

Western Asset High Yield Defined Opportunity Fund Inc.  
Form N-CSRS  
April 22, 2016

**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 811-22444**

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

**620 Eighth Avenue, 49<sup>th</sup> 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: 1-877-721-1926**

**Date of fiscal year end: August 31**

**Date of reporting period: February 29, 2016**

ITEM 1. REPORT TO STOCKHOLDERS.

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

Semi-Annual Report

February 29, 2016

WESTERN ASSET

HIGH YIELD DEFINED

OPPORTUNITY FUND INC. (HYI)

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

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<b>Fund objectives</b>	

The Fund's primary investment objective is to provide high income. As a secondary investment objective, the Fund will seek capital appreciation.

The Fund seeks to achieve its investment objectives by investing, under normal market conditions, at least 80% of its net assets in a portfolio of high-yield corporate fixed-income securities with varying maturities.

## Letter from the chairman

### Dear Shareholder,

We are pleased to provide the semi-annual report of Western Asset High Yield Defined Opportunity Fund Inc. for the six-month reporting period ended February 29, 2016. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

### Special shareholder notice:

On November 16, 2015, Western Asset High Yield Defined Opportunity Fund Inc. (the "Fund") announced that the Board of Directors of the Fund approved a modification to an investment policy, effective immediately. The Fund's investment objectives and principal investment strategy did not change.

The Fund modified a non-fundamental investment policy to permit purchases of equity securities (including but not limited to common stock, preferred stock, convertible securities, and warrants of U.S. and non-U.S. issuers) directly. Under the previous investment policy, the Fund could hold common stocks that result from a corporate restructuring or stock conversion and could acquire warrants and other equity securities as part of a unit combining a senior loan and equity securities of a borrower or its affiliates. The revised investment policy is intended to give Western Asset Management Company, the Fund's sub-adviser, additional investment flexibility in pursuing the Fund's primary and secondary investment objectives.

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](http://www.lmcef.com). Here you can gain immediate access to market and investment information, including:

Fund prices and performance,

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Market insights and commentaries from our portfolio managers, and

A host of educational resources.

II Western Asset High Yield Defined Opportunity Fund Inc.

We look forward to helping you meet your financial goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

March 31, 2016

Western Asset High Yield Defined Opportunity Fund Inc.

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## Investment commentary

### Economic review

The pace of U.S. economic activity was mixed during the six months ended February 29, 2016 (the reporting period). Looking back, the U.S. Department of Commerce reported that second quarter 2015 U.S. gross domestic product (GDP) growth was 3.9%. Relatively solid growth was driven by increasing exports, accelerating personal consumption expenditures (PCE), declining imports, expanding state and local government spending, and rising nonresidential fixed investment. Third quarter 2015 GDP growth then moderated to 2.0%. Decelerating growth was primarily due to a downturn in private inventory investment and decelerations in exports, PCE, nonresidential fixed investment, state and local government spending, and residential fixed investment. Finally, the U.S. Department of Commerce's final reading for fourth quarter 2015 GDP growth released after the reporting period ended was 1.4%. Slower growth was attributed to downturns in nonresidential fixed investment and state and local government spending, along with a deceleration in PCE and less export activity.

The U.S. labor market was a tailwind for the economy during the reporting period. When the period began, unemployment was 5.1%, as reported by the U.S. Department of Labor. By February 2016, unemployment was 4.9%, equaling its lowest level since February 2008.

Turning to the global economy, in its January 2016 *World Economic Outlook Update*, the International Monetary Fund (IMF) said "In advanced economies, a modest and uneven recovery is expected to continue, with a gradual further narrowing of output gaps. The picture for emerging market and developing economies is diverse but in many cases challenging. From a regional perspective, the IMF currently estimates 2015 growth in the Eurozone at 1.5%, and is projecting 1.7% growth in 2016. Japan's economy is expected to expand 0.6% in 2015 and 1.0% in 2016. Elsewhere, the IMF said that overall growth in emerging market countries decelerated in 2015, with growth of 4.0% versus 4.6% in 2014. However, the IMF believes emerging market growth will accelerate to 4.3% in 2016.



## Market review

### Q. How did the Federal Reserve Board ( Fed<sup>ii</sup>) respond to the economic environment?

A. After an extended period of maintaining the federal funds rate<sup>iii</sup> at a historically low range between zero and 0.25%, the Fed increased the rate at its meeting on December 16, 2015. This marked the first rate hike since 2006. In particular, the U.S. central bank raised the federal funds rate to a range between 0.25% and 0.50%. In its official statement after the December 2015 meeting, the Fed said, "The stance of monetary policy remains accommodative after this increase, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation." The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. At its meetings that concluded on January 27, 2016 and March 16, 2016, after the reporting period ended, the Fed kept rates on hold.

