WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.
Form N-CSR
November 28, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-7920

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

620 Eighth Avenue, 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, 2011

ITEM 1. REPORT TO STOCKHOLDERS.

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

September 30, 2011

Annual Report

Western Asset High Income Opportunity Fund Inc.
(HIO)

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

Fund objectives

The Fund s primary investment objective is to seek high current income. Capital appreciation is a secondary objective.

What s inside

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, 2011. 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.leggmason.com/cef. 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,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

October 28, 2011

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Western Asset High Income Opportunity Fund Inc.

Investment commentary

Economic review

Although the U.S. economy continued to grow over the twelve months ended September 30, 2011, the pace of the expansion was disappointing, which resulted in a significant shift in investor sentiment. Looking back, beginning in the fourth quarter of 2010, fears regarding moderating economic growth were replaced with optimism for a strengthening economy in 2011. However, as the reporting period progressed, weakening economic data, the downgrading of U.S. government securities by Standard & Poor s (S&P) and the European debt crisis resulted in increased investor risk aversion. For the twelve-month reporting period as a whole, the U.S. fixed-income market significantly outperformed the U.S. equity market.

U.S. gross domestic product (GDP)i growth, as reported by the U.S. Department of Commerce, has been less robust than during most other periods exiting a severe recession. GDP growth was 2.3% during the fourth quarter of 2010 and 3.0% for calendar 2010 as a whole. The Commerce Department then reported that first and second quarter 2011 GDP growth were 0.4% and 1.3%, respectively. This moderation in growth during the first half of the calendar year was due to a variety of factors, including less robust export activity and a deceleration in consumer spending given higher oil and food prices. The advance estimate for third quarter GDP growth was 2.5%. Accelerating growth was attributed, in part, to higher consumer spending, which grew 2.4% in the third quarter, versus a modest 0.7% gain in the second quarter.

Turning to the job market, while there was some modest improvement in early 2011, unemployment again moved higher and remained elevated throughout the remainder of the reporting period. After dipping below 9.0% in February and March 2011 (to 8.9% and 8.8%, respectively), unemployment, as reported by the U.S. Department of Labor, moved back to 9.0% in April. Unemployment stayed above 9.0% over the next five months and ended September at 9.1%. Additionally, as of the end of the reporting period, approximately fourteen million Americans looking for work had yet to find a job, and more than 44% of these individuals have been out of work for more than six months.

The housing market continued to experience challenges during the reporting period. Looking back, existing-home sales moved somewhat higher toward the end of 2010 and in January 2011, according to the National Association of Realtors (NAR). However, existing-home sales then declined during five of the next eight months. At the end of September, the inventory of unsold homes was an 8.5 month supply at the current sales level, versus an 8.4 month supply in August. Existing-home prices were weak versus a year ago, with the NAR reporting that the median existing-home price for all housing types was $165,400 in September 2011, down 3.5% from September 2010.

Even the manufacturing sector, one of the stalwarts of the economy in recent years, softened during much of the reporting period. Based on the Institute for Supply Management s PMI (PMI)ii, the manufacturing sector grew twenty-six consecutive months since it began expanding in August 2009. In February 2011, the manufacturing sector expanded at its fastest pace since May 2004, with a reading of 61.4 (a reading below 50 indicates a contraction, whereas a reading above 50

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Western Asset High Income Opportunity Fund Inc.

nvestment commentary (cont d)

indicates an expansion). The PMI then generally moderated over the remainder of the reporting period, reaching a low of 50.6 in August the worst reading in two years. Manufacturing activity then modestly increased to 51.6 in September.

Financial market overview

While lower-quality bonds generated strong results over the first seven months of the reporting period, most of these gains were erased during the last five months of the period. To a great extent, robust investor risk appetite was replaced by heightened risk aversion. The change in investor sentiment was triggered by a variety of factors, including concerns regarding the global economy, geopolitical unrest, the natural disasters in Japan, the ongoing European sovereign debt crisis and the S&P downgrade of U.S. Treasuries.

The Federal Reserve Board (Fed)iii took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. In November 2010, the Fed announced a second round of quantitative easing (often referred to as QE2) to help stimulate the economy, entailing the purchase of $600 billion of long-term U.S. Treasury securities by the end of the second quarter of 2011.

In June, the Fed announced that QE2 would end on schedule at the end of the month. However, given ongoing strains on the economy, it made no overtures toward reversing any of its accommodative policies, and stated it would maintain its existing policy of reinvesting principal payments from its securities holdings rather than seeking to reduce the size of its balance sheet.

