

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-14 8C/A

March 08, 2016

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As filed with the Securities and Exchange Commission on March 8, 2016

Securities Act File No. 333-208957

Investment Company Act File No. 811-07920

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

FORM N-14
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

x Pre-Effective Amendment No. 1 " Post-Effective Amendment No.

WESTERN ASSET HIGH INCOME
OPPORTUNITY FUND INC.

(Exact Name of Registrant as Specified in Charter)

620 Eighth Avenue

New York, New York 10018

(Address of Principal Executive Offices: Number, Street, City, State, Zip Code)

1-888-777-0102

(Area Code and Telephone Number)

Jane E. Trust

Legg Mason & Co., LLC

100 International Drive

Baltimore, MD 21202

(Name and Address of Agent for Services)

with copies to:

Sarah E. Cogan, Esq.

Simpson Thacher & Bartlett LLP

425 Lexington Avenue

New York, New York 10017

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, Connecticut 06902

Calculation of Registration Fee under the Securities Act of 1933:

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock (\$.001 par value)	45,553,786	\$5.15	\$234,602,000	\$23,624.42

- (1) Estimated solely for the purpose of calculating the registration fee.

- (2) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to said section 8(a), may determine.

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WESTERN ASSET MANAGED HIGH INCOME FUND INC.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

620 Eighth Avenue

New York, New York 10018

, 2016

Dear Stockholder:

A Joint Special Meeting of Stockholders (the Meeting) of Western Asset Managed High Income Fund Inc. (MHY) and Western Asset High Income Opportunity Fund Inc. (HIO and together with MHY, the Funds) will be held at 620 Eighth Avenue, 49th Floor, New York, New York, on Friday, April 29, 2016 at 10:00 a.m., Eastern Time, for the purposes of considering and voting on a proposal to approve the merger of MHY with and into HIO in accordance with the Maryland General Corporation Law (the Merger). The attached Proxy Statement/Prospectus asks for your approval of the proposed Merger. **After careful consideration, the Board of each Fund recommends that you vote FOR the proposed Merger.**

As a result of the Merger, each share of common stock of MHY would convert into an equivalent dollar amount (to the nearest \$0.001) of full shares of common stock of HIO, based on the net asset value of each Fund on the date preceding the Merger. HIO will not issue fractional shares to MHY stockholders. In lieu of issuing fractional shares, HIO will pay cash to each former holder of MHY common stock in an amount equal to the value of the fractional shares of HIO common stock that the investor would otherwise have received in the Merger. The currently issued and outstanding common stock of HIO will remain issued and outstanding.

Both MHY and HIO are closed-end, diversified management investment companies listed on the New York Stock Exchange. MHY's primary investment objective is high current income. Capital appreciation is a secondary objective. Similarly, HIO's primary investment objective is to seek high current income. As a secondary objective, HIO seeks capital appreciation. A more detailed comparison of the Funds' investment objectives and policies appears in the attached Proxy Statement/Prospectus. The current investment objectives and policies of HIO will continue unchanged if the Merger occurs.

The Board believes that the Merger is in the best interests of both MHY stockholders and HIO stockholders. MHY and HIO have near identical investment objectives and substantially similar policies and strategies, which will allow MHY stockholders to continue to have exposure to high-yield fixed income securities. Moreover, the combined Fund will likely benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity and additional opportunities for diversification. Furthermore, the Merger will result in a more streamlined high yield product offering, allowing for more focused marketing and stockholder servicing efforts.

Your vote is very important to us regardless of the number of shares you own. Whether or not you plan to attend the Meeting in person, please read the Proxy Statement/Prospectus and cast your vote promptly. To vote, simply date, sign and return the proxy card in the enclosed postage-paid envelope or follow the instructions on the proxy card for voting by touch-tone telephone or on the Internet.

If you have any questions about the proposal to be voted on, please call Georgeson Inc. at 1-800-891-3214.

It is important that your vote be received no later than the time of the Meeting.

