

WESTERN ASSET PREMIER BOND FUND  
Form N-CSRS  
August 26, 2011

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 811-10603

Western Asset Premier Bond Fund  
(Exact name of registrant as specified in charter)

620 Eighth Avenue, New York, NY  
(Address of principal executive offices)

10018  
(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: (888)777-0102

Date of fiscal year end: December 31

Date of reporting period: June 30, 2011

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ITEM 1. REPORT TO STOCKHOLDERS.

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

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June 30, 2011

**Semi-Annual Report**

**Western Asset Premier Bond Fund  
(WEA)**

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE
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Western Asset Premier Bond Fund

**Fund objective**

The Fund's investment objective is to provide current income and capital appreciation.

**What's inside**

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**Letter from the president**

**Dear Shareholder,**

## Edgar Filing: WESTERN ASSET PREMIER BOND FUND - Form N-CSRS

We are pleased to provide the semi-annual report of Western Asset Premier Bond Fund for the six-month reporting period ended June 30, 2011. 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 this is through our website, [www.leggmason.com/cef](http://www.leggmason.com/cef). 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,

R. Jay Gerken, CFA

President

July 29, 2011

## Investment commentary

### Economic review

Although the U.S. economy continued to grow over the six months ended June 30, 2011, the pace of the expansion was disappointing, which resulted in a significant shift in investor sentiment. During the first half of the period, there were expectations of a strengthening economy and generally robust investor risk appetite. However, as the reporting period progressed, weakening economic data triggered a flight to quality as investor risk aversion increased. Despite giving back a portion of their previous gains in late May and June, investors who took on additional risk in their portfolios during the reporting period were generally rewarded.

U.S. gross domestic product (GDP) growth, as reported by the U.S. Department of Commerce, has been less robust than previously realized during most other periods exiting a severe recession. Revised GDP growth was 2.3% during the fourth quarter of 2010 and 3.0% for calendar 2010 as a whole. The Commerce Department then reported that first and second quarter 2011 GDP growth were 0.4% and 1.3%, respectively. This moderation in growth during the first half of the year was due to a variety of factors, including less robust export activity, a decline in government spending and a deceleration in consumer spending given higher oil and food prices.

Turning to the job market, while there was some improvement in the first half of the reporting period, unemployment again moved higher from April through June. After being 9.0% or higher since April 2009, the unemployment rate fell to 8.9% in February and 8.8% in March 2011. The job market then weakened, as unemployment rose to 9.0% in April, 9.1% in May and 9.2% in June. As of the end of the reporting period, approximately 14.1 million Americans looking for work had yet to find a job, and roughly 44% of these individuals have been out of work for more than six months. In June 2011, the Federal Reserve Board (Fed) projected that unemployment would moderate, but that it would remain elevated and between 7.8% and 8.2% at the end of 2012.

The long-ailing housing market continued to show signs of strain during the reporting period. Looking back, sales increased in the spring of 2010 largely due to the government's \$8,000 tax credit for first-time home buyers. This proved to be only a temporary boost, as sales subsequently weakened after the tax credit expired at the end of April. Existing-home sales did rebound somewhat toward the end of 2010 and in January 2011, as mortgage rates remained relatively low. However, according to the National Association of Realtors (NAR), existing-home sales then declined a sharp 8.9% in February. After a 3.5% increase in March, existing-home sales fell 1.8%, 4.0% and 0.8% in April, May and June, respectively. At the end of June, the inventory of unsold homes was a 9.5 month supply at the current sales level, versus a 9.1 month supply in May. Existing-home prices were relatively stagnant versus a year ago, with the NAR reporting that the median existing-home price for all housing types was \$184,300 in June 2011, up 0.8% from June 2010.

Even the manufacturing sector, one of the stalwarts of the economy in recent years, softened toward the end of the reporting period. Based on the Institute for Supply Management's PMI, the manufacturing sector grew twenty-three consecutive months since it

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Western Asset Premier Bond Fund

**Investment commentary (cont d)**

began expanding in August 2009 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). In January 2011, the manufacturing sector expanded at its fastest pace since May 2004, with a reading of 60.8 versus 58.5 for the previous month. Manufacturing activity remained strong during the next three months and was 60.4 in April. However, it then declined to 53.5 in May, the lowest reading in the past twelve months. This was attributed, in part, to supply disruptions triggered by the March earthquake and tsunami in Japan. Manufacturing activity then moved modestly higher in June to 55.3, although only twelve of the eighteen industries tracked by the Institute for Supply Management expanded during the month.

**Financial market overview**

While stocks and lower-quality bonds generated solid results during the reporting period, there were several periods of heightened volatility and periodic sell-offs. These were triggered by a variety of factors, including concerns regarding the global economy, geopolitical unrest, the natural disasters in Japan and the ongoing European sovereign debt crisis. During those periods, investors tended to favor the relative safety of U.S. Treasury securities. However, these setbacks proved to be only temporary and risk aversion was generally replaced with solid demand for riskier assets.

The Fed took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. In November 2010, prior to the beginning of the reporting period, the Fed announced a second round of quantitative easing (often referred to as QE2) to help stimulate the economy, entailing the purchase of \$600 billion of long-term U.S. Treasury securities by the end of the second quarter of 2011. Also, as has been the case since December 2008, the Fed kept the federal funds rate at a historically low range between 0 and 1/4 percent.

Despite these efforts, at its meeting in June 2011, the Fed said, "Information received since the Federal Open Market Committee met in April indicates that the economic recovery is continuing at a moderate pace, though somewhat more slowly than the Committee had expected. . . . To promote the ongoing economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee decided today to keep the target range for the federal funds rate at 0 to 1/4 percent. The Committee continues to anticipate that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate for an extended period."

In June, the Fed also announced that it would complete QE2 on schedule at the end of June. However, given ongoing strains in the economy, it made no overtures toward reversing any of its accommodative policies and the Fed said it would "maintain its existing policy of reinvesting principal payments from its securities holdings—rather than seeking to reduce the size of its balance sheet."

**Fixed income market review**

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While volatility was elevated at times, the U.S. spread sectors (non-Treasuries) produced positive results during the reporting period. As was the case for much of 2010, the spread sectors generally outperformed equal-duration



## Western Asset Premier Bond Fund

Treasuries during the first four months of the reporting period. A combination of positive economic growth, benign core inflation, rising corporate profits and overall robust investor demand supported the spread sectors from January through April 2011. Investor sentiment then began to shift in May, as optimism about the economic expansion waned and investor risk appetite started to be replaced with increased risk aversion. While the U.S. spread sectors generally posted positive results in May, they underperformed equal-duration Treasuries. Risk aversion then increased in June given a host of disappointing economic data and a further escalation of the European sovereign debt crisis. Against this backdrop, the spread sectors generated relatively poor results during most of June as investors fled the spread sectors in favor of Treasury securities.