Also, as has been the case since December 2008, the Fed kept the federal funds rateiv at a historically low range between zero and 0.25%. In addition, in August 2011, the Fed declared its intention to keep the federal funds rate between zero and 0.25% until mid-2013.

At its meeting in September 2011, the Fed announced its intention to purchase $400 billion of longer-term Treasury securities and to sell an equal amount of shorter-term Treasury securities by June 2012 (often referred to as Operation Twist). The Fed said, This program should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative.

Fixed-income market review

The spread sectors (non-Treasuries) began the reporting period on a positive note, as they rallied in October 2010. Following a brief setback in the middle of November, triggered by the European sovereign debt crisis, most spread sectors then rallied through the end of April 2011. While the spread sectors generally posted positive results in May, they underperformed equal-durationv Treasuries. Risk aversion then increased from June through September given a host of disappointing economic data, a further escalation of the European sovereign debt crisis and the S&P rating downgrade of U.S. sovereign debt.

Both short- and long-term Treasury yields fluctuated but, overall, moved lower during the twelve months ended September 30, 2011. When the period began, two- and ten-year Treasury yields were 0.42% and 2.53%, respectively. In the beginning of the reporting period, yields initially moved higher given expectations for stronger growth in 2011 and the potential for rising inflation, with two- and ten-year Treasury yields peaking at 0.87% and 3.75%, respectively, in February 2011. Yields then declined during much of the remainder of the period due to disappointing economic data and several flights to quality. During the height of the flight to quality in September, two-year Treasuries hit their low for the reporting period of 0.16% and ten-year Treasuries reached their reporting period trough of 1.72%. When the period ended on September 30, 2011, two-year Treasury yields were 0.25% and ten-year Treasury yields were 1.92%.

For the twelve months ended September 30, 2011, the Barclays Capital U.S. Aggregate Index[vi] returned 5.26%. In comparison, U.S. stock prices, as measured by the S&P 500 Index[vii], returned 1.14% over the same time frame.

After posting positive returns during eight of the first ten months of the reporting period, the U.S. high-yield bond market fell sharply in August and September 2011. For much of the period, the high-yield market was supported by generally better-than-expected corporate profits and overall strong investor demand. However, with risk aversion increasing, the high-yield market, as measured by the Barclays Capital U.S. High Yield 2% Issuer Cap Index[viii], fell 4.02% and 3.29% in August and September, respectively. All told, the high-yield market returned 1.75% for the twelve months ended September 30, 2011.

The emerging market debt asset class generated a modest gain for the twelve-month reporting period. For much of the period, emerging market debt was supported by higher commodity prices, robust growth in developing countries and solid demand. However, decelerating growth and concerns as to whether China could tame its rising inflation without adversely impacting its economic expansion dragged emerging market debt prices sharply lower in September 2011. Overall, the JPMorgan Emerging Markets Bond Index Global (EMBI Global)[ix] returned 1.28% over the twelve months ended September 30, 2011.

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

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

October 28, 2011

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.

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Western Asset High Income Opportunity Fund Inc.

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 Institute for Supply Management s PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.

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

iv 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.

v 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.

vi The Barclays Capital 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.

vii The S&P 500 Index is an unmanaged index of 500 stocks and is generally representative of the performance of larger companies in the U.S.

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

ix The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.

Fund overview

Q. What is the Fund s investment strategy?

A. The Fund s primary investment objective is to seek 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 portfolio managers 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 managers, 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 portfolio managers responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are Stephen A. Walsh, Michael C. Buchanan and Keith J. Gardner. Effective May 1, 2011, S. Kenneth Leech no longer serves as a portfolio manager for this Fund. While Mr. Leech continues to help shape Western Asset s overall investment strategy, his day-to-day role is becoming more concentrated on global portfolios. To reflect this global focus, he will continue to serve as a portfolio manager of the global funds, but not of the non-global funds.

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

A. The spread sectors (non-Treasuries) began the reporting period on a positive note, as they rallied in October and early November 2010. Following a brief setback in the middle of November, triggered by the European sovereign debt crisis, most spread sectors then rallied through the end of April 2011. While the spread sectors generally posted positive results in May, they underperformed equal-durationi Treasuries. Risk aversion then increased from June through September given a host of disappointing economic data, a further escalation of the European sovereign debt crisis and the Standard & Poor s rating downgrade of U.S. sovereign debt.

