

GLOBAL HIGH INCOME FUND INC
Form N-CSRS
July 09, 2015

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: 811-07540

Global High Income Fund Inc.

(Exact name of registrant as specified in charter)

1285 Avenue of the Americas, New York, New York 10019-6028

(Address of principal executive offices) (Zip code)

Mark F. Kemper, Esq.

UBS Global Asset Management

1285 Avenue of the Americas

New York, NY 10019-6028

(Name and address of agent for service)

Copy to:

Jack W. Murphy, Esq.

Dechert LLP

1900 K Street, N.W.

Washington, DC 20006

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Registrant's telephone number, including area code: 212-821 3000

Date of fiscal year end: October 31

Date of reporting period: April 30, 2015

Item 1. Reports to Stockholders.

Closed-end Funds

Semiannual Report

Global High Income Fund Inc.

Semiannual Report

April 30, 2015

Global High Income Fund Inc.:

Managed distribution policy key points to note

The Fund has a managed distribution policy (the Policy). Effective June 2015, the Fund makes regular monthly distributions at an annualized rate equal to 9% of the Fund's net asset value, as determined as of the last trading day during the first week of a month (usually a Friday, unless the NYSE is closed that day). (From June 2014 through the monthly distribution for May 2015, the annualized rate had been 6% (which, consistent with the Policy, in any given month may have been comprised of a combination of net investment income, short- and/or long-term capital gains, and/or a return of capital)).

On May 20, 2015, the Fund issued a press release announcing that its Board had increased the annualized rate of the Fund's monthly distribution from 6% to 9%, effective with the June 2015 monthly distribution. The Fund's Board intends to maintain the 9% annualized distribution rate until at least June 2016 absent unforeseen circumstances. However, the Fund's Board reserves its right to change that distribution rate or to change or terminate the Policy at any time without prior notice to Fund shareholders should the Board determine that to do so would be in the best interests of the Fund in light of unforeseen, changed circumstances from those that prevailed when the 9% annualized distribution rate was adopted in May 2015. Any such change or termination may have an adverse effect on the market price for the Fund's shares and would be announced in a press release.

The Fund's Board believed that the increased rate was appropriate based upon the recommendation of UBS Global Asset Management (Americas) Inc., (UBS Global AM), the Fund's investment advisor, and in light of its ongoing consideration of efforts to reduce the discount to underlying net asset value at which the Fund's shares recently had traded as of May 2015. Historically, UBS Global AM and the Board had sought to maintain distribution rates that were more closely aligned with the Fund's expected earnings. In recent years, however, a general decline in prevailing bond yields and narrowing of spreads have reduced the Fund's earnings levels, which resulted in reductions of the monthly distribution rate, which may have contributed to the discount at which the Fund's shares have traded. UBS Global AM believes that increasing the annualized distribution rate may help to reduce the Fund's trading discount.

In approving the increased distribution rate, the Fund's Board has effectively de-linked the Fund's managed distribution payments from the level of anticipated Fund earnings. To the extent that the aggregate amount distributed by the Fund under the Policy exceeds its current and accumulated earnings and profits, which is an expected result of the increase discussed above, the amount of that excess would constitute a return of capital or net realized capital gains for tax purposes. A return of capital may occur, for example, when some or all of the money that shareholders invested in the Fund is deemed to be paid back to them. A return of capital distribution does not reflect the Fund's investment performance and should not be confused with yield or income. Of course, if the Fund's earnings and profits in any fiscal year should exceed the aggregate amount distributed under the Policy, no return of capital to the Fund's shareholders would occur, and the Fund would make an additional distribution in the amount of that excess near the end of the fiscal year.

You should not draw any conclusions about the Fund's investment performance from the amount of the monthly distribution or from the terms of the Fund's Policy.

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The Fund periodically issues notices and press releases estimating the source characteristics of its monthly distributions. The estimated amounts and sources reported in these materials are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for accounting and tax reporting purposes will depend upon the Fund's investment experience during its entire fiscal year and may be subject to retroactive changes based on tax regulations. The Fund will send you a Form 1099-DIV (or your financial intermediary should provide you with similar information) for the calendar year that will tell you how to report these distributions for federal income tax purposes.

Further information regarding the Fund's Policy is contained in the section captioned "Distribution policy" towards the end of this report.

Global High Income Fund Inc.

June 12, 2015

Dear shareholder,

We present you with the semiannual report for Global High Income Fund Inc. (the Fund) for the six months ended April 30, 2015 (the reporting period).