Both short- and long-term Treasury yields fluctuated during the six months ended June 30, 2011. When the period began, two- and ten-year Treasury yields were 0.61% and 3.30%, respectively. Yields initially moved higher given expectations for stronger growth in 2011 and the potential for rising inflation. On February 14, 2011, two-year Treasury yields peaked at 0.87%, while ten-year Treasuries peaked at 3.75% on February 8, 2011. Treasury yields then declined as investor risk aversion increased given the uprising in Libya and, later, due to the tragic events in Japan. Yields briefly moved higher toward the end of March, but then generally declined from April through June given disappointing economic data and periodic flights to quality. In late June, two- and ten-year Treasury yields bottomed at 0.35% and 2.88%, respectively, and ended the period at 0.45% and 3.18%, respectively. For the six months ended June 30, 2011, the Barclays Capital U.S. Aggregate Indexvi returned 2.72%.

The U.S. high-yield bond market produced strong results during the first five months of the reporting period. High-yield prices moved higher against a backdrop of generally better-than-expected corporate profits and overall strong investor demand. However, the asset class gave back a portion of its gains in June during the flight to quality, with the high-yield market posting its first monthly loss since November 2010. All told, the Barclays Capital U.S. High Yield 2% Issuer Cap Indexvii returned 4.98% for the six months ended June 30, 2011.

### Performance review

For the six months ended June 30, 2011, Western Asset Premier Bond Fund returned 6.70% based on its net asset value ( NAV )viii and 20.49% based on its New York Stock Exchange ( NYSE ) market price per share. The Fund's unmanaged benchmarks, the Barclays Capital U.S. Corporate High Yield Indexix and the Barclays Capital U.S. Credit Indexx, returned 4.97% and 3.41%, respectively, over the same time frame. The Lipper Corporate Debt Closed-End Funds BBB-Rated Category Averagexi returned 3.95% 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 common stock shareholders totaling \$0.66 per share, which may have included a return of capital. The performance table on the following page shows the Fund's six-month total return based on its NAV

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Western Asset Premier Bond Fund

**Investment commentary (continued)**

and market price as of June 30, 2011. **Past performance is no guarantee of future results.**

**Performance Snapshot as of June 30, 2011 (unaudited)**

<b>Price Per Share</b>	<b>6-Month Total Return*</b>
\$14.22 (NAV)	6.70%
\$16.28 (Market Price)	20.49%

**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.**

**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 **WEA** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XWEAX** 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.leggmason.com/cef](http://www.leggmason.com/cef).

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.

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

Sincerely,

R. Jay Gerken, CFA

President

July 29, 2011

***RISKS:*** Bonds are subject to a variety of risks, including interest rate, credit and inflation risks. As interest rates rise, bond prices fall, reducing the value of a fixed-income investment's price. The Fund may invest in high-yield bonds, which are rated below investment grade and carry more risk than higher-rated securities. To the extent that the Fund invests in asset-backed, mortgage-backed or mortgage-related securities, its exposure to prepayment and extension risks may be greater than investments in other fixed-income securities. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss. The Fund may invest, to a limited extent, in foreign securities, including emerging markets, which involve additional risks. The Fund may make significant investments in derivative instruments. Derivative instruments can be illiquid, may disproportionately increase losses, and 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.

Western Asset Premier Bond Fund

- 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 ( Fed ) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- iii The Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.
- iv 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.
- v Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- vi The Barclays Capital 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.
- vii The Barclays Capital U.S. High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays Capital U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- viii Net asset value ( NAV ) is calculated by subtracting total liabilities and outstanding preferred stock (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.
- ix The Barclays Capital U.S. Corporate High Yield Index covers the universe of fixed-rate, non-investment grade debt, including corporate and non-corporate sectors. Pay-in-kind ( PIK ) bonds, Eurobonds and debt issues from countries designated as emerging markets are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging market countries are included. Original issue zero coupon bonds, step-up coupon structures and 144-As are also included.
- x The Barclays Capital U.S. Credit Index is an index composed of corporate and non-corporate debt issues that are investment grade (rated Baa3/BBB- or higher).
- xi Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended June 30, 2011, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 27 funds in the Fund's Lipper category.

Western Asset Premier Bond Fund 2011 Semi-Annual Report

**Fund at a glance** (unaudited)

**Investment breakdown (%) as a percent of total investments**

The bar graph above represents the Fund's portfolio as of June 30, 2011 and December 31, 2010 and does not include derivatives such as swap contracts. The Fund's portfolio is actively managed. As a result, the composition of its portfolio holdings and sectors is subject to change at any time.

Western Asset Premier Bond Fund 2011 Semi-Annual Report

**Spread duration** (unaudited)

**Economic Exposure June 30, 2011**

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.

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ABS	Asset-Backed Securities
BCI	Barclays Capital U.S. Credit Index
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage Backed Securities
WEA	Western Asset Premier Bond Fund
EM	Emerging Markets

## Western Asset Premier Bond Fund 2011 Semi-Annual Report

**Effective duration** (unaudited)

**Interest Rate Exposure June 30, 2011**

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.

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ABS	Asset-Backed Securities
BCI	Barclays Capital U.S. Credit Index
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage Backed Securities
WEA	Western Asset Premier Bond Fund
EM	Emerging Markets