### Q. Did Treasury yields trend higher or lower during the six months ended February 29, 2016?

A. Short-term Treasury yields edged higher, whereas long-term Treasury yields declined during the reporting period. When the period began, the yield on the two-year Treasury note was 0.74%. Its low for the period was 0.57% on October 14, 2015, and it peaked at 1.09% on December 29, 2015. The yield on the two-year Treasury note ended the period at 0.78%. The yield on the ten-year Treasury note began the period at 2.21%. Its peak of 2.36% occurred on November 9, 2015, and its low of 1.63% occurred on February 11, 2016. The yield on the ten-year Treasury note ended the period at 1.74%.

### Q. What factors impacted the spread sectors (non-Treasuries) during the reporting period?

A. The spread sectors posted mixed results during the reporting period. High-yield corporate bonds were the weakest performers over the six months ended February 29, 2016. In contrast, sectors that are generally less sensitive to rising interest rates largely posted positive results. Performance fluctuated with investor sentiment given the uncertainties regarding future Fed monetary policy, along with concerns over global growth and geopolitical issues. The broad U.S. bond market, as measured by the Barclays U.S. Aggregate Index<sup>iv</sup>, returned 2.20% during the six months ended February 29, 2016.

### Q. How did the high-yield bond market perform over the six months ended February 29, 2016?

A. The U.S. high-yield bond market, as measured by the Barclays U.S. Corporate High Yield 2% Issuer Cap Index<sup>v</sup> returned -5.57% for the six months ended February 29, 2016. High yield bonds were volatile during the reporting period. While the overall high-yield default rate remained below its long-term average, the asset class declined during four of the six months of the reporting period. In particular, the Energy sector fell sharply as oil prices moved lower given weakening demand.

### Q. How did the emerging market debt asset class perform over the reporting period?

A. The JPMorgan Emerging Markets Bond Index Global ( EMBI Global<sup>vi</sup>) gained 1.97% during the six months ended February 29,

## Investment commentary (cont d)

2016. The asset class declined during the first month of the reporting period due to concerns over economic growth in China, falling commodity prices and expectations for future Fed rate hikes. The asset class recouped its prior month loss in October 2015 as investor risk appetite improved. After declining over the next three months, the asset class rallied sharply in February 2016.

### Performance review

For the six months ended February 29, 2016, Western Asset High Yield Defined Opportunity Fund Inc. returned -9.67% based on its net asset value ( NAV<sup>ii</sup>) and -2.55% based on its New York Stock Exchange ( NYSE ) market price per share. The Fund's unmanaged benchmarks, the Barclays U.S. Corporate High Yield 2% Issuer Cap Index B Component<sup>iii</sup> and the Barclays U.S. Corporate High Yield 2% Issuer Cap Index Caa Component<sup>ix</sup>, returned -5.93% and -14.53%, respectively, over the same time frame. The Lipper High Yield Closed-End Funds Category Average<sup>x</sup> returned -7.15% for the same period. Please note that Lipper performance returns are based on each fund's NAV.

During this six-month period, the Fund made distributions to shareholders totaling \$0.66 per share. As of February 29, 2016, the Fund estimates that all of the distributions were sourced from net investment income.\* The performance table shows the Fund's six-month total return based on its NAV and market price as of February 29, 2016.

**Past performance is no guarantee of future results.**

### Performance Snapshot as of February 29, 2016 (unaudited)

Price Per Share	6-Month Total Return**
\$14.69 (NAV)	-9.67%
\$13.44 (Market Price)	-2.55%

**All figures represent past performance and are not a guarantee of future results. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.**

**\*\* 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, if any at NAV.**

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

### Looking for additional information?

The Fund is traded under the symbol HYI and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol XHYIX on most financial websites. *Barron's* and the *Wall Street Journal's* Monday edition both carry closed-end fund

\* This estimate is not for tax purposes. The Fund will issue a Form 1099 with final composition of the distributions for tax purposes after year-end. A return of capital is not taxable and results in a reduction in the tax basis of a shareholder's investment. For more information about a distribution's composition, please refer to the Fund's distribution press release or, if applicable, the Section 19 notice located in the press release section of our website, [www.lmcef.com](http://www.lmcef.com).

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](http://www.lmcef.com).

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.

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

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

March 31, 2016

***RISKS:** The Fund's investments are subject to credit risk, inflation risk and interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund's share price. 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) than higher-rated obligations. Investments in foreign securities involve risks, including the possibility of losses due to changes in currency exchange rates and negative developments in the political, economic, or regulatory structure of specific countries or regions. These risks are greater in emerging markets. The Fund may make significant investments in derivative instruments. Derivative instruments can be illiquid, may disproportionately increase losses, and may have a potentially large impact on Fund performance.*

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.