Both short- and long-term Treasury yields fluctuated but, overall, moved lower during the reporting period. When the period began, two- and

Fund overview (cont d)

ten-year Treasury yields were 0.42% and 2.53%, respectively. Yields declined in early November, but then moved sharply higher given expectations for stronger growth in 2011 and the potential for rising inflation. Two- and ten-year Treasury yields peaked at 0.87% and 3.75%, respectively, in February 2011. Yields again declined during much of the remainder of the period due to disappointing economic data and several flights to quality. Two-year Treasuries hit their low for the reporting period of 0.16% on September 19, 2011. Ten-year Treasuries reached their reporting period trough of 1.72% on September 22, 2011. When the period ended on September 30, 2011, two-year Treasury yields were 0.25% and ten-year Treasury yields were 1.92%. During the reporting period, the Barclays Capital U.S. Aggregate Index[ii] returned 5.26%.

Comparatively, high-yield bonds produced only a modest gain during the reporting period. The high-yield market posted positive returns during eight of the first ten months of the period. During that time, it was supported by generally better-than-expected corporate profits and overall strong investor demand. However, a large portion of its earlier gains were given back in August and September 2011 when high-yield prices moved sharply lower given a flight to quality. All told, the Barclays Capital U.S. High Yield 2% Issuer Cap Index[iii] (the Index) returned 1.75% during the reporting period. During this period, as measured by the Index, higher-quality BB-rated securities outperformed lower-quality CCC-rated bonds, as they returned 2.84% and -1.19%, respectively.

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. Given the strong performance in the high-yield market, we increased the Fund s allocation to cash in March and April 2011, preparing for a possible pullback in the market. We also utilized options on credit default swaps to hedge the Fund s exposure to the high-yield market in the event of a pullback. These strategies were beneficial for performance given the high-yield market s weakness in July, as well as in August and September 2011. The Fund s larger cash position also gave us added flexibility to pursue a number of opportunities that we felt had become attractively valued.

While the Fund maintained its lower-quality bias, we pared our allocation to certain CCC and below-rated securities to capture profits and reduce the portfolio s overall risk exposure. While we maintained an underweight to higher-quality bonds, we increased our allocation to B-rated securities and targeted those issuers that our research team felt had potential to be upgraded to investment grade.

We also actively participated in the new issue market, typically emphasizing senior secured bonds and issues that were higher up in the corporate capital structure. Elsewhere, we reduced the Fund s exposures to the Energy and Financials sectors and increased its allocation to the Consumer Cyclicals[1] sector.

In addition to the use of options on credit default swaps, the Fund employed U.S. Treasury futures to manage its yield curve[iv] positioning and

1 Consumer Cyclicals consists of the following industries: Automotive, Entertainment, Gaming, Home Construction, Lodging, Retailers, Restaurants, Textiles and other consumer services.

duration. This strategy modestly detracted from performance. The Fund also utilized currency forwards to hedge its currency exposure. Small losses on these currency hedges were offset by the currency appreciation of the non-dollar holdings that they were hedging.

Performance review

For the twelve months ended September 30, 2011, Western Asset High Income Opportunity Fund Inc. returned 2.81% based on its net asset value (NAV)v and 0.37% based on its New York Stock Exchange (NYSE) market price per share. The Fund s unmanaged benchmark, the Barclays Capital U.S. High Yield 2% Issuer Cap Index, returned 1.75% for the same period. The Lipper High Current Yield Closed-End Funds Category Averagevi returned 1.18% 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 $0.53 per share. The performance table shows the Fund s twelve-month total return based on its NAV and market price as of September 30, 2011. **Past performance is no guarantee of future results.**

Performance Snapshot as of September 30, 2011

Price Per Share	12-Month Total Return*
$5.76 (NAV)	2.81%
$5.78 (Market Price)	0.37%

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. Total returns assume the reinvestment of all distributions 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 security selection. In particular, our overweight exposures to **Charter Communications Inc., Inn of the Mountain Gods Resort & Casino** and **Energy Future Holdings Corp.** enhanced the Fund s results. Charter Communications, an operator of cable television systems in the U.S., offers a full range of traditional and digital cable television services. We felt the market was not valuing Charter Communications business appropriately given our expectations for strong growth in its small and medium enterprise and retail data businesses. Our holding in Charter Communications was rewarded, as the company posted solid fundamental results and improving free cash flow during the period. Inn of the Mountain Gods Resort & Casino is a Mescalero Apache

Tribe-run casino located in New Mexico. The company defaulted on its debt obligations in 2009 and restructured its bonds in the spring of 2011. After the initial default, the bonds were trading at extremely distressed levels. However, our dedicated distressed debt resources recognized recovery value in extent of where the market had priced the bonds post default and our team worked closely with the Mescalero Apache Tribe on a restructuring agreement. As a result of the terms of the restructuring agreement, the Fund, which owned some of the company s defaulted bonds, received a cash payout in addition to new payment-in-kind and senior secured notes. The portfolio benefited as ultimate recovery values were much higher than the market had priced in originally. Energy Future Holdings benefited primarily from strong balance sheet

Fund overview (cont d)

management, as well as general economic improvement. The company was able to extend the maturity of more than $15 billion of its debt, originally due from 2014 to 2017. The market responded very favorably to the company s ability to secure extended financing through 2017.