## Western Asset Premier Bond Fund 2011 Semi-Annual Report

**Schedule of investments (unaudited)**

June 30, 2011

**Western Asset Premier Bond Fund**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Corporate Bonds &amp; Notes 47.6%</b>				
<b>Consumer Discretionary 7.3%</b>				
<b>Automobiles 2.2%</b>				
DaimlerChrysler NA Holding Corp., Notes	8.500%	1/18/31	1,000,000	\$ 1,352,136
DaimlerChrysler North America Holding Corp., Notes	7.300%	1/15/12	1,000,000	1,034,810
Ford Motor Credit Co., LLC, Senior Notes	7.500%	8/1/12	70,000	73,248
Ford Motor Credit Co., LLC, Senior Notes	12.000%	5/15/15	1,030,000	1,277,322
<b>Total Automobiles</b>				<b>3,737,516</b>
<b>Diversified Consumer Services 0.0%</b>				
Service Corp. International, Senior Notes	7.625%	10/1/18	5,000	5,488
Service Corp. International, Senior Notes	7.500%	4/1/27	60,000	57,300
<b>Total Diversified Consumer Services</b>				<b>62,788</b>
<b>Hotels, Restaurants &amp; Leisure 1.2%</b>				
Caesar's Entertainment Operating Co. Inc., Senior Notes	10.750%	2/1/16	300,000	294,000
CCM Merger Inc., Notes	8.000%	8/1/13	140,000	137,550(a)
El Pollo Loco Inc.	12.000%	12/28/17	380,000	380,000(b)
El Pollo Loco Inc., Senior Notes	11.750%	11/15/13	375,000	375,000
Inn of the Mountain Gods Resort & Casino, Senior Secured Notes	8.750%	11/15/10	146,000	143,080(a)(j)
Landry's Restaurants Inc., Senior Secured Notes	11.625%	12/1/15	110,000	117,700
Mohegan Tribal Gaming Authority, Senior Secured Notes	11.500%	11/1/17	170,000	175,100(a)
NCL Corp. Ltd., Senior Secured Notes	11.750%	11/15/16	170,000	195,925
Snoqualmie Entertainment Authority, Senior Secured Notes	4.204%	2/1/14	110,000	99,000(a)(c)
Station Casinos Inc., Senior Notes	7.750%	8/15/16	205,000	20(d)(e)
Station Casinos Inc., Senior Subordinated Notes	6.625%	3/15/18	100,000	10(d)(e)
<b>Total Hotels, Restaurants &amp; Leisure</b>				<b>1,917,385</b>
<b>Media 3.5%</b>				
Cablevision Systems Corp., Senior Notes	7.750%	4/15/18	30,000	31,988
CCH II LLC/CCH II Capital Corp., Senior Notes	13.500%	11/30/16	108,083	127,268
Cengage Learning Acquisitions Inc., Senior Notes	10.500%	1/15/15	270,000	244,350(a)
Charter Communications Operating LLC/Charter Communications Operating Capital, Senior Secured Notes	10.875%	9/15/14	280,000	308,000(a)
CMP Susquehanna Corp.	3.443%	5/15/14	14,000	10,704(a)(c)(e)
Comcast Corp.	5.900%	3/15/16	400,000	455,332
Comcast Corp., Notes	7.050%	3/15/33	1,000,000	1,157,266
CSC Holdings Inc., Senior Notes	6.750%	4/15/12	250,000	257,187
DISH DBS Corp., Senior Notes	7.000%	10/1/13	600,000	644,250



See Notes to Financial Statements.

## Western Asset Premier Bond Fund 2011 Semi-Annual Report

**Western Asset Premier Bond Fund**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Media continued</b>				
DISH DBS Corp., Senior Notes	7.875%	9/1/19	385,000	\$ 415,319
EchoStar DBS Corp., Senior Notes	7.125%	2/1/16	120,000	126,600
News America Inc.	8.875%	4/26/23	400,000	523,185
Time Warner Inc., Senior Debentures	7.700%	5/1/32	980,000	1,183,204
Virgin Media Finance PLC, Senior Notes	9.125%	8/15/16	335,000	352,587
<b>Total Media</b>				<b>5,837,240</b>
<b>Multiline Retail 0.2%</b>				
Neiman Marcus Group Inc., Senior Secured Notes	7.125%	6/1/28	330,000	<b>305,250</b>
<b>Specialty Retail 0.0%</b>				
American Greetings Corp., Senior Notes	7.375%	6/1/16	20,000	<b>20,600</b>
<b>Textiles, Apparel &amp; Luxury Goods 0.2%</b>				
Oxford Industries Inc., Senior Secured Notes	11.375%	7/15/15	255,000	<b>288,150</b>
<b>Total Consumer Discretionary</b>				
<b>Consumer Staples 5.5%</b>				
<b>Food &amp; Staples Retailing 4.9%</b>				
CVS Corp.	9.350%	1/10/23	700,000	762,517(a)
CVS Corp., Pass-Through Trust, Secured Bonds	5.789%	1/10/26	785,520	801,388(a)(b)
CVS Corp., Pass-Through Trust, Secured Notes	6.943%	1/10/30	1,648,086	1,853,668
CVS Pass-Through Trust	7.507%	1/10/32	1,948,594	2,308,811(a)
CVS Pass-Through Trust, Secured Notes	5.880%	1/10/28	893,241	927,943(b)
CVS Pass-Through Trust, Secured Notes	6.036%	12/10/28	771,351	818,643
Delhaize Group, Senior Notes	5.700%	10/1/40	235,000	218,635
Safeway Inc., Notes	5.800%	8/15/12	500,000	526,059
<b>Total Food &amp; Staples Retailing</b>				<b>8,217,664</b>
<b>Food Products 0.5%</b>				
Ahold Lease USA Inc., Pass-Through Certificates	8.620%	1/2/25	714,462	<b>835,921(b)</b>
<b>Tobacco 0.1%</b>				
Alliance One International Inc., Senior Notes	10.000%	7/15/16	160,000	<b>154,400</b>
<b>Total Consumer Staples</b>				
<b>Energy 4.6%</b>				
<b>Energy Equipment &amp; Services 0.3%</b>				
Complete Production Services Inc., Senior Notes	8.000%	12/15/16	150,000	156,750
GulfMark Offshore Inc., Senior Subordinated Notes	7.750%	7/15/14	270,000	272,700
Hercules Offshore LLC, Senior Secured Notes	10.500%	10/15/17	155,000	161,975(a)
<b>Total Energy Equipment &amp; Services</b>				<b>591,425</b>
<b>Oil, Gas &amp; Consumable Fuels 4.3%</b>				
Anadarko Finance Co., Senior Notes	7.500%	5/1/31	570,000	658,388
Berry Petroleum Co., Senior Notes	10.250%	6/1/14	160,000	182,800
Burlington Resources Finance Co.	7.400%	12/1/31	450,000	557,286

See Notes to Financial Statements.