Sincerely,

Jane E. Trust

President and Chief Executive Officer

Western Asset Managed High Income Fund Inc.

Western Asset High Income Opportunity Fund Inc.

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WESTERN ASSET MANAGED HIGH INCOME FUND INC.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

IMPORTANT NEWS FOR STOCKHOLDERS

The enclosed combined Proxy Statement/Prospectus describes a proposal to merge Western Asset Managed High Income Fund Inc. (MHY) with and into Western Asset High Income Opportunity Fund Inc. (HIO, and together with MHY, the Funds) in accordance with the Maryland General Corporation Law (the Merger).

While we encourage you to read the full text of the enclosed combined Proxy Statement/Prospectus, here is a brief overview of the proposed Merger. Please refer to the more complete information contained elsewhere in the combined Proxy Statement/Prospectus about the Merger.

COMMON QUESTIONS ABOUT THE PROPOSED MERGER

Q. Why am I receiving the Proxy Statement/Prospectus?

A. As a stockholder of either MHY or HIO, you are being asked to vote in favor of a proposal to merge MHY with and into HIO in accordance with the Maryland General Corporation Law.

Q. How will the Merger affect me?

A. If the Merger is approved, MHY will be merged with and into HIO in accordance with the Maryland General Corporation Law. MHY's assets and liabilities will be combined with the assets and liabilities of HIO, and stockholders of MHY will become stockholders of HIO.

As a result of the Merger, each share of common stock of MHY would convert into an equivalent dollar amount (to the nearest \$0.001) of full shares of common stock of HIO, based on the net asset value of each Fund on the date preceding the merger. HIO will not issue fractional shares to MHY stockholders. In lieu of issuing fractional shares, HIO will pay cash to each former MHY stockholder in an amount equal to the value of the fractional shares of HIO common stock that the investor would otherwise have received in the merger. The currently issued and outstanding shares of HIO common stock will remain issued and outstanding. Stockholders of HIO will be stockholders in a larger fund.

Upon the consummation of the Merger, all shares of MHY common stock shall cease to be outstanding, shall automatically be cancelled and shall cease to exist and the holders of certificates or book entry shares which, immediately prior to the effective date of the Merger, represented such shares of the MHY common stock shall cease to have any rights with respect thereto, except the right to receive the consideration described above.

Q. Why is the Merger being recommended?

A. The Board of Directors of each Fund believes that the Merger is in the best interests of both MHY stockholders and HIO stockholders. MHY and HIO have near identical investment objectives and substantially similar policies and strategies, which will allow MHY stockholders to continue to have exposure to high-yield fixed income securities. Moreover, the combined Fund will likely benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity and additional opportunities for diversification. Furthermore, the Merger will result in a more streamlined high yield product offering, allowing for more focused marketing and stockholder servicing efforts.

At a meeting held on November 11 and 12, 2015, the Board of Directors of each Fund, including all of the Directors who are not interested persons of the Funds under the Investment Company Act of 1940, as amended (the Independent Directors), unanimously approved an Agreement and Plan of Merger with respect to both Funds.

Q. Are HIO's investment objectives and policies similar to those of MHY?

A. MHY and HIO have near identical investment objectives and substantially similar policies and strategies.

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MHY's primary investment objective is high current income. Capital appreciation is a secondary objective. Similarly, HIO's primary investment objective is to seek high current income. As a secondary objective, HIO seeks capital appreciation.

Under normal market conditions, MHY will invest at least 80% of its assets in high-yield corporate bonds, debentures and notes. Up to 20% of its assets may be invested in common stock or other equity or equity-related securities, including convertible securities, preferred stock, warrants and rights. In addition, MHY may invest up to 20% of its assets in the securities of foreign issuers that are denominated in currencies other than the U.S. dollar and may invest without limitation in securities of foreign issuers that are denominated in U.S. dollars.

