

MUNICIPAL HIGH INCOME FUND INC
Form N-Q
March 30, 2005

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

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-5497

Municipal High Income Fund Inc.

(Exact name of registrant as specified in charter)

125 Broad Street, New York, NY 10004
(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.
Salomon Brothers Asset Management Inc.
300 First Stamford Place
Stamford, CT 06902
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-800-725-6666

Date of fiscal year end: **October 31**
Date of reporting period: **January 31, 2005**

ITEM 1. SCHEDULE OF INVESTMENTS

MUNICIPAL HIGH INCOME FUND INC.

**FORM N-Q
JANUARY 31, 2005**

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

Municipal High Income Fund Inc.
 Schedule of Investments (unaudited)
 January 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
MUNICIPAL BONDS 98.9%			
Alabama 1.1%			
\$ 615,000	NR	Capstone Improvement District of Brookwood, AL, Series A, 7.700% due 8/15/23 (b)	\$ 61,500
11,765	D	Mobile, AL IDB, Solid Waste Disposal Revenue, (Mobile Energy Services Co. Project), 6.950% due 1/1/20 (b)	74
1,000,000	NR	Rainbow City, AL Special Health Care Facility Financing Authority, Series A, 8.250% due 1/1/31 (b)	691,670
1,000,000	AAA	West Jefferson, AL Amusement & Public Park Authority Revenue, (Visionland Project), (Call 12/1/06 @ 102), 8.000% due 12/1/26 (c)	1,119,620
			<hr/>
			1,872,864
Alaska 1.9%			
2,000,000	AAA	Alaska Housing Finance Corporation, Series A, FGIC-Insured, 5.000% due 12/1/26 (d)	2,116,060
1,055,000	NR	Alaska Industrial Development & Export Authority Revenue, Williams Lynxs Alaska Cargoport, 8.125% due 5/1/31 (e)	1,122,066
			<hr/>
			3,238,126
Arizona 3.1%			
1,500,000	NR	Casa Grande, AZ IDA, Hospital Revenue, Casa Grande Regional Medical Center, Series A, 7.625% due 12/1/29	1,604,370
1,000,000	BB-	Gila County, AZ IDA Revenue, ASARCO Inc., 5.550% due 1/1/27	839,930
935,000	NR	Maricopa, AZ IDA, MFH Revenue, (Gran Victoria Housing LLC Project), Series B, 10.000% due 5/1/31 (f)	943,733
1,795,000	NR	Phoenix, AZ IDA, MFH Revenue, (Ventana Palms Apartments Project), Series B, 8.000% due 10/1/34	1,792,667
			<hr/>
			5,180,700
Arkansas 1.1%			
1,000,000	BBB-	Arkansas State Development Finance Authority: Hospital Revenue, (Washington Regional Medical Center Project), 7.375% due 2/1/29	1,115,920
600,000	BB+	Industrial Facilities Revenue, (Potlatch Corp. Project), Series A, 7.750% due 8/1/25 (e)	661,596
			<hr/>
			1,777,516

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

California 8.5%

1,500,000	NR	Barona, CA Band of Mission Indians, GO, 8.250% due 1/1/20 (f)	1,619,160
3,000,000	A-1+	California Pollution Control Financing Authority, Pollution Control Revenue, Pacific Gas & Electric Corp., Series F, 1.890% due 11/1/26 (g)	3,000,000

See Notes to Schedule of Investments.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