## Western Asset Premier Bond Fund 2011 Semi-Annual Report

## Schedule of investments (unaudited) (cont d)

June 30, 2011

## Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<b><i>Oil, Gas &amp; Consumable Fuels continued</i></b>				
Chesapeake Energy Corp., Senior Notes	7.250%	12/15/18	300,000	\$ 327,000
Colorado Interstate Gas Co., Senior Notes	6.800%	11/15/15	150,000	174,671
CONSOL Energy Inc., Senior Notes	8.250%	4/1/20	440,000	479,600
Devon Energy Corp., Debentures	7.950%	4/15/32	310,000	402,443
Devon Financing Corp. ULC, Notes	6.875%	9/30/11	1,000,000	1,015,033
El Paso Corp., Medium-Term Notes	7.800%	8/1/31	190,000	221,740
Hess Corp., Notes	7.875%	10/1/29	350,000	439,463
Kinder Morgan Energy Partners LP, Senior Notes	7.125%	3/15/12	390,000	407,106
LUKOIL International Finance BV, Bonds	6.356%	6/7/17	340,000	366,350(a)
Plains Exploration & Production Co., Senior Notes	10.000%	3/1/16	140,000	157,500
Plains Exploration & Production Co., Senior Notes	8.625%	10/15/19	125,000	136,250
Quicksilver Resources Inc., Senior Notes	11.750%	1/1/16	185,000	211,825
Teekay Corp., Senior Notes	8.500%	1/15/20	310,000	320,075
TNK-BP Finance SA, Senior Notes	7.875%	3/13/18	220,000	252,450(a)
Williams Cos. Inc., Debentures	7.500%	1/15/31	668,000	763,958
Williams Cos. Inc., Senior Notes	8.750%	3/15/32	63,000	80,106
<b>Total Oil, Gas &amp; Consumable Fuels</b>				<b>7,154,044</b>
<b>Total Energy</b>				<b>7,745,469</b>
<b>Financials 8.3%</b>				
<b>Capital Markets 1.2%</b>				
Goldman Sachs Group Inc., Senior Notes	6.600%	1/15/12	900,000	927,794
Morgan Stanley, Notes	6.600%	4/1/12	1,000,000	1,044,420
<b>Total Capital Markets</b>				<b>1,972,214</b>
<b>Consumer Finance 1.5%</b>				
Ford Motor Credit Co., LLC, Senior Notes	8.000%	12/15/16	680,000	764,650
HSBC Finance Corp.	4.750%	7/15/13	1,670,000	1,768,385
<b>Total Consumer Finance</b>				<b>2,533,035</b>
<b>Diversified Financial Services 5.0%</b>				
Air 2 US, Notes	8.027%	10/1/19	2,553,635	2,553,635(a)
Citigroup Inc.	6.625%	6/15/32	1,000,000	1,035,212
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	1,380,000	1,509,375
JPMorgan Chase & Co., Subordinated Notes	5.125%	9/15/14	1,300,000	1,404,842
Liberty Media LLC	3.750%	2/15/30	1,860,000	1,039,275
Smurfit Kappa Funding PLC, Senior Subordinated Notes	7.750%	4/1/15	150,000	151,500
UFJ Finance Aruba AEC	6.750%	7/15/13	500,000	549,401
Unitymedia GmbH, Senior Secured Bonds	8.125%	12/1/17	100,000	106,250(a)
<b>Total Diversified Financial Services</b>				<b>8,349,490</b>

See Notes to Financial Statements.

## Western Asset Premier Bond Fund 2011 Semi-Annual Report

## Western Asset Premier Bond Fund

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Insurance 0.6%</b>				
XL Capital Ltd.	5.250%	9/15/14	1,000,000 \$	<b>1,071,418</b>
<b>Total Financials</b>				<b>13,926,157</b>
<b>Health Care 1.0%</b>				
<b>Health Care Providers &amp; Services 1.0%</b>				
Community Health Systems Inc., Senior Notes	8.875%	7/15/15	200,000	206,000
HCA Inc., Debentures	7.500%	11/15/95	185,000	149,850
HCA Inc., Notes	6.375%	1/15/15	430,000	438,600
HCA Inc., Notes	7.690%	6/15/25	90,000	84,150
HCA Inc., Senior Notes	6.250%	2/15/13	85,000	87,975
HCA Inc., Senior Secured Notes	9.625%	11/15/16	399,000	424,436(f)
Vanguard Health Holdings Co., II LLC, Senior Notes	8.000%	2/1/18	215,000	221,988
<b>Total Health Care</b>				<b>1,612,999</b>
<b>Industrials 11.4%</b>				
<b>Aerospace &amp; Defense 0.7%</b>				
Boeing Co., Notes	6.125%	2/15/33	600,000	680,018
L-3 Communications Corp., Senior Subordinated Notes	6.375%	10/15/15	535,000	549,712
<b>Total Aerospace &amp; Defense</b>				<b>1,229,730</b>
<b>Airlines 9.8%</b>				
America West Airlines Inc., Ambac Assurance Corp.	8.057%	7/2/20	2,393,105	2,488,829
Continental Airlines Inc.	7.160%	9/24/14	273,116	272,092(b)
Continental Airlines Inc.	6.820%	5/1/18	913,728	936,571
Continental Airlines Inc., Pass-Through Certificates	6.900%	1/2/18	834,555	883,543
Continental Airlines Inc., Pass-Through Certificates	6.545%	2/2/19	1,090,448	1,146,279
Continental Airlines Inc., Pass-Through Certificates	6.703%	6/15/21	675,130	703,823
Continental Airlines Inc., Pass-Through Certificates, 2000-1 A-1	8.048%	11/1/20	524,480	561,193
DAE Aviation Holdings Inc., Senior Notes	11.250%	8/1/15	250,000	260,000(a)
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	176,095	178,947
Delta Air Lines Inc., Senior Secured Notes	9.500%	9/15/14	67,000	71,439(a)
JetBlue Airways Corp., Pass-Through Certificates	0.711%	11/15/16	1,050,000	987,000(c)
Northwest Airlines Corp., Pass-Through Certificates	7.575%	9/1/20	503,014	540,413(b)
Northwest Airlines Inc.	0.758%	2/6/15	2,589,280	2,391,718(b)(c)
US Airways Pass-Through Trust	6.850%	1/30/18	2,991,267	2,938,950(b)
US Airways Pass-Through Trust, Secured Notes	7.125%	10/22/23	2,000,000	2,000,000
<b>Total Airlines</b>				<b>16,360,797</b>

See Notes to Financial Statements.