In seeking to fulfill its investment objectives, HIO invests, under normal market conditions, at least 80% of its net assets plus any borrowings for investment purposes in high-yielding corporate debt securities and preferred stocks and up to 20% in common stock equivalents, including options, warrants and rights. HIO does not use leverage for investment purposes. In addition, HIO may invest up to 20% of its total assets in the securities of foreign issuers that are denominated in currencies other than the U.S. dollar and may invest without limitation in securities of foreign issuers that are denominated in U.S. dollars. Furthermore, HIO may invest up to 15% of its assets in illiquid securities.

The current investment objectives and policies of HIO will continue unchanged if the Merger occurs.

Please see "Comparison of Investment Objectives, Strategies, and Principal Risks of Investing in the Funds" in the Proxy Statement/Prospectus for a more complete comparison of the Funds' investment objectives, policies and a summary of the principal risks of investing in the Funds.

Q. How will the Merger affect fees and expenses?

A. Legg Mason Partners Fund Adviser, LLC (LMPFA) provides administrative and certain oversight services to MHY. MHY pays an investment management fee, calculated daily and paid monthly, at an annual rate of 0.80% of MHY's average daily net assets. Similarly, HIO currently pays LMPFA, which is also HIO's investment manager, an investment management fee, calculated daily and paid monthly, at an annual rate of 0.80% of average daily net assets.

Although HIO's investment management fee is identical to MHY's, MHY also pays 0.13% in other expenses based on its average daily net assets, whereas HIO only pays 0.09% in other expenses based on its average daily net assets. It is anticipated that MHY's shareholders' total expense ratio will decline by 0.05% and HIO's shareholders' total expense ratio will decline by 0.01% as a result of the Merger.

Q. What are the Funds' capital loss carryovers?

A. As of their most recent fiscal year ends, the Funds are entitled to capital loss carryovers for federal income tax purposes in the amounts set forth below:

MHY (as of February 28, 2015)			HIO (as of September 30, 2015)		
	Amount of Carryforward	Fiscal Year of Expiration Prior to Merger		Amount of Carryforward	Fiscal Year of Expiration Prior to Merger
	\$ (3,750,476)	No Expiration ⁽¹⁾		\$ (24,092,664)	No Expiration ⁽¹⁾
	(6,640,949)	2/28/2017		(2,157,094)	9/30/2016
	(35,714,593)	2/28/2018		(17,968,287)	9/30/2017
	(5,212,866)	2/28/2019		(49,024,877)	9/30/2018
				(11,684,123)	9/30/2019
Total	\$ (51,318,884)			\$ (104,927,045)	

(1)

Both Funds are permitted to carry forward these capital losses for an unlimited period. However, these losses will be required to be utilized prior to their other capital losses with the expiration dates listed above. As a result of this ordering rule, the other capital losses may be more likely to expire unutilized. Additionally, these capital losses retain their character as either short-term or long-term capital losses rather than being considered all short-term as are the Funds' other capital losses listed above.

Q. Will I have to pay any taxes as a result of the Merger?

A. The Merger is intended to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. Assuming the Merger qualifies for such treatment, you generally will not recognize a

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gain or loss for federal income tax purposes as a result of the Merger. MHY stockholders may, however, recognize gain or loss with respect to any cash those stockholders receive pursuant to the Merger in lieu of fractional shares. As a condition to the closing of the Merger, MHY and HIO will each receive an opinion of counsel to the effect that the Merger will qualify for such treatment. Opinions of counsel are not binding on the Internal Revenue Service or the courts. You should talk to your tax advisor about any state, local and other tax consequences of the Merger. See Proposal 1 Information About the Proposed Merger Federal Income Tax Consequences.

Q. Who will pay for the Merger?

A. The costs of Merger, including the costs of preparing, printing, assembling and mailing material in connection with this solicitation of proxies are estimated to be approximately \$212,100 for MHY and approximately \$262,500 for HIO. LMPFA, or an affiliate thereof, will bear 50% of each Fund's Merger costs whether or not the Merger is consummated.