As mentioned, the use of options on credit default swaps to hedge the Fund s exposure to the high-yield market enhanced results. The hedge was implemented prior to the downturn in the high-yield market and was useful in limiting the Fund s exposure to the decline.

Sector positioning in a number of areas was also a positive for results. Our underweight to the Financials sector was beneficial. The sector performed poorly given fears of contagion from the European sovereign debt crisis. An overweight to the Energy sector was also rewarded as it outperformed the benchmark during the reporting period.

Q. What were the leading detractors from performance?

A. The largest detractor from the Fund s relative performance during the reporting period was our quality biases. In particular, the portfolio s overweight to lower-rated CCC-rated securities and underweight to higher-rated BB-rated securities were not rewarded given the underperformance of lower-rated securities during the fiscal year as a whole.

The Fund s large overweight exposure to the Transportation sector was a negative for performance. It was among the worst performing sectors in the benchmark during the reporting period given concerns that moderating global growth would temper demand. An underweight to the Information Technology sector was not rewarded as it outperformed the benchmark.

A number of individual holdings detracted from performance as well, including overweight positions in **Cengage Learning Acquisitions Inc.** and **CMA CGM**. Cengage Learning Acquisitions is an educational book publisher. The company missed earnings projections and was hurt by negative investor sentiment regarding book publishers and increasing secular concerns that tablet devices will be more widely adopted in classrooms. CMA CGM, based in France, is the world s third largest container shipping company. The firm performed poorly due to a variety of factors, including signs that global economic growth was decelerating, higher oil prices and fears related to the escalating European sovereign debt crisis. In addition, there was an overhang regarding allegations that the company engaged in illegal shipping practices from various foreign ports to Sudan.

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.leggmason.com/cef.

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 18, 2011

RISKS: *The Fund s investments are subject to credit risk, inflation risk and interest rate risk. The Fund invests in high-yield debt securities, which are subject to greater risks than investments in higher-rated bonds, such as the increased risk of default and greater volatility because of the lower credit quality of the issues. Fixed-income investments are subject to interest rate risk. 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 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, 2011 and are subject to change and may not be representative of the portfolio managers current or future investments. Please refer to pages 9 through 24 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, 2011 were: Consumer Discretionary (23.1%), Industrials (15.6%), Energy (12.2%), Financials (9.4%) and Telecommunication Services (8.6%). 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.

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 Barclays Capital 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.

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

iv The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.

v Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total investments) 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.

vi 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, 2011, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 8 funds in the Fund s Lipper category.

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, 2011 and September 30, 2010 and does not include derivatives, such as futures contracts, written options and 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.

Prior year percentages have been restated to reflect current period classifications.

Spread duration (unaudited)

Economic Exposure — September 30, 2011

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.

BC US HY 2%	Barclays Capital U.S. High Yield — 2% Issuer Cap Index
BL	Bank Loans
EM	Emerging Markets
HIO	Western Asset High Income Opportunity Fund Inc.
HY	High Yield
IG Credit	Investment Grade Credit

Effective duration (unaudited)

Interest Rate Exposure September 30, 2011

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.

BC US HY 2%	Barclays Capital U.S. High Yield 2% Issuer Cap Index
BL	Bank Loans
EM	Emerging Markets
HIO	Western Asset High Income Opportunity Fund Inc.
HY	High Yield
IG Credit	Investment Grade Credit

Schedule of investments

September 30, 2011

Western Asset High Income Opportunity Fund Inc.