## Western Asset Premier Bond Fund 2011 Semi-Annual Report

## Schedule of investments (unaudited) (cont d)

June 30, 2011

## Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<b>Building Products 0.0%</b>				
Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes	0.000%	6/30/15	65,000	\$ 39,325(a)(e)
<b>Commercial Services &amp; Supplies 0.5%</b>				
ACCO Brands Corp., Senior Secured Notes	10.625%	3/15/15	220,000	245,575
Altegrity Inc., Senior Subordinated Notes	10.500%	11/1/15	310,000	320,850(a)
RSC Equipment Rental Inc./RSC Holdings III LLC, Senior Secured Notes	10.000%	7/15/17	170,000	189,550(a)
<b>Total Commercial Services &amp; Supplies</b>				<b>755,975</b>
<b>Road &amp; Rail 0.2%</b>				
Kansas City Southern de Mexico, Senior Notes	12.500%	4/1/16	111,000	132,090
RailAmerica Inc., Senior Secured Notes	9.250%	7/1/17	208,000	228,280
<b>Total Road &amp; Rail</b>				<b>360,370</b>
<b>Trading Companies &amp; Distributors 0.2%</b>				
Ashtead Capital Inc., Notes	9.000%	8/15/16	129,000	134,483(a)
H&E Equipment Services Inc., Senior Notes	8.375%	7/15/16	245,000	250,512
<b>Total Trading Companies &amp; Distributors</b>				<b>384,995</b>
<b>Total Industrials</b>				<b>19,131,192</b>
<b>Information Technology 0.5%</b>				
<b>IT Services 0.4%</b>				
Ceridian Corp., Senior Notes	12.250%	11/15/15	138,450	140,527(f)
Electronic Data Systems Corp., Notes	7.450%	10/15/29	500,000	635,141
<b>Total IT Services</b>				<b>775,668</b>
<b>Semiconductors &amp; Semiconductor Equipment 0.1%</b>				
Freescall Semiconductor Inc., Senior Subordinated Notes	10.125%	12/15/16	80,000	86,100
<b>Total Information Technology</b>				<b>861,768</b>
<b>Materials 2.6%</b>				
<b>Chemicals 0.6%</b>				
Dow Chemical Co.	6.000%	10/1/12	1,000,000	1,060,308
<b>Metals &amp; Mining 0.9%</b>				
Freeport-McMoRan Copper & Gold Inc., Senior Notes	8.375%	4/1/17	730,000	797,525
Metals USA Inc., Senior Secured Notes	11.125%	12/1/15	445,000	469,475
Vedanta Resources PLC, Senior Notes	8.750%	1/15/14	130,000	139,425(a)
<b>Total Metals &amp; Mining</b>				<b>1,406,425</b>
<b>Paper &amp; Forest Products 1.1%</b>				
Appleton Papers Inc., Senior Secured Notes	11.250%	12/15/15	235,000	237,350
NewPage Corp., Senior Secured Notes	11.375%	12/31/14	595,000	554,838
PE Paper Escrow GmbH, Senior Secured Notes	12.000%	8/1/14	100,000	113,000(a)
Weyerhaeuser Co., Debentures	7.375%	3/15/32	940,000	978,193
<b>Total Paper &amp; Forest Products</b>				<b>1,883,381</b>

**Total Materials**

**4,350,114**

See Notes to Financial Statements.

## Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<b>Telecommunication Services 3.0%</b>				
<b>Diversified Telecommunication Services 1.4%</b>				
AT&T Inc., Senior Notes	5.350%	9/1/40	170,000	\$ 161,137
Cincinnati Bell Telephone Co., Senior Debentures	6.300%	12/1/28	25,000	20,250
Deutsche Telekom International Finance BV	5.250%	7/22/13	600,000	647,089
France Telecom SA, Notes	8.500%	3/1/31	600,000	807,537
Frontier Communications Corp., Senior Notes	8.750%	4/15/22	91,000	99,190
Intelsat Jackson Holdings Ltd., Senior Notes	9.500%	6/15/16	35,000	36,706
Intelsat Jackson Holdings Ltd., Senior Notes	11.250%	6/15/16	340,000	360,400
Qwest Communications International Inc., Senior Notes	7.500%	2/15/14	140,000	142,100
Qwest Corp., Senior Notes	7.500%	10/1/14	150,000	168,188
<b>Total Diversified Telecommunication Services</b>				<b>2,442,597</b>
<b>Wireless Telecommunication Services 1.6%</b>				
Cingular Wireless LLC	6.500%	12/15/11	250,000	256,378
Sprint Capital Corp., Senior Notes	8.375%	3/15/12	1,450,000	1,508,000
True Move Co., Ltd.	10.750%	12/16/13	590,000	636,462 <sup>(a)</sup>
True Move Co., Ltd., Notes	10.750%	12/16/13	200,000	215,750 <sup>(a)</sup>
<b>Total Wireless Telecommunication Services</b>				<b>2,616,590</b>
<b>Total Telecommunication Services</b>				<b>5,059,187</b>
<b>Utilities 3.4%</b>				
<b>Electric Utilities 1.5%</b>				
Duke Energy Corp., Notes	6.250%	1/15/12	250,000	257,533
EEB International Ltd., Senior Bonds	8.750%	10/31/14	820,000	870,430 <sup>(a)</sup>
FirstEnergy Corp., Notes	6.450%	11/15/11	27,000	27,505
FirstEnergy Corp., Notes	7.375%	11/15/31	1,020,000	1,161,406
MidAmerican Energy Holdings Co., Senior Notes	5.875%	10/1/12	250,000	265,109
<b>Total Electric Utilities</b>				<b>2,581,983</b>
<b>Gas Utilities 0.0%</b>				
Southern Natural Gas Co., Senior Notes	8.000%	3/1/32	20,000	25,060
<b>Independent Power Producers &amp; Energy Traders 1.4%</b>				
AES Corp., Senior Notes	9.750%	4/15/16	360,000	408,600
AES Corp., Senior Notes	8.000%	10/15/17	525,000	556,500
AES Corp., Senior Notes	8.000%	6/1/20	100,000	106,500
Edison Mission Energy, Senior Notes	7.750%	6/15/16	180,000	162,000
Edison Mission Energy, Senior Notes	7.625%	5/15/27	179,000	131,565
Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes	10.000%	12/1/20	885,000	943,817
<b>Total Independent Power Producers &amp; Energy Traders</b>				<b>2,308,982</b>

See Notes to Financial Statements.



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Western Asset Premier Bond Fund 2011 Semi-Annual Report