Q. How does the Board of each Fund recommend that I vote on the Merger?

A. After careful consideration, MHY's Board of Directors, including all of the Independent Directors, and HIO's Board of Directors, including all of the Independent Directors, unanimously recommend that you vote FOR the Merger.

Q. What will happen if the Merger is not approved?

A. If the Merger is not approved, MHY and HIO will continue as separate investment companies, and each Board will consider such alternatives as it determines to be in the best interests of such Fund's stockholders, including reproposing the Merger.

Q. When is the Merger expected to happen?

A. If each Fund's stockholders approve the Merger, the Merger is expected to occur on or about May 20, 2016.

Q. Will my vote make a difference?

A. Your vote is very important and can make a difference in the governance of each Fund, no matter how many shares you own. Your vote can help ensure that the proposal recommended by the Board of Directors of each Fund can be implemented. We encourage all stockholders to participate in the governance of each Fund.

Q. Whom do I call if I have questions?

A. If you need more information, or have any questions about voting, please call Georgeson Inc., the proxy solicitor, at 1-800-891-3214.

Q. How do I vote my shares?

A. You can provide voting instructions by telephone by calling the toll-free number on the enclosed proxy card or electronically by going to the Internet address provided on the proxy card and following the instructions, using your proxy card as a guide. Alternatively, you can vote your shares by signing and dating the enclosed proxy card and mailing it in the enclosed postage-paid envelope.

A stockholder may revoke a proxy at any time on or before the Meeting by (1) submitting to the applicable Fund a subsequently dated proxy, (2) delivering to the applicable Fund a written notice of revocation (addressed to the Secretary at the principal executive office of the Funds at the address shown at the beginning of this Proxy Statement/Prospectus) or (3) otherwise giving notice of revocation at the Meeting, at all times prior to the exercise of the authority granted in the proxy card. Merely attending the Meeting, however, will not revoke any previously executed proxy. Unless revoked, all valid and executed proxies will be voted in accordance with the specifications thereon or, in the absence of such

specifications, for approval of the proposed Merger.

You may also attend the Meeting and vote in person. However, even if you intend to attend the Meeting, we encourage you to provide voting instructions by one of the methods described above.

It is important that you vote promptly.

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WESTERN ASSET MANAGED HIGH INCOME FUND INC.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

620 Eighth Avenue

New York, New York 10018

NOTICE OF A JOINT SPECIAL MEETING OF STOCKHOLDERS

To the Stockholders:

A Joint Special Meeting of Stockholders (the Meeting) of Western Asset Managed High Income Fund Inc. (MHY) and Western Asset High Income Opportunity Fund Inc. (HIO, and together with MHY, the Funds) will be held at 620 Eighth Avenue, 49th Floor, New York, New York, on Friday, April 29, 2016 at 10:00 a.m., Eastern Time, to consider and vote on a proposal to approve the merger of MHY with and into HIO in accordance with the Maryland General Corporation Law (the Merger).

The Board of each Fund recommends that you vote FOR the Merger upon which you are being asked to vote.

Stockholders of record at the close of business on February 1, 2016 are entitled to vote at the Meeting and at any adjournments or postponements thereof.

By order of the Board of Directors,

Robert I. Frenkel

Secretary

Western Asset Managed High Income Fund Inc.

Western Asset High Income Opportunity Fund Inc.

, 2016

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INSTRUCTIONS FOR SIGNING PROXY CARDS

The following general rules for signing proxy cards may be of assistance to you and avoid the time and expense to MHY involved in validating your vote if you fail to sign your proxy card properly.

