

Western Asset High Yield Defined Opportunity Fund Inc.
Form N-CSRS
April 25, 2017

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, 49th Floor, New York, NY 10018
(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

Registrant's telephone number, including area code: 1-877-721-1926

Date of fiscal year end: August 31

Date of reporting period: February 28, 2017

ITEM 1. REPORT TO STOCKHOLDERS.

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

Semi-Annual Report

February 28, 2017

WESTERN ASSET

HIGH YIELD DEFINED

OPPORTUNITY FUND INC. (HYI)

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

What's inside	
<u>Letter from the chairman</u>	II
<u>Investment commentary</u>	III
<u>Fund at a glance</u>	1
<u>Spread duration</u>	2
<u>Effective duration</u>	3
<u>Schedule of investments</u>	4
<u>Statement of assets and liabilities</u>	20
<u>Statement of operations</u>	21
<u>Statements of changes in net assets</u>	22
<u>Financial highlights</u>	23
<u>Notes to financial statements</u>	24
<u>Board approval of management and subadvisory agreements</u>	37
<u>Additional shareholder information</u>	43
<u>Dividend reinvestment plan</u>	44

Fund objectives

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. Corporate securities include those securities that are issued or originated by U.S. or foreign public or private corporations and other business entities.

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 28, 2017. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

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 these goals is through our website, www.lmcef.com. Here you can gain immediate access to market and investment information, including:

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

Edgar Filing: Western Asset High Yield Defined Opportunity Fund Inc. - Form N-CSRS

Jane Trust, CFA

Chairman, President and Chief Executive Officer

March 31, 2017

II Western Asset High Yield Defined Opportunity Fund Inc.

Investment commentary

Economic review

The pace of U.S. economic activity fluctuated during the six months ended February 28, 2017 (the reporting period). Looking back, the U.S. Department of Commerce reported that second quarter 2016 U.S. gross domestic product (GDP) growth was 1.4%. GDP growth for the third quarter of 2016 was 3.5%, the strongest reading in two years. The U.S. Department of Commerce's final reading for fourth quarter 2016 GDP growth released after the reporting period ended was 2.1%. The deceleration in growth reflected downturns in exports and federal government spending, along with an acceleration in imports and lower nonresidential fixed investment.

Job growth in the U.S. was solid overall and a tailwind for the economy during the reporting period. When the reporting period ended on February 28, 2017, the unemployment rate was 4.7%, as reported by the U.S. Department of Labor. The percentage of longer-term unemployed also declined over the period. In February 2017, 23.8% of Americans looking for a job had been out of work for more than six months, versus 24.9% when the period began.

Investment commentary (cont d)

Market review

Q. How did the Federal Reserve Board (the Fed) respond to the economic environment?

A. Looking back, after an extended period of maintaining the federal funds rateⁱⁱⁱ 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%. The Fed then kept rates on hold at each meeting prior to its meeting in mid-December 2016. On December 14, 2016, the Fed raised rates to a range between 0.50% and 0.75%.

After holding rates steady at its meeting that concluded on February 1, 2017, the Fed raised rates to a range between 0.75% and 1.00% at its meeting that concluded on March 15, 2017 (after the reporting period ended). At that time the Fed said, "The Committee expects that economic conditions will evolve in a manner that will warrant 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. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data."

Q. Did Treasury yields trend higher or lower during the six months ended February 28, 2017?

A. Treasury yields moved sharply higher after the November 2016 U.S. elections given expectations for improving growth and higher inflation. All told, short- and long-term Treasury yields moved higher overall during the six months ended February 28, 2017. Two-year Treasury yields began the reporting period at 0.80% and ended the period at 1.22%. Their peak of 1.29% took place on December 15, 2016 and their low of 0.73% occurred on September 29, 2016. Ten-year Treasury yields began the reporting period at 1.58% and ended the period at 2.36%. Their high of 2.60% occurred on both December 15 and December 16, 2016 and their low of 1.54% occurred on September 7, 2016.