Municipal High Income Fund Inc.
 Schedule of Investments (unaudited) (continued)
 January 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
California 8.5% (continued)			
		California State Department of Water Resources, Power Supply Revenue:	
\$ 1,500,000	AAA	MBIA-Insured, RITES, 8.311% due 5/1/11 (h)	\$ 1,829,490
750,000	NR	XLCA-Insured, RITES, 7.798% due 5/1/10 (h)	934,035
1,500,000	NR	California Statewide Communities Development Authority Revenue, (East Valley Tourist Project), Series A, 9.250% due 10/1/20	1,623,330
		Golden State Tobacco Securitization Corp., Tobacco Settlement Revenue:	
1,000,000	A-	5.625% due 6/1/38	1,078,070
2,000,000	BBB	7.800% due 6/1/42 (d)	2,205,460
1,865,000	Ba2*	Vallejo, CA COP, Touro University, 7.375% due 6/1/29	1,937,660
			<hr/>
			14,227,205
			<hr/>
Colorado 2.7%			
		Colorado Education and Cultural Facilities Authority Revenue:	
2,000,000	NR	Colorado Lutheran High School Project, Series A, 7.625% due 6/1/34 (d)	2,039,060
910,000	AAA	Peak to Peak Project, (Call 8/5/11 @ 100), 7.500% due 8/15/21 (c)	1,105,195
785,000	NR	Elbert County Charter, 7.375% due 3/1/35	793,454
500,000	NR	Southlands Medical District, CO, 7.125% due 12/1/34	513,245
			<hr/>
			4,450,954
			<hr/>
District of Columbia 1.3%			
1,895,000	AAA	District of Columbia COP, AMBAC-Insured, 5.500% due 1/1/20 (d)	2,125,868
			<hr/>
Florida 11.6%			
1,000,000	NR	Beacon Lakes Community Development District, Special Assessment, Series A, 6.900% due 5/1/35	1,041,250
1,500,000	NR	Bonnet Creek Resort Community Development District, FL Special Assessment, 7.500% due 5/1/34	1,613,670
		Capital Projects Finance Authority, FL:	
2,000,000	NR	Continuing Care Retirement, Glenridge on Palmer Ranch, Series A, 8.000% due 6/1/32 (d)	2,111,200
2,000,000	NR	Student Housing Revenue, Florida University, Series A, 7.850% due 8/15/31 (d)	2,012,220
1,000,000	NR	Capital Trust Agency Revenue, Seminole Tribe Convention	

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

		Center, Series A, 10.000% due 10/1/33	1,144,940
980,000	NR	Century Parc Community Development District, Special Assessment, 7.000% due 11/1/31	1,042,279
1,000,000	A	Highlands County, FL Health Facilities Authority Revenue, Adventist Health Systems, 6.000% due 11/15/25	1,108,580

See Notes to Schedule of Investments.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

Municipal High Income Fund Inc.
 Schedule of Investments (unaudited) (continued)
 January 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
Florida 11.6% (continued)			
\$ 875,000	NR	Homestead , FL IDR, Community Rehabilitation Providers Program, Series A, 7.950% due 11/1/18	\$ 888,606
2,000,000	BB+	Martin County , FL IDA Revenue, (Indiantown Cogeneration Project), Series A, 7.875% due 12/15/25 (d)(e)	2,051,500
1,000,000	NR	Orange County , FL Health Facilities Authority Revenue, First Mortgage, (GF/Orlando, Inc. Project), 9.000% due 7/1/31	1,028,270
535,000	AAA	Palm Beach County , FL Health Facilities Authority Revenue, (John F. Kennedy Memorial Hospital Inc. Project), 9.500% due 8/1/13 (i)	689,481
2,000,000	NR	Reunion East Community Development District, Special Assessment, Series A, 7.375% due 5/1/33	2,177,340
1,000,000	B-	Santa Rosa Bay Bridge Authority, FL Revenue, 6.250% due 7/1/28	924,970
1,450,000	NR	Waterlefe Community Development District, Golf Course Revenue, 8.125% due 10/1/25	1,573,120
			19,407,426
Georgia 4.2%			
1,000,000	AAA	Atlanta, GA Airport Revenue, Series B, FGIC-Insured, 5.625% due 1/1/30 (e)	1,058,430
2,500,000	NR	Atlanta, GA Tax Allocation, (Atlantic Station Project), 7.900% due 12/1/24 (d)	2,751,300
1,000,000	NR	Brunswick & Glynn County, GA Development Authority Revenue, First Mortgage, Coastal Community Retirement, Series A, 7.250% due 1/1/35	1,015,350
1,000,000	BBB+	Gainesville & Hall County, GA Development Authority Revenue, Senior Living Facility, Lanier Village Estates, Series C, 7.250% due 11/15/29	1,085,400
1,005,000	NR	Walton County, GA IDA Revenue, (Walton Manufacturing Co. Project), 8.500% due 9/1/07	1,045,170
			6,955,650
Illinois 1.3%			
2,000,000	AAA	Chicago , IL GO, Neighborhoods Alive 21 Program, FGIC-Insured, 5.500% due 1/1/31 (d)	2,186,160
Indiana 2.1%			
2,500,000	BBB-	East Chicago , IN PCR, (Inland Steel Co. Project No. 10), 6.800% due 6/1/13 (d)	2,530,800