1. *Individual Accounts*: Sign your name exactly as it appears in the registration on the proxy card.
2. *Joint Accounts*: Either party may sign, but the name of the party signing should conform exactly to a name shown in the registration.
3. *All Other Accounts*: The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

Registration

Corporate Accounts

- (1) ABC Corp.
- (2) ABC Corp.
- (3) ABC Corp., c/o John Doe, Treasurer
- (4) ABC Corp. Profit Sharing Plan

Valid Signature

- ABC Corp. (by John Doe, Treasurer)
 John Doe, Treasurer
 John Doe
 John Doe, Trustee

Trust Accounts

- (1) ABC Trust
- (2) Jane B. Doe, Trustee, u/t/d 12/28/78

- Jane B. Doe, Trustee
 Jane B. Doe

Custodial or Estate Accounts

- (1) John B. Smith, Cust., f/b/o John B. Smith, Jr. UGMA
- (2) John B. Smith

- John B. Smith
 John B. Smith, Jr., Executor

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The information contained in this Proxy Statement/Prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Proxy Statement/Prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 8, 2016

PROXY STATEMENT/PROSPECTUS

, 2016

PROXY STATEMENT FOR:

WESTERN ASSET MANAGED HIGH INCOME FUND INC.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

620 Eighth Avenue

New York, New York 10018

888-777-0102

PROSPECTUS FOR:

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

620 Eighth Avenue

New York, New York 10018

888-777-0102

This combined Proxy Statement and Prospectus (the Proxy Statement/Prospectus) is being furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of Western Asset Managed High Income Fund Inc. (MHY) and Western Asset High Income Opportunity Fund Inc. (HIO, and together with MHY, the Funds) for a Joint Special Meeting of Stockholders (the Meeting) for each Fund. The Meeting will be held Friday, April 29, 2016 at 620 Eighth Avenue, 49th Floor, New York, New York at 10:00 a.m., Eastern Time. At the Meeting, stockholders of MHY and HIO will be asked to consider and act upon a proposal to approve the merger of MHY with and into HIO in accordance with the Maryland General Corporation Law (the Merger).

If the Merger is approved, each share of common stock, par value \$0.001 per share, of MHY (the MHY Common Shares) would convert into an equivalent dollar amount (to the nearest \$0.001) of full shares of common stock, par value \$0.001 per share, of HIO (the HIO Common Shares), based on the net asset value of each Fund on the date preceding the Merger. HIO will not issue fractional HIO Common Shares to holders of MHY Common Shares. In lieu of issuing fractional shares, HIO will pay cash to each former holder of MHY Common Shares in an amount equal to the value of the fractional HIO Common Shares that the investor would otherwise have received in the Merger. Although the HIO Common Shares received in the Merger will have the same total net asset value as the MHY Common Shares held immediately before the Merger (disregarding fractional shares), their stock price on the New York Stock Exchange (NYSE) may be greater or less than that of the MHY Common Shares, based on current market prices persisting at the time of the Merger. All HIO Common Shares currently issued and outstanding will remain issued and outstanding following the Merger.

The Board believes that the Merger is in the best interests of both MHY stockholders and HIO stockholders. MHY and HIO have nearly identical investment objectives and substantially similar policies and strategies, which will allow MHY stockholders to continue to have exposure to high-yield fixed income securities. Moreover, the combined Fund will likely benefit from economies of scale, as one set of fixed

expenses would be spread over a larger asset base, as well as from enhanced market liquidity and additional opportunities for diversification. Furthermore, the Merger will result in a more streamlined high yield product offering, allowing for more focused marketing and stockholder servicing efforts.

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At a meeting held on November 11 and 12, 2015, the Board of Directors of each Fund, including all of the Directors who are not interested persons of the Funds under the Investment Company Act of 1940, as amended (the 1940 Act) (the Independent Directors), unanimously approved an Agreement and Plan of Merger with respect to both Funds.

MHY was incorporated in Maryland on December 24, 1992; HIO was incorporated in Maryland on July 30, 1993. Both MHY and HIO are closed-end, diversified management investment companies listed on the NYSE.

MHY's primary investment objective is high current income. Capital appreciation is a secondary objective. Similarly, HIO's primary investment objective is to seek high current income. As a secondary objective, HIO seeks capital appreciation. The current investment policies of HIO, which differ from those of MHY, will continue unchanged if the Merger occurs. Please see Proposal 1 Comparison of Investment Objectives, Strategies, and Principal Risks of Investing in the Funds in the Proxy Statement/Prospectus for a more complete comparison of the Funds investment objectives and policies.