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

A. The spread sectors posted mixed results during the reporting period. Performance fluctuated with investor sentiment given signs of generally modest global growth, questions regarding future Fed monetary policy, the aforementioned U.S. elections and several geopolitical issues. The broad U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Index^{iv}, returned -2.19% during the six months ended February 28, 2017. Within the U.S. bond market, lower rated corporate bonds generated the best returns during the reporting period.

Q. How did the high-yield bond market perform over the six months ended February 28, 2017?

A. The U.S. high-yield bond market, as measured by the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index^v gained 5.43% for the six months ended February 28, 2017. The high-yield market posted positive returns during the first two months of the reporting period. This was driven by several factors, including robust demand from investors looking to generate incremental yield in the low interest rate environment and stabilizing oil prices. The U.S. high-yield bond market then

modestly declined in November 2016 amid sharply rising interest rates. However, this was only a temporary setback, as high-yield bonds then rallied sharply over the last three months of the reporting period.

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

A. The JPMorgan Emerging Markets Bond Index Global (EMBI Globalⁱ) returned -0.48% during the six months ended February 28, 2017. The asset class generated a positive return during the first month of the reporting period, but then fell sharply in October and November 2016. This turnaround occurred as demand weakened against a backdrop of rising interest rates in the U.S. and a sharp rally by the U.S. dollar. However, the asset class then rallied over the last three months of the period as investor demand improved.

Performance review

For the six months ended February 28, 2017, Western Asset High Yield Defined Opportunity Fund Inc. returned 6.89% based on its net asset value (NAVⁱⁱ) and 5.29% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index B Componentⁱⁱⁱ and the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index Caa Component^{ix}, returned 5.31% and 12.20%, respectively, over the same time frame. The Lipper High Yield Closed-End Funds Category Average^x returned 6.57% 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 \$0.64 per share. As of February 28, 2017, the Fund estimates that 93% of the distributions were sourced from net investment income and 7% constituted a return of capital.* The performance table shows the Fund's six-month total return based on its NAV and market price as of February 28, 2017. **Past performance is no guarantee of future results.**

Performance Snapshot as of February 28, 2017
(unaudited)

<p>Price Per Share</p> <p>\$16.93 (NAV)</p> <p>\$15.47 (Market Price)</p>	<p>6-Month Total Return**</p> <p>6.89%</p> <p>5.29%</p>
---	---

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.

*These estimates are 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 (click on the name of the Fund).

Investment commentary (cont d)

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 tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as www.lmcef.com (click on the name of the Fund).

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

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, 2017

***RISKS:** The Fund's common stock is traded on the New York Stock Exchange. Similar to stocks, the Fund's share price will fluctuate with market conditions and, at the time of sale, may be worth more or less than the original investment. Shares of closed-end funds often trade at a discount to their net asset value. The Fund is non-diversified and may be more susceptible to economic, political or regulatory events than a diversified fund. 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 invests 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. The Fund is also permitted purchases of equity securities. Equity securities generally have greater price volatility than fixed income securities. 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.

- ⁱ Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ⁱⁱ The Federal Reserve Board (the Fed) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- ⁱⁱⁱ The 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.
- ^{iv} The Bloomberg Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- ^v The Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Bloomberg Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- ^{vi} 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.
- ^{vii} 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.
- ^{viii} The Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap B Component is an index of the 2% Issuer Cap component of the broader Bloomberg Barclays U.S. Corporate High Yield Index and is comprised of the B-rated securities included in this Index.
- ^{ix} The Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Caa Component is an index of the 2% Issuer Cap component of the broader Bloomberg Barclays U.S. Corporate High Yield Index and is comprised of the Caa-rated securities included in this Index.
- ^x 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 28, 2017, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 7 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 28, 2017 and August 31, 2016 and does not include derivatives, such as forward foreign currency contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

* Represents less than 0.1%.