**Schedule of investments (unaudited) (cont d)**

June 30, 2011

**Western Asset Premier Bond Fund**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Multi-Utilities 0.5%</b>				
Dominion Resources Inc., Senior Notes	5.700%	9/17/12	770,000	\$ 813,951
<b>Total Utilities</b>				<b>5,729,976</b>
<b>Total Corporate Bonds &amp; Notes (Cost \$75,346,486)</b>				<b>79,793,776</b>
<b>Asset-Backed Securities 32.0%</b>				
ABFS Mortgage Loan Trust, 2002-3 M1	5.902%	9/15/33	1,121,581	896,394
Ameriquest Mortgage Securities Inc., 2004-R1 A1B	0.586%	2/25/34	639,536	521,364(c)
Ameriquest Mortgage Securities Inc., 2004-R9 M1	0.806%	10/25/34	400,000	348,980(c)
Amortizing Residential Collateral Trust, 2004-1 A5	0.686%	10/25/34	257,673	235,235(c)
Argent Securities Inc., 2003-W3 M1	1.311%	9/25/33	224,552	204,613(c)
Associates Manufactured Housing Pass Through Certificates, 1997-CLB2	8.900%	6/15/28	2,833,249	2,875,748(b)
Associates Manufactured Housing Pass- Through Certificates, 1997-1 B1	7.600%	6/15/28	379,869	402,065(c)(e)
Bank of America Manufactured Housing Contract Trust, 1997-2M	6.900%	4/10/28	100,000	152,932(c)
Bayview Financial Acquisition Trust, 2007-B 2A1	0.486%	8/28/47	597,707	579,295(c)
Bayview Financial Asset Trust, 2004-SSRA A1	0.786%	12/25/39	377,371	303,784(a)(c)
Bayview Financial Asset Trust, 2007-SR1A A	0.636%	3/25/37	2,178,872	1,590,576(a)(c)
Bayview Financial Asset Trust, 2007-SR1A M1	0.986%	3/25/37	1,432,818	931,332(a)(b)(c)
Bayview Financial Asset Trust, 2007-SR1A M3	1.336%	3/25/37	543,483	288,046(a)(c)
Bayview Financial Asset Trust, 2007-SR1A M4	1.686%	3/25/37	148,223	68,182(a)(c)
Bear Stearns Asset Backed Securities Trust, 2006-SD3 1P0, STRIPS	0.000%	8/25/36	1,067,942	739,977(b)
Bear Stearns Asset Backed Securities Trust, 2007-SD1 1A3A	6.500%	10/25/36	1,305,536	1,014,349
Centex Home Equity Loan Trust, 2003-B AF4	3.735%	2/25/32	349,152	307,464
Citigroup Mortgage Loan Trust Inc., 2006-SHL1 A1	0.386%	11/25/45	198,289	174,178(a)(c)
Contimortgage Home Equity Trust, 1997-4 B1F	7.330%	10/15/28	410,986	421,646
Countrywide Asset-Backed Certificates, 2006-3 3A1	0.376%	6/25/36	853,790	600,992(c)
Countrywide Asset-Backed Certificates, 2007-13 2A1	1.086%	10/25/47	1,171,558	817,892(c)
Countrywide Asset-Backed Certificates, 2007-SEA2 1A1	1.186%	8/25/47	59,156	39,534(a)(b)(c)
Countrywide Home Equity Loan Trust, 2006-HW 2A1B	0.369%	11/15/36	548,073	421,307(c)
Countrywide Home Equity Loan Trust, 2007-B A	0.337%	2/15/37	641,799	500,004(c)
Countrywide Home Equity Loan Trust, 2007-GW A	0.737%	8/15/37	1,295,931	1,076,247(c)
Credit-Based Asset Servicing & Securitization, 2005-CB4 M1	0.606%	8/25/35	2,000,000	1,484,194(c)

See Notes to Financial Statements.

## Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<b>Asset-Backed Securities continued</b>				
Credit-Based Asset Servicing and Securitization LLC, 2004-CB2 M1	0.966%	7/25/33	2,209,205	\$ 1,624,822(c)(k)
Credit-Based Asset Servicing and Securitization LLC, 2005-RP1 M1	0.806%	1/25/35	780,000	689,958(a)(c)
CS First Boston Mortgage Securities Corp., 2004-CF2 2A1	0.656%	5/25/44	41,931	40,657(a)(c)
Educap Student Loan Asset-Backed Notes, 2004-1 B	2.030%	6/25/38	1,500,000	1,320,000(b)(c)
Ellington Loan Acquisition Trust, 2007-1 A2A1	1.186%	5/26/37	176,976	158,584(a)(c)
EMC Mortgage Loan Trust, 2003-B A1	0.736%	11/25/41	87,393	78,618(a)(c)
First Horizon ABS Trust, 2007-HE1 A	0.316%	9/25/29	816,394	635,916(c)
Firstfed Corp. Manufactured Housing Contract, 1996-1 B	8.060%	10/15/22	1,845,936	1,772,661(a)(k)
Fremont Home Loan Trust, 2006-2 2A2	0.296%	2/25/36	150,478	149,210(c)
Global Franchise Trust, 1998-1 A2	6.659%	10/10/11	110,848	108,691(a)
GMAC Mortgage Corp. Loan Trust, 2004-VF1 A1	0.936%	2/25/31	459,595	397,899(a)(c)
Green Tree Financial Corp., 1992-2 B	9.150%	1/15/18	109,544	53,058
Green Tree Financial Corp., 1993-1 B	8.450%	4/15/18	162,914	139,896
Green Tree Home Improvement Loan Trust, 1996-D HIB2	8.000%	9/15/27	43,355	29,973
Green Tree Recreational Equipment & Consumer Trust, 1996-C CTFS	7.650%	10/15/17	13,265	12,090
Greenpoint Manufactured Housing, 1999-2 A2	3.109%	3/18/29	275,000	229,625(c)
Greenpoint Manufactured Housing, 1999-3 2A2	3.696%	6/19/29	125,000	104,375(c)
Greenpoint Manufactured Housing, 1999-4 A2	3.695%	2/20/30	125,000	104,375(c)
Greenpoint Manufactured Housing, 1999-5 A5	7.820%	12/15/29	706,000	770,614(c)
Greenpoint Manufactured Housing, 2000-4 A3	2.253%	8/21/31	800,000	672,000(c)
Greenpoint Manufactured Housing, 2000-6 A3	2.195%	11/22/31	225,000	186,000(c)
Greenpoint Manufactured Housing, 2000-7 A2	3.686%	11/17/31	425,000	359,125(c)
Greenpoint Manufactured Housing, 2001-2 IA2	3.690%	2/20/32	300,000	243,735(c)
Greenpoint Manufactured Housing, 2001-2 IIA2	3.689%	3/13/32	375,000	294,946(c)
GSAA Home Equity Trust, 2006-19 A3A	0.426%	12/25/36	831,587	403,791(c)
GSAMP Trust, 2003-SEA2 A1	4.422%	7/25/33	1,999,947	1,714,418
GSRPM Mortgage Loan Trust, 2006-1 A1	0.486%	3/25/35	156,277	133,594(a)(c)
Indymac Manufactured Housing Contract, 1997-1 A5	6.970%	2/25/28	229,759	228,129
Lehman XS Trust, 2007-1 WF1	5.724%	1/25/37	912,464	533,746(c)
Merit Securities Corp., 13 A4	7.930%	12/28/33	2,714,831	2,915,455(c)
Morgan Stanley ABS Capital I, 2003-SD1 A1	1.186%	3/25/33	23,540	20,805(c)
Morgan Stanley Capital Inc., 2003-NC9 M	1.311%	9/25/33	2,037,670	1,532,916(c)(k)
MSDWCC Heloc Trust, 2003-2 A	0.454%	4/25/16	121,625	112,792(c)

See Notes to Financial Statements.