The Merger will be effected pursuant to an Agreement and Plan of Merger, a form of which is attached to this Proxy Statement/Prospectus as Appendix A. The material terms and conditions of the Agreement and Plan of Merger are summarized in this Proxy Statement/Prospectus. See Proposal 1 Information About the Proposed Merger-The Agreement and Plan of Merger.

This Proxy Statement/Prospectus serves as a prospectus for HIO Common Shares under the Securities Act of 1933, as amended (the Securities Act), in connection with the issuance of HIO Common Shares in the Merger.

Assuming the holders of MHY Common Shares approve the Merger and all other conditions to the consummation of the Merger are satisfied or waived, the Funds will jointly file articles of merger (the Articles of Merger) with the State Department of Assessments and Taxation of Maryland (the SDAT). The Merger will become effective when the SDAT accepts for record the Articles of Merger or at such later time, which may not exceed 30 days after the Articles of Merger are accepted for record, as specified in the Articles of Merger. The date when the Articles of Merger are accepted for record, or the later date, is referred to in this Proxy Statement/Prospectus as the Closing Date. MHY, as soon as practicable after the Closing Date, will withdraw its registration under the 1940 Act.

The Merger is being structured as a tax-free reorganization for federal income tax purposes. See Proposal 1 Information About the Proposed Merger Federal Income Tax Consequences. Stockholders should consult their tax advisors to determine the actual impact of the Merger on them in light of their individual tax circumstances.

You should retain this Proxy Statement/Prospectus for future reference as it sets forth concisely information about MHY and HIO that you should know before voting on the proposed Merger described below.

A Statement of Additional Information (SAI) dated , 2016, which contains additional information about the Merger and the Funds, has been filed with the Securities and Exchange Commission (SEC). The SAI, as well as MHY's Annual Report to Stockholders for the Fiscal Year Ended February 28, 2015, filed with the SEC on April 17, 2015 (accession no. 0001193125-15-135519), MHY's Semi-Annual Report to Stockholders for the Six-Month Period Ended August 31, 2015, filed on October 22, 2015 (accession no. 0001193125-15-350115) and HIO's Annual Report to Stockholders for the Fiscal Year Ended September 30, 2015, filed with the SEC on November 24, 2015 (accession no. 0001193125-15-386792), and, which highlight certain important information such as investment performance and expense and financial information, are incorporated by reference into this Proxy Statement/Prospectus. In addition, stockholder reports, proxy materials and other information concerning HIO (File No. 811-07920) and MHY (File No. 811-07396) can be inspected at the NYSE. You may receive free of charge a copy of the SAI, or the annual report and semi-annual report for either Fund, by contacting MHY and HIO at 888-777-0102, by writing either Fund at the address listed above or by visiting our website at www.lmcef.com.

In addition, you can copy and review this Proxy Statement/Prospectus and the complete filing on Form N-14 containing the Proxy Statement/Prospectus (File No. 333-208957) and any of the above-referenced documents at the SEC's Public Reference Room in Washington, DC. You may obtain information about the operation of the Public Reference Room by calling the SEC at 202-551-8090. Reports and other information about each Fund are available on the EDGAR Database on the SEC's Internet site at www.sec.gov. You may also obtain copies of this information, after paying a duplicating fee, by

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electronic request at the following e-mail address: *publicinfo@sec.gov*, or by writing the SEC's Public Reference Room, 100 F Street, N.E., Washington, DC 20549.

MHY Common Shares are listed on the NYSE under the symbol MHY, and HIO Common Shares are listed on the NYSE under the symbol HIO. After the Closing Date, HIO Common Shares will continue to be listed on the NYSE under the symbol HIO.

The information contained herein concerning MHY and HIO has been provided by, and is included herein in reliance upon, MHY and HIO, respectively.