Spread duration (unaudited)

Economic exposure February 28, 2017

Total Spread Duration

HYI 3.94 years

Benchmark 3.44 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% Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index B Component & 40% Bloomberg 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
MBS	Mortgage-Backed Securities

Effective duration (unaudited)

Interest rate exposure February 28, 2017

Total Effective Duration

HYI 4.27 years

Benchmark 3.46 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% Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index B Component & 40% Bloomberg 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
MBS	Mortgage-Backed Securities

Schedule of investments (unaudited)

February 28, 2017

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Corporate Bonds & Notes 86.8%				
Consumer Discretionary 15.1%				
<i>Auto Components</i> 0.9%				
Adient Global Holdings Ltd., Senior Notes	4.875%	8/15/26	2,070,000	\$ 2,059,650 ^(a)
ZF North America Capital Inc., Senior Notes	4.750%	4/29/25	1,350,000	1,395,563 ^(a)
<i>Total Auto Components</i>				3,455,213
<i>Diversified Consumer Services</i> 1.1%				
Cengage Learning Inc., Senior Notes	9.500%	6/15/24	1,780,000	1,610,900 ^(a)
Prime Security Services Borrower LLC/Prime Finance Inc., Secured Notes	9.250%	5/15/23	1,390,000	1,523,787 ^(a)
Service Corp. International, Senior Notes	7.500%	4/1/27	1,030,000	1,225,700
<i>Total Diversified Consumer Services</i>				4,360,387
<i>Hotels, Restaurants & Leisure</i> 4.0%				
Bossier Casino Venture Holdco Inc., Senior Secured Bonds	14.000%	2/9/18	1,174,736	1,174,736 ^{(a)(b)(c)}
Brinker International Inc., Senior Notes	5.000%	10/1/24	1,080,000	1,063,800 ^(a)
Carrols Restaurant Group Inc., Secured Notes	8.000%	5/1/22	820,000	887,240
CCM Merger Inc., Senior Notes	9.125%	5/1/19	1,018,000	1,050,244 ^(a)
CEC Entertainment Inc., Senior Notes	8.000%	2/15/22	1,200,000	1,269,000
Downstream Development Authority of the Quapaw Tribe of Oklahoma, Senior Secured Notes	10.500%	7/1/19	890,000	887,775 ^(a)
Greektown Holdings LLC/Greektown Mothership Corp., Senior Secured Notes	8.875%	3/15/19	500,000	526,250 ^(a)
Jack Ohio Finance LLC/Jack Ohio Finance 1 Corp., Senior Secured Notes	6.750%	11/15/21	1,720,000	1,788,800 ^(a)
Landry's Inc., Senior Notes	6.750%	10/15/24	900,000	938,250 ^(a)
Mohegan Tribal Gaming Authority, Senior Notes	7.875%	10/15/24	1,000,000	1,028,830 ^(a)
Scientific Games International Inc., Senior Secured Notes	7.000%	1/1/22	430,000	457,950 ^(a)
Scientific Games International Inc., Senior Secured Notes	7.000%	1/1/22	390,000	415,838 ^(a)
Silversea Cruise Finance Ltd., Senior Secured Notes	7.250%	2/1/25	852,000	892,470 ^(a)
Viking Cruises Ltd., Senior Notes	8.500%	10/15/22	2,840,000	2,978,450 ^(a)
<i>Total Hotels, Restaurants & Leisure</i>				15,359,633
<i>Household Durables</i> 0.5%				
Shea Homes LP/Shea Homes Funding Corp., Senior Notes	6.125%	4/1/25	850,000	869,125 ^(a)
William Lyon Homes Inc., Senior Notes	7.000%	8/15/22	250,000	261,250
Woodside Homes Co., LLC/Woodside Homes Finance Inc., Senior Notes	6.750%	12/15/21	730,000	768,325 ^(a)
<i>Total Household Durables</i>				1,898,700
<i>Leisure Products</i> 0.2%				
Gibson Brands Inc., Senior Secured Notes	8.875%	8/1/18	1,070,000	971,025 ^(a)