Please note that in May 2015, the Fund changed its managed distribution policy. Please see the inside front cover of this report (facing page) for important information about this change.

Performance

For the six months ended April 30, 2015, the Fund declined 4.34% on a net asset value basis and 3.80% on a market price basis. In comparison, the Fund's benchmark, the Global High Income Fund Index (the Index), declined 3.84%. Over the same period, the Fund's Lipper Emerging Markets Hard Currency Debt Funds peer group median fell 2.98% on a net asset value basis and 2.34% on a market price basis. (For more performance information, including a description of the Index, please refer to Performance at a glance on page 5.)

The Fund did not use structural leverage during the reporting period. That is, the Fund did not have preferred stock outstanding or borrow from banks for investment purposes, as some of its peers may have done. Leverage magnifies returns on both the upside and on the downside and creates a wider range of returns within the Fund's peer group.

On the last trading day of the preceding fiscal year, which ended October 31, 2014, the Fund traded at a discount of 13.1%. At the close of the current reporting period, April 30, 2015, the Fund also traded at a discount of 13.1%. As of the same dates, the Lipper peer group reported median discounts of 12.2% and 11.7%, respectively.

A fund trades at a discount when the market price at which its shares trade is less than its NAV per share. Alternatively, a fund trades at a premium when the market price at which its shares trade is more than its NAV per share. The market price is the price the market is willing to pay for shares of a fund at a given time, and may be influenced by a range of factors, including supply and demand, and market conditions. NAV per share is determined by dividing the value of the Fund's securities, cash and other assets, less all liabilities, by the total number of common shares outstanding.

Market commentary

The emerging markets debt asset class experienced periods of volatility during the reporting period. The asset class was weak during the first half of the period given a sharp decline in the price of oil, the ongoing conflict between

Global High Income Fund Inc.

Investment goals:

Primarily, high level of current income; secondarily, capital appreciation

Portfolio management:

Portfolio management team, including Uwe Schillhorn

UBS Global Asset Management (Americas) Inc.

Commencement:

October 8, 1993

NYSE symbol:

GHI

Distribution payments:

Monthly

¹ The Global High Income Fund Index is an unmanaged index compiled by UBS Global Asset Management (Americas) Inc. constructed as follows: from the Fund's inception until 12/31/93: 100% J.P. Morgan Emerging Markets Bond Index (EMBI); from 01/01/94 to 11/05/06: 100% J.P. Morgan Emerging Markets Bond Index Global (EMBI Global); from 11/06/06 to 03/31/08: 70% J.P. Morgan Emerging Markets Bond Index Global (EMBI Global) and 30% J.P. Morgan Government Bond Index-Emerging Markets Diversified (GBI-EM Diversified); from 04/01/08 to 05/31/08: 50% J.P. Morgan Emerging Markets Bond Index Global (EMBI Global) and 50% J.P. Morgan Government Bond Index-Emerging Markets Diversified (GBI-EM Diversified); from 06/01/08 to present: 50% J.P. Morgan Emerging Markets Bond Index Global (EMBI Global) and 50% J.P. Morgan Government Bond Index-Emerging Markets Global Diversified (GBI-EM Global Diversified). Investors should note that indices do not reflect the deduction of fees and expenses.

Global High Income Fund Inc.

Russia and Ukraine, and fears of a default in Venezuela. Against this backdrop, investor risk aversion was elevated at times and emerging markets debt spreads widened, peaking in January 2015.² However, the asset class then rallied over the second half of the period. This turnaround was triggered by stabilizing oil prices, expectations for improving growth in the US and increased investor risk appetite, especially for oil exporting countries and US dollar-denominated debt.

During the six months ended April 30, 2015, US dollar-denominated emerging markets debt, as measured by the JP Morgan Emerging Markets Bond Index Global (EMBI Global),³ gained 0.70%. Local market investments (emerging markets debt denominated in the currency of the issuer) declined 8.24%, as measured in US dollars by the JP Morgan Government Bond Index-Emerging Markets Global Diversified (GBI-EM Global Diversified).⁴ Local debt generated weak results, as many emerging markets currencies fell sharply versus the US dollar.

Portfolio commentary

What worked

The Fund's exposure to oil exporting countries during the second half of the reporting period was additive for performance. In particular, the Fund's positions in Russia and Venezuela were beneficial for results, as their spreads narrowed during the second half of the period given improving oil prices.

An underweight to Ukrainian US dollar-denominated debt was beneficial for results. The Fund's underweight was rewarded given the country's deteriorating economic backdrop and the increasing likelihood of a debt restructuring.