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

1,000,000	BB+	Indiana State Development Finance Authority, PCR, (Inland Steel Co. Project No. 13), 7.250% due 11/1/11 (e)	1,050,740
			<hr/>
			3,581,540
			<hr/>

See Notes to Schedule of Investments.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

Municipal High Income Fund Inc.
 Schedule of Investments (unaudited) (continued)
 January 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
Kentucky 0.6%			
\$ 1,000,000	A-1+	Louisville & Jefferson County, KY Metropolitan Sewer District, Sewer & Drain System, Series B, FSA-Insured, 1.830% due 5/15/23 (g)	\$ 1,000,000
Louisiana 2.1%			
1,000,000	NR	Epps , LA COP, 8.000% due 6/1/18	1,039,710
1,600,000	NR	Louisiana Local Government Environmental Facilities, Community Development Authority Revenue Refunding, St. James Place , Series A, 7.000% due 11/1/25	1,542,768
1,000,000	BB-	Port of New Orleans, LA IDR, (Continental Grain Co. Project), 7.500% due 7/1/13	1,014,590
			3,597,068
Maryland 1.9%			
3,000,000	NR	Maryland State Economic Development Corp. Revenue, Chesapeake Bay, Series A, 7.730% due 12/1/27 (d)	3,183,930
Massachusetts 4.2%			
		Boston, MA IDA Financing Revenue:	
750,000	NR	Crosstown Center Project, 8.000% due 9/1/35 (e)	767,010
970,000	NR	Roundhouse Hospitality LLC Project, 7.875% due 3/1/25 (e)	985,365
1,000,000	BBB	Caritas Christi Obligation, Series B, 6.750% due 7/1/16	1,138,790
1,000,000	NR	Massachusetts State Development Finance Agency Revenue Briarwood, Series B, (Call 12/1/10 @ 101), 8.250% due 12/1/30 (c)	1,277,860
200,000	A-1+	Massachusetts State Health & Educational Facilities Authority Revenue, Partners Healthcare System, Series D-5, 1.880% due 7/1/17 (g)	200,000
1,900,000	NR	Massachusetts State Industrial Finance Agency Revenue, Assisted Living Facility, (Marina Bay LLC Project), 7.500% due 12/1/27 (d)(e)	1,951,851
455,000	AAA	Massachusetts State Port Authority Revenue, 13.000% due 7/1/13 (i)	662,607
			6,983,483
Michigan 6.3%			
2,130,000	NR	Allen Academy, COP, 7.500% due 6/1/23 (d)	2,129,659
1,000,000	NR	Cesar Chavez Academy, COP, 8.000% due 2/1/33	1,041,850

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

1,900,000	Ba2*	Garden City, MI Hospital Finance Authority, Hospital Revenue, Garden City Hospital Obligation Group, Series A, 5.625% due 9/1/10	1,888,695
1,000,000	NR	Gaudior Academy, MI COP, 7.250% due 4/1/34	1,019,780
1,750,000	NR	Kalamazoo Advantage Academy, COP, 8.000% due 12/1/33	1,780,083
1,000,000	NR	Merritt Academy, MI COP, 7.250% due 12/1/24	1,011,730

See Notes to Schedule of Investments.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