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Media 6.2%</i>				
Carmike Cinemas Inc., Secured Notes	6.000%	6/15/23	440,000	\$ 470,800 ^(a)
Charter Communications Operating LLC/Charter Communications Operating Capital Corp., Senior Secured Notes	4.908%	7/23/25	3,010,000	3,176,068
Charter Communications Operating LLC/Charter Communications Operating Capital Corp., Senior Secured Notes	6.484%	10/23/45	640,000	745,421
DISH DBS Corp., Senior Notes	5.875%	7/15/22	280,000	301,000
DISH DBS Corp., Senior Notes	5.875%	11/15/24	220,000	235,125
DISH DBS Corp., Senior Notes	7.750%	7/1/26	30,000	35,175
iHeartCommunications Inc., Senior Notes	14.000%	2/1/21	2,858,218	1,107,559 ^(b)
MDC Partners Inc., Senior Notes	6.500%	5/1/24	630,000	611,888 ^(a)
SFR Group SA, Senior Secured Bonds	6.250%	5/15/24	2,730,000	2,781,160 ^(a)
SFR Group SA, Senior Secured Notes	7.375%	5/1/26	4,300,000	4,472,000 ^(a)
Time Warner Cable LLC, Senior Notes	8.250%	4/1/19	550,000	615,402
Univision Communications Inc., Senior Secured Notes	6.750%	9/15/22	1,714,000	1,806,128 ^(a)
Viacom Inc., Senior Notes	3.450%	10/4/26	1,020,000	978,439
Viacom Inc., Senior Notes	4.375%	3/15/43	2,140,000	1,884,779
Virgin Media Finance PLC, Senior Notes	6.375%	4/15/23	1,260,000	1,329,300 ^(a)
Virgin Media Finance PLC, Senior Notes	6.000%	10/15/24	1,750,000	1,846,250 ^(a)
Ziggo Secured Finance BV, Senior Secured Notes	5.500%	1/15/27	1,430,000	1,451,450 ^(a)
<i>Total Media</i>				<i>23,847,944</i>
<i>Multiline Retail 0.3%</i>				
Neiman Marcus Group LLC, Senior Secured Notes	7.125%	6/1/28	270,000	217,350
Neiman Marcus Group Ltd. LLC, Senior Notes	8.000%	10/15/21	1,400,000	885,500 ^(a)
<i>Total Multiline Retail</i>				<i>1,102,850</i>
<i>Specialty Retail 1.7%</i>				
American Greetings Corp., Senior Notes	7.875%	2/15/25	1,230,000	1,290,737 ^(a)
GameStop Corp., Senior Notes	6.750%	3/15/21	730,000	755,550 ^(a)
Guitar Center Inc., Senior Secured Bonds	6.500%	4/15/19	2,730,000	2,450,175 ^(a)
Hot Topic Inc., Senior Secured Notes	9.250%	6/15/21	660,000	673,200 ^(a)
PetSmart Inc., Senior Notes	7.125%	3/15/23	430,000	423,013 ^(a)
ServiceMaster Co., LLC, Senior Notes	5.125%	11/15/24	940,000	958,800 ^(a)
<i>Total Specialty Retail</i>				<i>6,551,475</i>
<i>Textiles, Apparel & Luxury Goods 0.2%</i>				
Hanesbrands Inc., Senior Notes	4.875%	5/15/26	640,000	636,800 ^(a)
Total Consumer Discretionary				58,184,027
<i>Consumer Staples 4.7%</i>				
<i>Beverages 0.8%</i>				
Carolina Beverage Group LLC/Carolina Beverage Group Finance Inc., Secured Notes	10.625%	8/1/18	1,120,000	1,058,400 ^(a)

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont d)

February 28, 2017

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Beverages continued</i>				
Cott Beverages Inc., Senior Notes	6.750%	1/1/20	910,000	\$ 941,850
DS Services of America Inc., Secured Notes	10.000%	9/1/21	1,000,000	1,090,000 ^(a)
<i>Total Beverages</i>				<i>3,090,250</i>
<i>Food & Staples Retailing 0.4%</i>				
Beverages & More Inc., Senior Secured Notes	10.000%	11/15/18	1,550,000	1,505,438 ^(a)
<i>Food Products 2.7%</i>				
AdvancePierre Foods Holdings Inc., Senior Notes				