## Investment commentary (cont d)

- <sup>i</sup> Gross domestic product ( GDP ) is the market value of all final goods and services produced within a country in a given period of time.
- <sup>ii</sup> The Federal Reserve Board ( 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.
- <sup>iii</sup> 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.
- <sup>iv</sup> The 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.
- <sup>v</sup> The Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- <sup>vi</sup> 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.
- <sup>vii</sup> 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.
- <sup>viii</sup> The Barclays U.S. Corporate High Yield 2% Issuer Cap Index B Component is comprised of the B-rated securities included in the broader Barclays U.S. Corporate High Yield 2% Issuer Cap Index.
- <sup>ix</sup> The Barclays U.S. Corporate High Yield 2% Issuer Cap Index Caa Component is comprised of the Caa-rated securities included in the broader Barclays U.S. Corporate High Yield 2% Issuer Cap Index.
- <sup>x</sup> Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended February 29, 2016, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 9 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 February 29, 2016 and August 31, 2015 and does not include derivatives, such as futures contracts 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.

Represents less than 0.1%.

## Spread duration (unaudited)

**Economic exposure** February 29, 2016

### Total Spread Duration

HYI 3.66 years

Benchmark 3.85 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	60% Barclays U.S. Corporate High Yield 2% Issuer Cap Index B Component & 40% Barclays U.S. Corporate High Yield 2% Issuer Cap Index Caa Component
EM	Emerging Markets
HY	High Yield
HYI	Western Asset High Yield Defined Opportunity Fund Inc.
IG Credit	Investment Grade Credit

## Effective duration (unaudited)

**Interest rate exposure** February 29, 2016

Total Effective Duration  
 HYI 4.04 years  
 Benchmark 3.84 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	60% Barclays U.S. Corporate High Yield 2% Issuer Cap Index B Component & 40% Barclays U.S. Corporate High Yield 2% Issuer Cap Index Caa Component
EM	Emerging Markets
HY	High Yield
HYI	Western Asset High Yield Defined Opportunity Fund Inc.
IG Credit	Investment Grade Credit

## Schedule of investments (unaudited)

February 29, 2016

### Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Corporate Bonds &amp; Notes</b> 86.9%				
<b>Consumer Discretionary</b> 16.0%				
<i>Auto Components</i> 0.6%				
Europcar Groupe SA, Secured Notes	5.750%	6/15/22	490,000 <sup>EUR</sup>	\$ 535,046 <sup>(a)</sup>
ZF North America Capital Inc., Senior Notes	4.750%	4/29/25	1,350,000	1,294,312 <sup>(a)</sup>
<i>Total Auto Components</i>				1,829,358
<i>Automobiles</i> 0.2%				
General Motors Co., Senior Notes	6.600%	4/1/36	700,000	727,083
<i>Diversified Consumer Services</i> 0.8%				
Co-operative Group Holdings 2011 Ltd., Senior Notes	6.875%	7/8/20	100,000 <sup>GBP</sup>	147,394 <sup>(b)</sup>
Co-operative Group Holdings 2011 Ltd., Senior Notes	7.500%	7/8/26	280,000 <sup>GBP</sup>	408,005
Service Corp. International, Senior Notes	7.500%	4/1/27	1,030,000	1,187,075
StoneMor Partners LP/Cornerstone Family Services of WV, Senior Bonds	7.875%	6/1/21	760,000	775,200
<i>Total Diversified Consumer Services</i>				2,517,674
<i>Hotels, Restaurants &amp; Leisure</i> 3.7%				
Bossier Casino Venture Holdco Inc., Senior Secured Bonds	14.000%	2/9/18	1,040,650	945,535 <sup>(a)(c)(d)(e)</sup>
Carrols Restaurant Group Inc., Secured Notes	8.000%	5/1/22	820,000	871,250
CCM Merger Inc., Senior Notes	9.125%	5/1/19	1,400,000	1,431,500 <sup>(a)</sup>
CEC Entertainment Inc., Senior Notes	8.000%	2/15/22	1,700,000	1,457,750
Downstream Development Authority of the Quapaw Tribe of Oklahoma, Senior Secured Notes	10.500%	7/1/19	1,090,000	1,038,225 <sup>(a)</sup>
Gala Electric Casinos Ltd., Secured Notes	11.500%	6/1/19	878,182 <sup>GBP</sup>	1,280,369 <sup>(b)</sup>
Greektown Holdings LLC/Greektown Mothership Corp., Senior Secured Notes	8.875%	3/15/19	500,000	490,000 <sup>(a)</sup>
Landry's Holdings II Inc., Senior Notes	10.250%	1/1/18	650,000	632,125 <sup>(a)</sup>
Landry's Inc., Senior Notes	9.375%	5/1/20	2,890,000	3,041,725 <sup>(a)</sup>
Viking Cruises Ltd., Senior Notes	8.500%	10/15/22	1,340,000	1,249,550 <sup>(a)</sup>
<i>Total Hotels, Restaurants &amp; Leisure</i>				12,438,029
<i>Household Durables</i> 1.6%				