Municipal High Income Fund Inc.
Schedule of Investments (unaudited) (continued)
January 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
Michigan 6.3% (continued)			
\$ 1,000,000	NR	Star International Academy, MI COP, 7.000% due 3/1/33	\$ 1,020,920
700,000	NR	William C. Abney Academy, MI COP, 6.750% due 7/1/19	696,759
			10,589,476
Minnesota 0.6%			
1,000,000	NR	Minneapolis & St. Paul, MN Metropolitan Airports Community Special Facility Revenue, (Northwest Airlines Project), Series A, 7.000% due 4/1/25 (e)	940,410
Missouri 0.2%			
250,000	NR	St. Joseph, MO IDA, (Living Community of St. Joseph Project), 7.000% due 8/15/32	265,150
Montana 2.3%			
4,515,000	NR	Montana State Board of Investment, Resource Recovery Revenue, (Yellowstone Energy L.P. Project), 7.000% due 12/31/19 (d)(e)	3,780,816
New Jersey 3.8%			
1,000,000	NR	New Jersey EDA, Series A, Retirement Community Revenue, 8.250% due 11/15/30	1,104,730
3,000,000	BBB-	New Jersey Health Care Facilities Financing Authority Revenue, Trinitas Hospital Obligation Group, 7.500% due 7/1/30 (d)	3,401,940
1,750,000	BBB	Tobacco Settlement Financing Corp. Revenue, 6.750% due 6/1/39	1,780,958
			6,287,628
New Mexico 1.5%			
Albuquerque, NM Hospital Revenue, Southwest Community Health Services:			
220,000	AAA	Call 8/1/08 @ 100, 10.000% due 8/1/12 (c)	262,651
115,000	AAA	Call 8/1/08 @ 100, 10.125% due 8/1/12 (c)	137,695
1,000,000	NR	Otero County, (Detention Facility Project), COP, 7.500% due 12/1/24	1,003,830
1,000,000	NR	Sandoval County, NM Project Revenue, (Santa Ana Pueblo Project), 7.750% due 7/1/15	1,042,300
			2,446,476
New York 5.5%			
700,000	NR	Brookhaven, NY IDA, Civic Facility Revenue, Memorial Hospital Medical Center, Series A, 8.250% due 11/15/30	754,593

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

2,000,000	AAA	Metropolitan Transportation Authority, NY, Series A, AMBAC-Insured, 5.000% due 7/1/30 (d)	2,086,680
1,000,000	NR	Monroe County, NY IDA, Woodland Village Project, 8.550% due 11/15/32	1,088,430
1,000,000	A-1+	New York, NY GO, Series B2, Sub. Series B9, LOC-JPMorgan Chase & Co., 1.820% due 8/15/23 (g)	1,000,000

See Notes to Schedule of Investments.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

Municipal High Income Fund Inc.
 Schedule of Investments (unaudited) (continued)
 January 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
New York 5.5% (continued)			
\$ 1,360,000	NR	New York City, NY IDA, Civic Facility Revenue: Community Residence for the Developmentally Disabled, 7.500% due 8/1/26	\$ 1,446,020
1,120,000	NR	Special Needs Facility Pooled Program, Series A-1, 8.125% due 7/1/19	1,221,416
500,000	A-1+	Port Authority of New York & New Jersey, Special Obligation Revenue, Versatile Structure Obligation, Series 3, 1.930% due 6/1/20 (g)	500,000
970,000	NR	Suffolk County, NY IDA, Civic Facility Revenue, Southampton Hospital Association, Series A, 7.750% due 1/1/22	1,011,739
			9,108,878
North Carolina 1.7%			
1,000,000	NR	Charlotte, NC Special Facilities Revenue, Charlotte/Douglas International Airport, 5.600% due 7/1/27 (b)(e)	463,720
965,000	NR	North Carolina Medical Care Commission, Health Care Facilities Revenue, First Mortgage, (De Paul Community Facilities Project), 7.625% due 11/1/29	1,010,529
1,000,000	AAA	North Carolina Municipal Power Agency, Catawba Electric Revenue, MBIA-Insured, TICS, 9.389% due 1/1/11 (h)	1,294,720
			2,768,969
Ohio 2.9%			
1,500,000	BBB	Cuyahoga County, OH Hospital Facilities Revenue, (Canton Inc. Project), 7.500% due 1/1/30	1,695,630
1,035,000	AAA	Montgomery County, OH Health Systems Revenue, Series B-1: Call 7/1/06 @ 102, 8.100% due 7/1/18 (c)	1,136,358
315,000	AAA	Unrefunded Balance, 8.100% due 7/1/18	339,132
1,500,000	BB+	Ohio State Air Quality Development Authority Revenue, Cleveland Pollution Control, Series A, 6.000% due 12/1/13	1,598,580
1,250,000	NR	Ohio State Solid Waste Revenue, Republic Engineered Steels Inc., 9.000% due 6/1/21 (b)(e)(j)	0
			4,769,700
Pennsylvania 6.0%			
2,200,000	NR	Allegheny County, PA IDA, Airport Special Facilities Revenue, (USAir Inc. Project), Series B, 8.500% due 3/1/21 (b)(e) Beaver County, PA IDA, PCR:	46,750