The Fund's increased exposure in US dollar-denominated debt, especially during the second half of the period, contributed to performance. In particular, the Fund's overweight positions in Mexico, Dominican Republic, Costa Rica and Columbia were positive for results.

An overweight to Indian local debt enhanced the Fund's results. India's local debt performed relatively well as market sentiment for the country was generally positive given expectations for meaningful reforms and improving growth.

The Fund's underweight to the Brazilian real contributed to performance. The real depreciated versus the US dollar given weak growth and elevated inflation in the country.

Overall, the Fund's reduced allocation to local debt was additive for performance.

What didn't work

The Fund's exposure to oil exporting countries during the first half of the reporting period was negative for results. The Fund's positions in a number of oil exporting countries detracted from performance, as they were negatively impacted by the declining price of oil. In particular, the Fund's allocation to Russian quasi-sovereigns performed poorly, despite a rebound toward the end of the reporting period.

- ² Spread is the difference between the yields paid on a government bond (such as US Treasuries) and a security of a different quality, but with the same or similar maturity. When spreads widen, it implies the market is factoring in greater risk of default for the lower rated security; conversely, when spreads tighten, the market is factoring in less risk. Such movements in spreads generally result in changes in market prices for such securities.
- ³ The J.P. Morgan Emerging Markets Bond Index Global (EMBI Global) is an unmanaged index which is designed to track total returns for US dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans and Eurobonds. Investors should note that indices do not reflect the deduction of fees and expenses.
- ⁴ The J.P. Morgan Government Bond Index-Emerging Markets Global Diversified (GBI-EM Global Diversified) is an unmanaged index which is designed to track total returns for local currency debt instruments issued by emerging market governments. Investors should note that indices do not reflect the deduction of fees and expenses.
- ⁵ Quasi-sovereign bonds are securities issued by entities supported by the local government.

Global High Income Fund Inc.

Duration positioning was a headwind for the Fund's performance. We tactically adjusted the Fund's duration, but had a shorter position versus that of the Index. This negatively impacted results as intermediate- and longer-term US Treasury yields declined during the reporting period. (Duration measures a fund's sensitivity to changes in interest rates and is related to the maturity of the bonds comprising the portfolio.)

The Fund's overweight to Brazilian US dollar-denominated debt was negative for results. In particular, an overweight to Petrobras, a semi-public Brazilian multinational energy company, hurt the Fund's performance. Petrobras debt was negatively impacted by a widening corruption scandal.

Portfolio adjustments

Several adjustments were made to the portfolio during the reporting period.

We reduced the Fund's local currency and local debt positions and increased its allocation to US dollar-denominated debt.

During the sell-off in December 2014, we added to several positions in higher yielding countries that had become more attractively valued. This included the Fund's holdings in Belarus, Mongolia, Sri Lanka and Venezuela.

Use of derivatives

The Fund continued to utilize a number of instruments to manage its overall currency exposure. Currency forwards were among the most commonly used derivative instruments. (A currency forward is an agreement between two parties to exchange a certain amount in currencies at a certain rate at a future date.) During the reporting period, the Fund's overall currency management strategy contributed to results.

The Fund used various types of credit-related instruments to manage its credit risk across emerging markets. Credit default swaps (a type of credit derivative) and credit linked notes (notes structured to provide exposure to an underlying bond or asset) were utilized to adjust the Fund's exposure to the debt of certain emerging markets countries. Whereas credit default swaps were generally used to adjust the Fund's US dollar-denominated debt exposure, the other instruments were employed almost exclusively to gain access to various local markets. The overall management of US dollar-denominated assets, including credit derivatives, contributed to performance, as did the Fund's local bond market exposure.

The Fund utilized interest rate-related derivative instruments, including, but not limited to, futures and swaps. Overall, duration and yield curve management detracted from performance during the reporting period.

Outlook

Recent economic data show that US GDP growth was negative in the first quarter of 2015. We believe this was partially due to severe winter weather in parts of the country. In our view, the US economy should gain some momentum as the year progresses. That said, we do not expect to see robust growth given continued slack in areas of the economy, generally weak growth overseas and the impact from the stronger US dollar. We believe that the Fed will likely start raising interest rates later in 2015, but that its approach to policy normalization should be very gradual.

Turning to the fixed income market, the potential for higher interest rates is a headwind for bond prices. However, we do not expect to see a sharp rise in rates given the global economic environment and the cautious Fed. We believe credit fundamentals are generally sound, with large cash balances on many corporate balance sheets and low default rates. We are keeping a close eye on market technicals, as investor demand could be challenged at times given numerous geopolitical issues and if the Fed takes a more aggressive stance in terms of interest rate hikes.