Security	Rate		Maturity Date	Face Amount		Value	
Corporate Bonds & Notes 85.4%							
Consumer Discretionary 19.3%							
Auto Components 0.1%							
Hertz Holdings Netherlands BV, Senior Secured Bonds	8.500	%	7/31/15	300,000	EUR	$ ***389,867***	(a)
Automobiles 0.6%							
Escrow GCB General Motors	7.200	%	1/15/11	825,000		8,250	(b)(c)(d)(e)
Escrow GCB General Motors	7.125	%	7/15/13	2,125,000		21,250	(b)(c)(e)
Escrow GCB General Motors	8.375	%	7/15/33	2,540,000		25,400	(b)(c)(e)
Ford Motor Credit Co., LLC, Senior Notes	7.500	%	8/1/12	1,785,000		1,821,932	
Ford Motor Credit Co., LLC, Senior Notes	12.000	%	5/15/15	685,000		827,137	
Total Automobiles						***2,703,969***	
Diversified Consumer Services 0.7%							
Service Corp. International, Senior Notes	7.500	%	4/1/27	1,240,000		1,162,500	
Sotheby s, Senior Notes	7.750	%	6/15/15	1,540,000		1,613,150	
Stonemor Operating LLC/Cornerstone Family Services of WV/Osiris Holding, Senior Notes	10.250	%	12/1/17	360,000		346,500	
Total Diversified Consumer Services						***3,122,150***	
Hotels, Restaurants & Leisure 8.0%							
Boyd Gaming Corp., Senior Notes	9.125	%	12/1/18	220,000		182,050	(a)
Boyd Gaming Corp., Senior Subordinated Notes	7.125	%	2/1/16	665,000		492,100	
Caesar s Entertainment Operating Co. Inc., Senior Secured Notes	11.250	%	6/1/17	1,220,000		1,236,775	
Caesars Entertainment Operating Co. Inc., Senior Notes	10.750	%	2/1/16	2,954,000		2,156,420	
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	10.000	%	12/15/15	780,000		705,900	
CityCenter Holdings LLC/CityCenter Finance Corp., Senior Secured Notes	10.750	%	1/15/17	4,813,460		4,274,954	(a)(f)
Downstream Development Quapaw, Senior Secured Notes	10.500	%	7/1/19	1,190,000		1,127,525	(a)
El Pollo Loco Inc., Secured Notes	17.000	%	1/1/18	2,480,000		2,126,600	(a)
Fiesta Restaurant Group, Secured Notes	8.875	%	8/15/16	660,000		645,150	(a)
Fontainebleau Las Vegas Holdings LLC/ Fontainebleau Las Vegas Capital Corp.	10.250	%	6/15/15	445,000		556	(a)(e)
Hoa Restaurant Group LLC/Hoa Finance Corp., Senior Secured Notes	11.250	%	4/1/17	1,040,000		962,000	(a)
	8.750	%	11/30/20	1,074,000		1,036,410	(a)

Inn of the Mountain Gods Resort & Casino, Senior Secured Notes									
Landry s Holdings Inc., Senior Secured Notes		11.500	%	6/1/14		1,140,000		1,060,200	(a)
Landry s Restaurants Inc., Senior Secured Notes		11.625	%	12/1/15		1,140,000		1,151,400	
Landry s Restaurants Inc., Senior Secured Notes		11.625	%	12/1/15		340,000		343,400	(a)

See Notes to Financial Statements.

Schedule of investments (cont d)

September 30, 2011

Western Asset High Income Opportunity Fund Inc.

Security	Rate		Maturity Date	Face Amount	Value	
Hotels, Restaurants & Leisure continued						
MGM Resorts International, Senior Notes	5.875	%	2/27/14	1,270,000	$ 1,165,225	
MGM Resorts International, Senior Notes	6.625	%	7/15/15	490,000	417,725	
MGM Resorts International, Senior Secured Notes	10.375	%	5/15/14	150,000	164,438	
MGM Resorts International, Senior Secured Notes	11.125	%	11/15/17	360,000	396,900	
Mohegan Tribal Gaming Authority, Senior Secured Notes	11.500	%	11/1/17	60,000	54,900	(a)
Mohegan Tribal Gaming Authority, Senior Subordinated Notes	8.000	%	4/1/12	3,660,000	2,433,900	
Mohegan Tribal Gaming Authority, Senior Subordinated Notes	6.875	%	2/15/15	225,000	109,125	
NCL Corp. Ltd., Senior Notes	9.500	%	11/15/18	2,440,000	2,476,600	(a)
NCL Corp. Ltd., Senior Secured Notes	11.750	%	11/15/16	1,760,000	1,988,800	
Pinnacle Entertainment Inc., Senior Notes	8.625	%	8/1/17	715,000	723,938	
Pinnacle Entertainment Inc., Senior Subordinated Notes	7.500	%	6/15/15	330,000	319,275	
Seven Seas Cruises S de RL LLC, Senior Secured Notes	9.125	%	5/15/19	1,360,000	1,353,200	(a)
Snoqualmie Entertainment Authority, Senior Secured Notes	4.179	%	2/1/14	890,000	783,200	(a)(g)
Snoqualmie Entertainment Authority, Senior Secured Notes	9.125	%	2/1/15	3,365,000	3,255,637	