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

1,500,000	BBB-	Cleveland Electric Illuminating Co. Project, 7.625% due 5/1/25	1,550,430
2,000,000	BBB-	Toledo Edison Co. Project, 7.625% due 5/1/20 (d)	2,067,340

See Notes to Schedule of Investments.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

Municipal High Income Fund Inc.
 Schedule of Investments (unaudited) (continued)
 January 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
Pennsylvania 6.0% (continued)			
\$ 1,000,000	NR	Cumberland County, PA Municipal Authority Retirement Community Revenue, (Wesley Affiliated Services Inc. Project), Series A, 7.250% due 1/1/35	\$ 1,064,790
2,640,000	NR	Montgomery County, PA Higher Education & Health Authority Revenue, Temple Continuing Care Center, 6.625% due 7/1/19 (b)	158,400
1,000,000	NR	Northumberland County, PA IDA, (NHS Youth Services Inc. Project), Series A, 7.500% due 2/15/29	1,024,000
1,000,000	NR	Philadelphia, PA Authority for IDR, (Host Marriott L.P. Project) Remarketed 10/31/95, 7.750% due 12/1/17	1,019,530
1,000,000	A-1+	Philadelphia, PA Hospitals & Higher Education Facilities Authority Revenue, (Children s Hospital Project), MBIA-Insured, Series C, 1.890% due 7/1/31 (g)	1,000,000
2,000,000	NR	Westmoreland County, PA IDA, Healthcare Facilities, Redstone Highlands Health, Series B, 8.125% due 11/15/30	2,165,100
			<hr/> 10,096,340 <hr/>
South Carolina 2.0%			
		Connector 2000 Association Inc., SC Toll Road Revenue: Capital Appreciation, Series B:	
3,100,000	B-	Zero coupon bond to yield 8.600% due 1/1/27	479,725
7,750,000	B-	Zero coupon bond to yield 9.730% due 1/1/34	720,052
2,000,000	B-	Southern Connector Project, Series A, 5.375% due 1/1/38	1,522,080
225,000	NR	Florence County, SC IDR, Stone Container Corp., 7.375% due 2/1/07	226,260
460,000	NR	McCormick County, SC COP, 9.750% due 7/1/09	465,423
			<hr/> 3,413,540 <hr/>
Texas 10.9%			
		Bexar County, TX Housing Financial Corp., MFH:	
980,000	NR	Continental Lady Ester, Series A, 6.875% due 6/1/29	921,886
1,165,000	Ba1*	Nob Hill Apartments, Series B, 8.500% due 6/1/31	1,117,701
235,000	Baa3*	Waters at Northern Hills, Series C, 7.750% due 8/1/36	226,451
1,515,000	Baa2*	El Paso County, TX Housing Financial Corp., MFH, Las Lomas Apartments, Series A, 6.450% due 12/1/19	1,531,968
1,000,000	NR	Grand Prairie, TX Housing Finance Corp., Independent Senior Living Center Revenue, 7.750% due 1/1/34	1,014,640
2,000,000	Ba2*	Gulf Coast, TX IDA, Solid Waste Disposal Revenue, (CITGO Petroleum Corp. Project), 7.500% due 5/1/25 (d)(e)	2,210,240

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

2,750,000	B-	Houston, TX Airport Systems Revenue, Special Facilities, (Continental Airlines Inc. Project), Series C, 6.125% due 7/15/27 (d)(e)	2,125,200
1,100,000	NR	Intercontinental Airport/Houston, Public Facility Corp. Project Revenue, 7.750% due 5/1/26	1,095,259

See Notes to Schedule of Investments.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

Municipal High Income Fund Inc.
 Schedule of Investments (unaudited) (continued)
 January 31, 2005