## Western Asset Premier Bond Fund 2011 Semi-Annual Report

**Schedule of investments (unaudited) (cont d)**

June 30, 2011

**Western Asset Premier Bond Fund**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Asset-Backed Securities continued</b>				
New Century Home Equity Loan Trust, 2004-2 A2	0.556%	8/25/34	475,320	\$ 367,373(c)
New Century Home Equity Loan Trust, 2004-3 M1	1.116%	11/25/34	917,006	684,558(c)
Oakwood Mortgage Investors Inc., 2002-B A3	6.060%	3/15/25	262,910	257,197(c)
Option One Mortgage Loan Trust, 2003-2 A2	0.862%	4/25/33	417,578	352,341(c)
Origen Manufactured Housing, 2006-A A2	3.697%	10/15/37	2,700,000	1,809,000(c)
Origen Manufactured Housing, 2007-A A2	3.697%	4/15/37	3,600,000	2,340,000(c)
PAMCO CLO, 1997-1A B	7.910%	8/6/11	775,612	232,684(b)(d)
Park Place Securities Inc., 2004-WCW1 M2	0.866%	9/25/34	1,900,000	1,749,478(c)
Park Place Securities Inc., 2004-WHQ2 M2	0.816%	2/25/35	750,000	636,197(c)
Pegasus Aviation Lease Securitization, 2000-1 A2	8.370%	3/25/30	1,600,000	736,000(a)
People's Choice Home Loan Securities Trust, 2004-1 A3	1.226%	6/25/34	400,842	354,960(c)
RAAC Series, 2007-RP1 M1	0.736%	5/25/46	210,000	35,967(a)(c)
Renaissance Home Equity Loan Trust, 2004-2 AF4	5.392%	7/25/34	566,852	574,054
Renaissance Home Equity Loan Trust, 2005-3 AV3	0.566%	11/25/35	790,138	529,149(c)
Residential Asset Mortgage Products Inc., 2004-RZ1 AII	0.666%	3/25/34	384,530	253,734(c)
Residential Asset Securities Corp., 2001-KS3 AII	0.646%	9/25/31	300,571	234,385(c)
Residential Asset Securities Corp., 2002-KS2 AI6	6.228%	4/25/32	555,230	567,919(c)
Residential Asset Securities Corp., 2003-KS8 AI6	4.830%	10/25/33	834,140	818,196(c)
Settlement Fee Finance LLC, 2004-1A A	9.100%	7/25/34	954,354	988,402(a)
SLM Student Loan Trust, 2001-4 B	0.774%	1/25/21	1,000,000	947,600(b)(c)
Structured Asset Securities Corp., 2002-AL1 A3	3.450%	2/25/32	796,895	745,295
Structured Asset Securities Corp., 2003-AL1 A	3.357%	4/25/31	116,136	112,134(a)
Structured Asset Securities Corp., 2005-4XS 2A1A	1.961%	3/25/35	536,256	395,330(c)
Structured Asset Securities Corp., 2006-GEL3 A2	0.416%	7/25/36	1,800,000	1,321,042(a)(c)
Structured Asset Securities Corp., 2007-BC1 A2	0.236%	2/25/37	443,640	429,315(c)
Vanderbilt Mortgage Finance, 1997-B 1B2	8.155%	10/7/26	446,461	407,505
Vanderbilt Mortgage Finance, 1997-C 1B2	7.830%	8/7/27	124,497	119,777(c)
Vanderbilt Mortgage Finance, 2000-B 1B2	9.250%	7/7/30	789,873	777,457(c)
<b>Total Asset-Backed Securities (Cost \$49,270,471)</b>				<b>53,545,853</b>
<b>Collateralized Mortgage Obligations 38.0%</b>				
American Home Mortgage Investment Trust, 2007-A 4A	0.636%	7/25/46	797,499	245,954(a)(c)
Banc of America Funding Corp., 2004-B 6A1	3.221%	12/20/34	578,569	289,582(c)
Bayview Commercial Asset Trust, 2005-3A A2	0.586%	11/25/35	662,416	548,620(a)(c)
Bayview Commercial Asset Trust, 2005-4A A1	0.486%	1/25/36	387,132	321,293(a)(c)
BCAP LLC Trust, 2009-RR12 2A2	0.554%	3/26/35	1,844,014	645,405(a)(b)(c)
Bear Stearns Adjustable Rate Mortgage Trust, 2004-1 23A1	5.465%	4/25/34	373,692	365,451(c)

See Notes to Financial Statements.

## Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<b>Collateralized Mortgage Obligations continued</b>				
Bear Stearns Alt-A Trust, 2004-3 A1	0.826%	4/25/34	466,780	\$ 389,039(c)
Bear Stearns Alt-A Trust, 2004-8 1A	0.536%	9/25/34	246,687	202,702(c)
Bear Stearns Alt-A Trust, 2005-10 21A1	3.058%	1/25/36	1,186,709	640,737(c)
Bear Stearns Asset Backed Securities Trust, 2002-AC1 B4	7.000%	1/25/32	891,461	195,141(a)(b)
Bella Vista Mortgage Trust, 2004-2 A1	0.556%	2/25/35	2,063,917	1,162,314(c)
BlackRock Capital Finance LP, 1997-R2 B5	6.188%	12/25/35	323,137	21,812(a)(b)(c)
CBA Commercial Small Balance Commercial Trust, 2005-1A	0.506%	7/25/35	1,571,608	961,400(a)(c)
Chevy Chase Mortgage Funding Corp., 2004-3A A1	0.436%	8/25/35	1,454,762	1,008,365(a)(c)
Chevy Chase Mortgage Funding Corp., 2004-4A A1	0.416%	10/25/35	2,062,158	1,364,266(a)(c)
Chevy Chase Mortgage Funding Corp., 2005-4A A1	0.386%	10/25/36	1,836,112	1,164,615(a)(c)
CNL Funding, 1998-1 C2	0.936%	9/18/11	2,195,396	1,985,736(a)(c)
Countrywide Home Loan Mortgage Pass-Through Trust, 2004-HYB5 7A1	2.309%	4/20/35	3,121,167	2,397,443(c)
Countrywide Home Loans, 2004-R1 1AF	0.586%	11/25/34	1,560,059	1,390,950(a)(c)
Countrywide Home Loans, 2004-R2 1AF1	0.606%	11/25/34	469,031	407,947(a)(c)
Countrywide Home Loans, 2005-7 1A1	0.456%	3/25/35	1,463,428	1,130,341(c)
Countrywide Home Loans, 2005-R2 2A1	7.000%	6/25/35	1,415,888	1,458,496(a)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-09 1A1	0.486%	5/25/35	1,632,113	1,116,299(c)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-R1 1AF1	0.546%	3/25/35	771,083	658,309(a)(c)
Credit Suisse Mortgage Capital Certificates, 2007-C3 A4	5.905%	6/15/39	242,000	256,063(c)
Credit Suisse Mortgage Capital Certificates, 2009-16R 4A1	2.613%	3/26/35	428,314	403,686(a)(c)
Extended Stay America Trust, 2010-ESHA XB1, IO	1.368%	1/5/16	20,500,000	357,126(a)(c)
Federal Home Loan Mortgage Corp. (FHLMC), K007 X1, IO	1.413%	4/25/20	11,255,769	841,573(c)
Federal Home Loan Mortgage Corp. (FHLMC), K007 X1, IO	1.685%	8/25/20	5,875,081	531,915(c)
Federal Home Loan Mortgage Corp. (FHLMC), K008 X1, IO	1.842%	6/25/20	993,457	99,407(c)
GMAC Commercial Mortgage Securities Inc., 1998-C2 F	6.500%	5/15/35	1,000,000	1,035,368(a)
Greenpoint Mortgage Funding Trust, 2005-AR5 2A2	0.456%	11/25/46	2,245,560	1,062,374(c)
Greenpoint Mortgage Funding Trust, 2005-AR5 3A2	0.456%	11/25/46	1,671,603	807,384(c)
GS Mortgage Securities Corp., IO	2.370%	2/10/21	6,193,228	274,979(a)(b)(c)
GS Mortgage Securities Corp., IO	1.342%	3/10/44	16,158,029	958,443(a)(c)