Global High Income Fund Inc.

While global growth is recovering slowly, emerging economies are still lagging, but we feel that growth could be bolstered by increasing exports. A stable oil price and more supportive demand for commodities in general could be a first indication for improving growth in emerging economies. In addition, emerging markets currencies have depreciated in recent months, and this makes products from developing countries more attractive on a relative basis. This could also be supportive for emerging markets countries, as long as their central banks remain on hold in terms of raising interest rates. In our view, inflation is relatively benign overall and, as such, we do not expect to see policy tightening in the near term.

However, we recognize that some emerging markets countries still show a lower level of economic activity and further downward revisions to growth cannot be ruled out. In addition, we believe that political uncertainty will

keep volatility high for the time being and will impact investors' confidence. That said, current spread levels, together with an improving fundamental outlook, should be attractive for the emerging markets debt asset class.

We thank you for your continued support and welcome any comments or questions you may have. For additional information regarding your fund, please contact your financial advisor, or visit us at www.ubs.com/globalam-us.

Sincerely,

Mark E. Carver
President
Global High Income Fund Inc.
Managing Director
UBS Global Asset Management
(Americas) Inc.

Uwe Schillhorn, CFA
Vice President & Portfolio Management Team Member
Global High Income Fund Inc.
Managing Director
UBS Global Asset Management
(Americas) Inc.

This letter is intended to assist shareholders in understanding how the Fund performed during the six months ended April 30, 2015. The views and opinions in the letter were current as of June 12, 2015. They are not guarantees of future performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and we reserve the right to change our views about individual securities, sectors and markets at any time. As a result, the views expressed should not be relied upon as a forecast of the Fund's future investment intent. We encourage you to consult your financial advisor regarding your personal investment program.

Global High Income Fund Inc.

Performance at a glance (unaudited)

Average annual total returns for periods ended 04/30/2015

Net asset value returns	6 months	1 year	5 years	10 years
Global High Income Fund Inc.	(4.34)%	(3.93)%	2.43%	5.94%
Lipper Emerging Markets Hard Currency Debt Funds	(2.98)%	(1.10)%	5.20%	7.75%
Market price returns				
Global High Income Fund Inc.	(3.80)%	(4.78)%	0.14%	3.38%
Lipper Emerging Markets Hard Currency Debt Funds	(2.34)%	(2.80)%	5.02%	8.01%
Index returns				
Global High Income Fund Index ¹	(3.84)%	(2.62)%	4.07%	7.20%
J.P. Morgan Emerging Markets Bond Index Global (EMBI Global) ²	0.70%	4.50%	7.08%	8.09%

Past performance does not predict future performance. The return and value of an investment will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. The Fund's net asset value (NAV) returns assume, for illustration only, that dividends and other distributions, if any, were reinvested at the NAV on the payable dates. The Fund's market price returns assume that all dividends and other distributions, if any, were reinvested at prices obtained under the Fund's Dividend Reinvestment Plan. Returns for the period of less than one year have not been annualized. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund dividends and other distributions, if any, or on the sale of Fund shares.

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Lipper peer group data calculated by Lipper Inc.; used with permission. The Lipper median is the return of the fund that places in the middle of the peer group. Lipper classifies the Fund in its Emerging Markets Hard Currency Debt

Funds category, which includes both leveraged and non-leveraged closed-end funds that seek either current income or total return by investing primarily in emerging market debt securities.

Any Fund performance information reflects the deduction of the Fund's fees and expenses, as indicated in shareholder reports, such as investment advisory and administration fees, custody fees, exchange listing fees, etc. It does not reflect any transaction charges that a shareholder may incur when (s)he buys or sells shares (e.g., a shareholder's brokerage commissions).

Investing in the Fund entails specific risks, such as interest rate risk and the risks associated with investing in the securities of issuers in emerging market countries. The value of the Fund's investments in foreign securities may fall due to adverse political, social and economic developments abroad and due to decreases in foreign currency values relative to the US dollar. Investments in emerging market issuers may decline in value because of unfavorable government actions, greater risks of political instability or the absence of accurate information about emerging market issuers. Further detailed information regarding the Fund, including a discussion of principal objectives, principal investment strategies and principal risks, may be found in the fund overview located at <http://www.ubs.com/closedendfundsinfo>. You may also request copies of the fund overview by calling the Closed-End Funds Desk at 888-793 8637.