FACE AMOUNT	RATING(a)	SECURITY	VALUE
Texas 10.9% (continued)			
\$ 1,000,000	AAA	Laredo, TX Independent School District Public Facility Corp. Lease Revenue, Series A, AMBAC-Insured, 5.000% due 8/1/29	\$ 1,029,020
1,000,000	NR	Midlothian, TX Development Authority, Tax Increment Contract Revenue, 6.200% due 11/15/29	1,015,430
1,000,000	BB	Port Corpus Christi, TX Industrial Development Corp., (CITGO Petroleum Corp. Project), 8.250% due 11/1/31 (e)	1,082,630
970,000	Ba3*	Texas State Affordable Housing Corp., MFH Revenue, HIC Arborstone Baybrook, Series C, 7.250% due 11/1/31	894,330
1,865,000	NR	West Texas Detention Facility Corp. Revenue, 8.000% due 2/1/25	1,926,433
		Willacy County, TX, (Public Facility Corp. Project):	
1,000,000	NR	7.500% due 11/1/25	1,020,380
1,000,000	NR	Series A-1, 8.250% due 12/1/23	1,038,660
			18,250,228
Utah 0.6%			
1,000,000	A-1+	Weber County, UT Hospital Revenue, IHC Health Services, Series C, 1.900% due 2/15/35 (g)	1,000,000
Virginia 5.9%			
510,000	NR	Alexandria, VA Redevelopment & Housing Authority, MFH Revenue, (Parkwood Court Apartments Project), Series C, 8.125% due 4/1/30	515,243
1,000,000	NR	Broad Street Community Development Authority Revenue, 7.500% due 6/1/33	1,048,170
1,000,000	NR	Fairfax County, VA EDA Revenue, Retirement Community, Greenspring Village Inc, Series A, 7.500% due 10/1/29	1,071,900
		Pocahontas Parkway Association, VA Toll Road Revenue, Capital Appreciation, Series B:	
5,000,000	BB	Zero coupon bond to yield 6.170% due 8/15/30	1,139,000
10,000,000	BB	Zero coupon bond to yield 7.250% due 8/15/33	1,892,100
23,400,000	BB	Zero coupon bond to yield 8.110% due 8/15/34 (d)	4,175,496
			9,841,909
Wisconsin 1.0%			
		Wisconsin State Health & Educational Facilities Authority Revenue:	
1,000,000	BBB+	Aurora Health Care, 6.400% due 4/15/33	1,108,030
1,745,000	NR	Benchmark Healthcare of Green Bay Inc Project,	

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

Series A, 7.750% due 5/1/27 (b)	575,850
	<hr/>
	1,683,880
	<hr/>
TOTAL MUNICIPAL BONDS 98.9%	
(Cost \$166,709,493)	165,011,890
	<hr/>

See Notes to Schedule of Investments.

8

Municipal High Income Fund Inc.
 Schedule of Investments (unaudited) (continued)
 January 31, 2005

SHARES	SECURITY	VALUE
COMMON STOCK 0.0%		
3,180	Mobile Energy Services Co. LLC (j)(k) (Cost \$988,235)	\$ 0
TOTAL INVESTMENTS 98.9%		
(Cost \$167,697,728**)		165,011,890
Other Assets in Excess of Liabilities 1.1%		1,916,321
TOTAL NET ASSETS 100.0%		\$ 166,928,211

- (a) All ratings are by Standard & Poor's Rating Service, except for those identified by an asterisk (*), which are rated by Moody's Investors Service and for those identified by a double dagger (†), which are rated by Fitch Ratings.
 - (b) Security is currently in default.
 - (c) Pre-Refunded bonds are escrowed with U.S. government securities and/or U.S. government agency securities and are considered by the investment adviser to be triple-A rated even if the issuer has not applied for new ratings.
 - (d) All or a portion of this security is segregated for open futures contracts.
 - (e) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax.
 - (f) All or a portion of this security is held as collateral for open futures contracts.
 - (g) Variable rate obligation payable at par on demand at any time on no more than seven days notice.
 - (h) Inverse floating rate security coupon varies inversely with level of short-term tax-exempt interest rates.
 - (i) Bonds escrowed to maturity with U.S. government securities are considered by the investment adviser to be triple-A rated even if the issuer has not applied for new ratings.
 - (j) Security is valued in good faith by or under the direction of the Board of Directors.
 - (k) Non-income producing security.
- ** Aggregate cost for federal income tax purposes is substantially the same.

Please see pages 11 through 13 for definitions of ratings and certain abbreviations.

See Notes to Schedule of Investments.

Municipal High Income Fund Inc.