The Securities and Exchange Commission has not approved or disapproved these securities nor passed upon the accuracy or adequacy of this Proxy Statement/Prospectus. Any representation to the contrary is a criminal offense.

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PROPOSAL 1 TO APPROVE THE MERGER OF MHY WITH AND INTO HIO IN ACCORDANCE WITH THE MARYLAND GENERAL CORPORATION LAW

Summary

This summary is qualified in its entirety by reference to the additional information contained elsewhere in this Proxy Statement/Prospectus and the Agreement and Plan of Merger, a form of which is attached to this Proxy Statement/Prospectus as Appendix A.

Proposed Merger

The Board believes that the Merger is in the best interests of both MHY stockholders and HIO stockholders. MHY and HIO have nearly identical investment objectives and substantially similar policies and strategies, which will allow MHY stockholders to continue to have exposure to high-yield fixed income securities. Moreover, the combined Fund will likely benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity and additional opportunities for diversification. Furthermore, the Merger will result in a more streamlined high yield product offering, allowing for more focused marketing and stockholder servicing efforts.

At a meeting held on November 11 and 12, 2015, the Boards of MHY and HIO, including all of the Independent Directors, unanimously approved the Agreement and Plan of Merger with respect to each Fund. As a result of the Merger:

each MHY Common Share will convert into an equivalent dollar amount (to the nearest \$0.001) of full HIO Common Shares, based on the net asset value per share of each Fund calculated at 4:00 p.m. on the business day preceding the Closing Date;

each holder of MHY Common Shares will become a holder of HIO Common Shares and will receive, on the Closing Date, that number of HIO Common Shares having an aggregate net asset value (disregarding fractional shares) equal to the aggregate net asset value of such stockholder's MHY Common Shares as of the close of business on the business day preceding the Closing Date; and

HIO will not issue any fractional HIO Common Shares to MHY stockholders. In lieu thereof, HIO will pay cash to each former holder of MHY Common Shares in an amount equal to the value of the fractional HIO Common Shares that the investor would otherwise have received in the Merger.

If the Merger is not approved, each Fund will continue as a separate investment company, and the Boards of MHY and HIO will consider such alternatives as they determine to be in the best interests of their respective stockholders, including reproposing the Merger.

For the reasons set forth below in Information About the Proposed Merger-Reasons for the Merger and Board Considerations, the Boards of MHY and HIO, including all of the Independent Directors, have concluded that the Merger would be in the best interests of each Fund, and that the interests of the holders of MHY Common Shares and HIO Common Shares would not be diluted as a result of the Merger. **The Board of each Fund, therefore, is hereby submitting the Merger to the holders of MHY Common Shares and HIO Common Shares and recommends that stockholders of MHY and HIO vote FOR the Merger.**

Because the Merger has been approved by at least 75% of MHY's Continuing Directors as that term is defined in MHY's charter, approval of the Merger requires the affirmative vote of the holders of a majority of the outstanding MHY Common Shares. Similarly, because the Merger has been approved by at least 75% of HIO's Continuing Directors (as that term is defined in HIO's Bylaws) approval of the Merger requires the affirmative vote of the holders of a majority of the outstanding HIO Common Shares. See Voting Information below. If stockholders of each Fund approve the Merger, the Closing Date of the Merger is expected to be on or about May 20, 2016.

Prior to completion of the Merger, MHY and HIO will each received an opinion of Simpson Thacher & Bartlett LLP to the effect that the Merger will qualify as a tax-free reorganization for federal income tax purposes. Accordingly, for federal income tax purposes, (i) no gain or loss will generally be recognized by MHY (except for consequences regularly attributable to a termination of MHY's taxable year) or (subject to the following sentence) the holders of MHY Common Shares as a result of the Merger, (ii) the aggregate tax basis of the HIO Common Shares (including fractional HIO Common

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Shares purchased by HIO) received by the holders of MHY Common Shares will be the same as the aggregate tax basis of the holders MHY Common Shares immediately prior to the completion of the Merger and (iii) a holder's holding period for HIO Common Shares (including that of fractional HIO Common Shares purchased by HIO) will generally be determined by including the period for which such stockholder held MHY Common Shares converted pursuant to the Merger, provided that such shares were held by such stockholder as capital assets. Holders of MHY Common Shares may, however, recognize gain or loss with respect to cash such holders receive pursuant to the Merger in lieu of fractional shares. For more information about the federal income tax consequences of the Merger, see Information about the Proposed Merger Federal Income Tax Consequences below.