Global High Income Fund Inc.

Portfolio statistics (unaudited)

Characteristics¹	04/30/15		10/31/14		04/30/14
Net asset value	\$ 10.34		\$ 11.14		\$ 11.44
Market price	\$ 8.99		\$ 9.68		\$ 10.13
12-month dividends/distributions	\$ 0.6684		\$ 0.7538		\$ 0.8259
Monthly dividend/distribution at period-end	\$ 0.0509		\$ 0.0554		\$ 0.0666
Net assets (mm)	\$ 223.2		\$ 240.6		\$ 247.0
Weighted average maturity (yrs.)	9.0		8.6		8.6
Duration (yrs.) ²	6.1		5.9		5.8
Currency breakdown³	04/30/15		10/31/14		04/30/14
US dollar denominated	56.5%		53.9%		57.5%
Foreign denominated	43.5		46.1		42.5
Total	100.0%		100.0%		100.0%
Top ten countries⁴					
(bond holdings)	04/30/15		10/31/14		04/30/14
Brazil	9.9%	Brazil	11.6%	Brazil	10.8%
Indonesia	8.7	Indonesia	8.1	Turkey	8.5
Turkey	6.7	Turkey	7.8	Russia	6.7
Mexico	5.8	Russia	6.9	Indonesia	5.8
Russia	5.7	Mexico	5.7	Venezuela	5.4
Malaysia	5.3	Venezuela	4.4	Mexico	5.3
South Africa	5.1	Columbia	4.0	India	4.6
Poland	4.3	South Africa	4.0	Malaysia	4.4
India	3.9	Malaysia	4.0	Poland	4.0
Columbia	3.8	Poland	3.8	South Africa	3.9
	59.2%		60.3%		59.4%
Credit quality⁵	04/30/15		10/31/14		04/30/14
AA	1.3%		1.0%		0.9%
A	11.7		10.4		12.3
BBB	23.5		27.4		25.9
BB	14.5		11.2		10.5
B	11.0		9.9		12.3
CCC	3.2		4.0		0.0
Non-rated	30.3		33.0		28.6
Cash equivalents	2.2		2.6		6.9
Other assets less liabilities	2.3		0.5		2.6
Total	100.0%		100.0%		100.0%

¹ Prices and other characteristics will vary over time.

- ² Duration is a measure of price sensitivity of a fixed income investment or portfolio (expressed as % change in price) to a 1 percentage point (i.e., 100 basis points) change in interest rates, accounting for optionality in bonds such as prepayment risk and call/put features.
- ³ Breakdown represents a percentage of market value as of dates indicated. Forward foreign currency contracts are reflected at unrealized appreciation/depreciation; this may not align with the risk exposure described in the portfolio commentary section of the preceding shareholder letter which reflects forward foreign currency contracts based on contract notional amount. As of the most recent period end, April 30, 2015, the Fund maintained a risk exposure to non-U.S. dollar currencies equal to approximately 52% of the Fund.
- ⁴ Weightings represent percentage of net assets as of the dates indicated. The Fund's portfolio is actively managed and its composition will vary over time.
- ⁵ Weightings represent percentages of net assets as of the dates indicated. The Fund's portfolio is actively managed and its composition will vary over time. Credit quality ratings shown are based on those assigned by Standard & Poor's Financial Services LLC, a part of McGraw-Hill Financial (S&P), to individual portfolio holdings. S&P is an independent ratings agency. Ratings reflected represent S&P individual debt issue credit ratings. While S&P may provide a credit rating for a bond issuer (e.g., a specific company or country); certain issues, such as some sovereign debt, may not be covered or rated and therefore are reflected as non-rated for the purposes of this table. Credit ratings range from AAA, being the highest, to D, being the lowest, based on S&P's measures; ratings of BBB or higher are considered to be investment grade quality. Unrated securities do not necessarily indicate low quality. Further information regarding S&P's rating methodology may be found on its website at www.standardandpoors.com. Please note that references to credit quality made in the commentary above may reflect ratings based on multiple providers (not just S&P) and thus may not align with the data represented in this table. S&P credit ratings were identified and selected for use in the credit quality table included above given their coverage of the asset class in which the Fund invests.

Global High Income Fund Inc.

Industry diversification (unaudited)

As a percentage of net assets

As of April 30, 2015

Bonds

Corporate bonds

Airlines	0.25%
Automobiles	0.09
Banks	7.11
Capital markets	1.58
Chemicals	0.37
Construction & engineering	0.19
Construction materials	0.32
Consumer finance	0.19