Summary of Investments by Industry* (unaudited)

January 31, 2005

Hospitals	13.4%
Transportation	11.4
Industrial Development	10.9
Education	10.7
Lifecare Systems	10.5
Pollution Control	4.9
Multi-Family Housing	4.8
Congeneration Facilities	3.5
General Obligation	3.2
Public Facilities	3.2
Tobacco	3.1
Utilities	2.6
Other	17.8
	<hr/>
	100.0%
	<hr/>

* As a percentage of total investments. Please note that Fund holdings are as of January 31, 2005 and are subject to change.

See Notes to Schedule of Investments.

Municipal High Income Fund Inc.
Bond Ratings (unaudited)

The definitions of the applicable ratings symbols are set forth below:

Standard & Poor's Ratings Service (Standard & Poor's) Ratings from AA to CCC may be modified by the addition of a plus (+) or a minus () sign to show relative standings within the major rating categories.

AAA	Bonds rated AAA have the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.
AA	Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issue only in a small degree.
A	Bonds rated A have a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than bonds in higher rated categories.
BBB	Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
BB, B, CCC, CC and C	Bonds rated BB, B, CCC, CC and C are regarded, on balance, as predominantly speculative and with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB represents a lower degree of speculation than B, and C the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
D	Bond rated D are in default, and payment of interest and/or repayment of principal is in arrears.

Moody's Investors Service (Moody's) Numerical modifiers 1, 2 and 3 may be applied to each generic rating from Aa to Caa, where 1 is the highest and 3 the lowest rating within its generic category.

Aaa	Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as gilt edge. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.
Aa	Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.
A	Bonds rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future.

Municipal High Income Fund Inc.
Bond Ratings (unaudited) (continued)

Baa	Bonds rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
Ba	Bonds rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.
B	Bonds rated B generally lack characteristics of desirable investments. Assurance of interest and principal payments or of maintenance of other terms of the contract over a long period of time may be small.
Caa	Bonds rated Caa are of poor standing. These issues may be in default, or there may be present elements of danger with respect to principal or interest.
Ca	Bonds rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.
C	Bonds rated C are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Fitch Ratings (Fitch) Ratings from A to CCC may be modified by the addition of a plus (+) or a minus (-) sign to show relative standings with the major ratings categories.

AAA	Bonds rated AAA by Fitch have the lowest expectation of credit risk. The obligor has an exceptionally strong capacity for timely payment of financial commitments which is highly unlikely to be adversely affected by foreseeable events.
A	Bonds rated A have a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
BBB	Bonds rated BBB currently have a low expectation of credit risk. The capacity for timely payment of financial commitments is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to impair this capacity. This is the lowest investment grade category assigned by Fitch.
BB	Bonds rated BB carry the possibility of credit risk developing, particularly as the result of adverse economic change over time. Business or financial alternatives may, however, be available to allow financial commitments to be met. Securities rated in this category are not considered by Fitch to be investment grade.
CCC, CC and C	Bonds rated CCC, CC and C carry the real possibility of defaulting. The capacity to meet financial commitments depends solely on a sustained, favorable business and economic environment. Default of some kind on bonds rated CC appears probable, a C rating indicates imminent default.
NR	Indicates that the bond is not rated by Standard & Poor's, Moody's or Fitch.

Municipal High Income Fund Inc.
Short-Term Bond Ratings (unaudited)

A-1 Standard & Poor's highest commercial paper and variable-rate demand obligation (VRDO) rating indicating that the degree of safety regarding timely payment is either overwhelming or very strong; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.

VMIG 1 Moody's highest rating for issues having a demand feature VRDO.

Abbreviations* (unaudited)

