total compensation reflective of the external market value of their skills, experience, and ability to produce desired results. Standard compensation includes competitive base salaries, generous employee benefits, and a retirement plan.

In addition, the subadviser s employees are eligible for bonuses. These are structured to closely align the interests of employees with those of the subadviser, and are determined by the professional s job function and pre-tax performance as measured by a formal review process. All bonuses are completely discretionary. The principal factor considered is an investment professional s investment performance versus appropriate peer groups and benchmarks (*e.g.*, a securities index and with respect to a fund, the benchmark set forth in the fund s Prospectus to which the fund s average annual total returns are compared or, if none, the benchmark set forth in the fund s annual report). Performance is reviewed on a 1, 3 and 5 year basis for compensation with 3 years having the most emphasis. The subadviser may also measure an investment professional s pre-tax investment performance against other benchmarks, as it determines appropriate. Because investment professionals are generally responsible for multiple accounts (including the funds) with similar investment strategies, they are generally compensated on the performance of the aggregate group of similar accounts, rather than a specific account. Other factors that may be considered when making bonus decisions include client service, business development, length of service to the subadviser, management or supervisory responsibilities, contributions to developing business strategy and overall contributions to the subadviser s business.

Finally, in order to attract and retain top talent, all professionals are eligible for additional incentives in recognition of outstanding performance. These are determined based upon the factors described above and include Legg Mason stock options and long-term incentives that vest over a set period of time past the award date.

Potential Conflicts of Interest

The subadviser has adopted compliance policies and procedures to address a wide range of potential conflicts of interest that could directly impact client portfolios. For example, potential conflicts of interest may arise in connection with the management of multiple portfolios (including portfolios managed in a personal capacity). These could include potential conflicts of interest related to the knowledge and timing of a portfolio s trades, investment opportunities and broker selection. Portfolio managers are privy to the size, timing, and possible market impact of a portfolio s trades.

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It is possible that an investment opportunity may be suitable for both a portfolio and other accounts managed by a portfolio manager, but may not be available in sufficient quantities for both the portfolio and the other accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by a portfolio and another account. A conflict may arise where the portfolio manager may have an incentive to treat an account preferentially as compared to a portfolio because the account pays a performance-based fee or the portfolio manager, the subadviser or an affiliate has an interest in the account. The subadviser has adopted procedures for allocation of portfolio transactions and investment opportunities across multiple client accounts on a fair and equitable basis over time. Eligible accounts that can participate in a trade generally share the same price on a pro-rata allocation basis, taking into account differences based on factors such as cash availability, investment restrictions and guidelines, and portfolio composition versus strategy.

With respect to securities transactions, the subadviser determines which broker or dealer to use to execute each order, consistent with their duty to seek best execution of the transaction. However, with respect to certain other accounts (such as pooled investment vehicles that are not registered investment companies and other accounts managed for organizations and individuals), the subadviser may be limited by the client with respect to the selection of brokers or dealers or may be instructed to direct trades through a particular broker or dealer. In these cases, trades for a portfolio in a particular security may be placed separately from, rather than aggregated with, such other accounts. Having separate transactions with respect to a security may temporarily affect the market price of the security or the execution of the transaction, or both, to the possible detriment of a portfolio or the other account(s) involved. Additionally, the management of multiple portfolios and/or other accounts may result in a portfolio manager devoting unequal time and attention to the management of each portfolio and/or other account. The subadviser's team approach to portfolio management and block trading approach seeks to limit this potential risk.

The subadviser also maintains a gift and entertainment policy to address the potential for a business contact to give gifts or host entertainment events that may influence the business judgment of an employee. Employees are permitted to retain gifts of only a nominal value and are required to make reimbursement for entertainment events above a certain value. All gifts (except those of a de minimis value) and entertainment events that are given or sponsored by a business contact are required to be reported in a gift and entertainment log which is reviewed on a regular basis for possible issues.

Employees of the subadviser have access to transactions and holdings information regarding client accounts and the subadviser's overall trading activities. This information represents a potential conflict of interest because employees may take advantage of this information as they trade in their personal accounts. Accordingly, the subadviser maintains a Code of Ethics that is compliant with Rule 17j-1 under the Investment Company Act of 1940, as amended, and Rule 204A-1 under the Investment Advisers Act of 1940, to address personal trading. In addition, the Code of Ethics seeks to establish broader principles of good conduct and fiduciary responsibility in all aspects of the subadviser's business. The Code of Ethics is administered by the Legal and Compliance Department and monitored through the subadviser's compliance monitoring program.

The subadviser may also face other potential conflicts of interest with respect to managing client assets, and the description above is not a complete description of every conflict of interest that could be deemed to exist. The subadviser also maintains a compliance monitoring program and engages independent auditors to conduct a SOC1/ISAE 3402 audit on an annual basis. These steps help to ensure that potential conflicts of interest have been addressed.

Table of Contents**(a)(4): Investment Professional Securities Ownership**

The table below identifies the dollar range of securities beneficially owned by each investment professional as of September 30, 2017.

Investment Professional(s)	Dollar Range of Portfolio Securities Beneficially Owned
S. Kenneth Leech	A
Christopher Kilpatrick	A
Michael C. Buchanan	A

Dollar Range ownership is as follows:

A: none

B: \$1 - \$10,000

C: 10,001 - \$50,000

D: \$50,001 - \$100,000

E: \$100,001 - \$500,000

F: \$500,001 - \$1 million

G: over \$1 million

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

ITEM 11. 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 second fiscal quarter of the period covered by this report that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting

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ITEM 12. EXHIBITS.

(a) (1) Code of Ethics attached hereto.

Exhibit 99.CODE ETH

(a) (2) Certifications pursuant to section 302 of the Sarbanes-Oxley Act of 2002 attached hereto.

Exhibit 99.CERT

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 attached hereto.

Exhibit 99.906CERT

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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.

Western Asset High Income Opportunity Fund Inc.

By: /s/ Jane Trust
Jane Trust
Chief Executive Officer

Date: November 30, 2017

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/ Jane Trust
Jane Trust
Chief Executive Officer

Date: November 30, 2017

By: /s/ Richard F. Sennett
Richard F. Sennett
Principal Financial Officer

Date: November 30, 2017