Comparison of Investment Objectives, Principal Investment Strategies and Principal Risks

MHY and HIO have nearly identical investment objectives and substantially similar policies and strategies.

MHY's primary investment objective is high current income. Capital appreciation is a secondary objective. Similarly, HIO's primary investment objective is to seek high current income. As a secondary objective, HIO seeks capital appreciation.

Under normal market conditions, MHY will invest at least 80% of its assets in high-yield corporate bonds, debentures and notes. Up to 20% of its assets may be invested in common stock or other equity or equity-related securities, including convertible securities, preferred stock, warrants and rights. In addition, MHY may invest up to 20% of its assets in the securities of foreign issuers that are denominated in currencies other than the U.S. dollar and may invest without limitation in securities of foreign issuers that are denominated in U.S. dollars.

In seeking to fulfill its investment objectives, HIO invests, under normal market conditions, at least 80% of its net assets plus any borrowings for investment purposes in high-yielding corporate debt securities and preferred stocks and up to 20% in common stock equivalents, including options, warrants and rights. In addition, HIO may invest up to 20% of its total assets in the securities of foreign issuers that are denominated in currencies other than the U.S. dollar and may invest without limitation in securities of foreign issuers that are denominated in U.S. dollars. Furthermore, HIO may invest up to 15% of its assets in illiquid securities.

The current investment objectives and policies of HIO will continue unchanged if the Merger occurs.

Neither Fund is intended to be a complete investment program, and there is no assurance that either Fund will achieve its objectives.

The preceding summary of the Funds' investment objectives and certain policies should be considered in conjunction with the discussion below under Comparison of Investment Objectives, Strategies and Principal Risks of Investing in the Funds-Investment Objectives, -Principal Investment Strategies, -Fundamental Investment Restrictions and -Risk Factors.

Effect on Expenses

LMPFA provides administrative and certain oversight services to MHY. MHY pays an investment management fee, calculated daily and paid monthly, at an annual rate of 0.80% of MHY's average daily net assets. Similarly, HIO currently pays LMPFA, which is also HIO's investment manager, an investment management fee, calculated daily and paid monthly, at an annual rate of 0.80% of average daily net assets. Although HIO's investment management fee is identical to MHY's, MHY also pays 0.13% in other expenses based on its average daily net assets, whereas HIO only pays 0.09% in other expenses based on its average daily net assets. It is anticipated that MHY's shareholders' total expense ratio will decline by 0.05% and HIO's shareholders' total expense ratio will decline by 0.01% as a result of the Merger.

Fee Table and Expense Example

The table below (1) compares the estimated fees and expenses of each Fund, as of September 30, 2015, and (2) shows the estimated fees and expenses of the combined Fund, on a pro forma basis, as if the Merger occurred on September 30, 2015.

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The estimates are based on the contracts and agreements in effect as of September 30, 2015 and reflect the operating expense accrual rates on that date, which are based on each Fund's net assets as of September 30, 2015. Accordingly, the actual fees and expenses of each Fund and the combined Fund as of the Closing Date of the Merger may differ from those reflected in the tables below due to changes in net assets from those at September 30, 2015. No amount of any prior fee waiver or expense reimbursement to HIO or MHY may be recovered by any person.

Changes in net assets may result from market appreciation or depreciation and other factors occurring between December 31, 2015 and the Closing Date of the Merger. As a general matter, changes (positive or negative) in a Fund's expense ratio resulting from fluctuations in the Fund's net assets will be borne by the stockholders of that Fund and the combined Fund. For information concer