ABAG	Association of Bay Area Governments	IDA	Industrial Development Authority/Agency
AIG	American International Guaranty	IDB	Industrial Development Board
AMBAC	Ambac Assurance Corporation	IDR	Industrial Development Revenue
BAN	Bond Anticipation Notes	INFLOS	Inverse Floaters
BIG	Bond Investors Guaranty	ISD	Independent School District
CGIC	Capital Guaranty Insurance Company	LOC	Letter of Credit
CHFCLI	California Health Facility Construction Loan Insurance	MBIA	Municipal Bond Investors Assurance Corporation
CONNIE	College Construction Loan Insurance Association	MFH	Multi-Family Housing
LEE	Insurance Association	MVRICS	Municipal Variable Rate Inverse Coupon Security
COP	Certificate of Participation	PCR	Pollution Control Revenue
EDA	Economic Development Authority	PSFG	Permanent School Fund Guaranty
ETM	Escrowed to Maturity	RADIAN	Radian Asset Assurance
FGIC	Financial Guaranty Insurance Company	RAN	Revenue Anticipation Notes
FHA	Federal Housing Administration	RIBS	Residual Interest Bonds
FHLMC	Federal Home Loan Mortgage Corporation	RITES	Residual Interest Tax-Exempt Securities
FLAIRS	Floating Adjustable Interest Rate Securities	SYCC	Structured Yield Curve Certificate
FNMA	Federal National Mortgage Association	TAN	Tax Anticipation Notes
FRTC	Floating Rate Trust Certificates	TECP	Tax-Exempt Commercial Paper
FSA	Financing Security Assurance	TICS	Tender Inverse Certificates
GIC	Guaranteed Investment Contract	TOB	Tender Option Bonds
GNMA	Government National Mortgage Association	TRAN	Tax and Revenue Anticipation Notes
GO	General Obligation	VA	Veterans Administration
HDC	Housing Development Corporation	VRDD	Variable Rate Daily Demand
HFA	Housing Finance Authority		

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

IBC	Insured Bond Certificates	VRWE	Variable Rate Wednesday Demand
		XLCA	XL Capital Assurance Inc.

* Abbreviations may or may not appear in the schedule of investments.

Municipal High Income Fund Inc.

Notes to Schedule of Investments (unaudited)

1. Organization and Significant Accounting Policies

Municipal High Income Fund Inc. (Fund), a Maryland corporation, is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

(a) Investment Valuation. Fixed income securities are valued at the mean between the bid and asked prices provided by an independent pricing service that are based on transactions in municipal obligations, quotations from municipal bond dealers, market transactions in comparable securities and various relationships between securities. When market quotations or official closing prices are not readily available, or are determined not to reflect fair value, the Fund may value such investments at fair value as determined in accordance with the procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates value.

(b) Financial Futures Contracts. The Fund may enter into futures contracts to the extent permitted by its investment policies and objectives. Upon entering into a futures contract, the Fund is required to deposit cash or securities as initial margin. Additional securities are also segregated up to the current market value of the futures contracts. Subsequent payments, which are dependent on the daily fluctuations in the value of the underlying financial instrument, are made or received by the Fund each day (daily variation margin) and are recorded as unrealized gains or losses until the contracts are closed. When the contracts are closed, the Fund records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transactions and the Fund's basis in the contracts. The Fund enters into such contracts typically to hedge a portion of the portfolio. The risks associated with entering into futures contracts include the possibility that a change in the value of the contract may not correlate with the changes in the value of the underlying financial instruments. In addition, investing in futures contracts involves the risk that the Fund could lose more than the original margin deposit and subsequent payments required for a futures transaction.

(c) Security Transactions. Security transactions are accounted for on a trade date basis.

(d) Credit and Market Risk. The Fund invests in high-yield instruments that are subject to certain credit and market risks. The yields of high-yield debt obligations reflect, among other things, perceived credit risk. The Fund's investments in securities rated below investment-grade typically involve risks not associated with higher rated securities including, among others, greater risk of timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading.

Municipal High Income Fund Inc.

Notes to Schedule of Investments (unaudited) (continued)

2. Investments

At January 31, 2005, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$ 9,338,986
Gross unrealized depreciation	(12,024,824)
Net unrealized depreciation	\$ (2,685,838)

At January 31, 2005, the Fund had the following open futures contracts:

	<u>Number of Contracts</u>	<u>Expiration Date</u>	<u>Basis Value</u>	<u>Market Value</u>	<u>Unrealized Loss</u>
Contracts to Sell:					
U.S. Treasury 20 Year Bond	400	3/05	\$ 43,800,000	\$ 45,937,500	\$ (2,137,500)

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-Q

ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act)) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Municipal High Income Fund Inc.

By /s/ R. Jay Gerken
R. Jay Gerken
Chief Executive Officer

Date March 30, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ R. Jay Gerken
R. Jay Gerken
Chief Executive Officer

Date March 30, 2005

By /s/ Kaprel Ozsolak
Kaprel Ozsolak
Chief Financial Officer

Date March 30, 2005