See Notes to Financial Statements.

## Western Asset Premier Bond Fund 2011 Semi-Annual Report

## Schedule of investments (unaudited) (cont d)

June 30, 2011

## Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<b>Collateralized Mortgage Obligations continued</b>				
GS Mortgage Securities Corp., 2010-C1 X, IO	1.711%	8/10/43	12,909,097	\$ 1,211,432(a)(c)
GSMPS Mortgage Loan Trust, 2001-2 A	7.500%	6/19/32	1,549,865	1,550,911(a)(c)
GSMPS Mortgage Loan Trust, 2004-4 1AF	0.586%	6/25/34	973,796	813,244(a)(c)
GSMPS Mortgage Loan Trust, 2005-RP1 1AF	0.536%	1/25/35	274,600	234,358(a)(c)
GSMPS Mortgage Loan Trust, 2005-RP1 2A1	3.994%	1/25/35	1,560,405	1,470,933(a)(c)
GSMPS Mortgage Loan Trust, 2005-RP3 1AF	0.536%	9/25/35	1,256,569	1,057,186(a)(c)
Harborview Mortgage Loan Trust, 2004-10 4A	2.712%	1/19/35	421,331	393,157(c)
Harborview Mortgage Loan Trust, 2004-8 3A2	0.586%	11/19/34	162,289	97,312(c)
Harborview Mortgage Loan Trust, 2005-9 B10	1.936%	6/20/35	1,089,329	85,310(c)
Impac CMB Trust, 2004-9 1A1	0.946%	1/25/35	54,134	42,171(c)
IMPAC CMB Trust, 2005-2 2A2	0.586%	4/25/35	335,497	283,019(c)
Impac CMB Trust, 2A-10	0.826%	3/25/35	434,919	302,171(c)
Indymac Index Mortgage Loan Trust, 2007-AR15 2A1	5.179%	8/25/37	4,731,587	2,882,251(c)
Jefferies & Co., 2009-B 9A	0.516%	11/21/35	167,584	342,893(a)(b)(c)
JPMorgan Mortgage Trust, 2007-A2 4A2	5.895%	4/25/37	300,000	260,249(c)
JPMorgan Reremic, 2009-5 6A1	5.895%	4/26/37	257,155	256,899(a)(c)
LB-UBS Commercial Mortgage Trust, 2001-C3 X, STRIPS, IO	0.979%	6/15/36	916,863	274(a)(c)(e)
Luminent Mortgage Trust, 2006-6 A1	0.386%	10/25/46	1,071,132	715,785(c)
MASTR Adjustable Rate Mortgages Trust, 2004-13 3A7	2.836%	11/21/34	2,000,000	1,908,094(c)
MASTR Alternative Loans Trust, PAC, 2003-7 7A1	0.586%	11/25/33	188,400	186,368(c)
MASTR ARM Trust, 2004-7 6M1	0.836%	8/25/34	800,000	636,565(c)
Merit Securities Corp., 11PA 3A1	0.811%	4/28/27	168,935	142,880(a)(c)
Merit Securities Corp., 11PA B3	2.436%	9/28/32	850,000	570,959(a)(c)
Metropolitan Asset Funding Inc., 1998-BI B1	8.000%	11/20/24	881,653	539,743(c)
Morgan Stanley Capital I, 1999-LIFE E	7.054%	4/15/33	85,464	85,302(c)
Nomura Asset Acceptance Corp., 2004-AR4 1A1	2.456%	12/25/34	470,616	444,371(c)
Prime Mortgage Trust, 2005-2 2XB, STRIPS	1.743%	10/25/32	3,535,777	219,572(b)(c)
Prime Mortgage Trust, 2005-5 1X, STRIPS, IO	0.909%	7/25/34	7,571,179	120,789(c)
Prime Mortgage Trust, 2005-5 1XB, STRIPS, IO	1.354%	7/25/34	2,621,657	24,119(b)(c)
Regal Trust IV, 1999-1 A	2.969%	9/29/31	96,028	88,605(a)(c)
Residential Asset Mortgage Products Inc., 2004-SL4 A5	7.500%	7/25/32	1,257,756	1,266,210
Residential Asset Mortgage Products, Inc., 2005-SL2 AP0, STRIPS	0.010%	2/25/32	231,351	214,734
Residential Asset Securitization Trust, 2003-A1 A2	0.686%	3/25/33	75,880	75,600(c)
Sequoia Mortgage Trust, 2003-2 A2	0.735%	6/20/33	47,370	39,601(c)
Sequoia Mortgage Trust, 2004-10 A1A	0.496%	11/20/34	29,164	26,499(c)

See Notes to Financial Statements.



## Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<b>Collateralized Mortgage Obligations continued</b>				
Sequoia Mortgage Trust, 2004-11 A1	0.486%	12/20/34	42,812	\$ 37,378(c)
Sequoia Mortgage Trust, 2004-12 A1	0.456%	1/20/35	352,447	281,620(c)
Structured Asset Securities Corp., 1998-RF2 A	7.946%	7/15/27	439,092	438,145(a)(c)
Structured Asset Securities Corp., 2002-9 A2	0.486%	10/25/27	957,269	841,080(c)
Structured Asset Securities Corp., 2003-9A 2A2	2.538%	3/25/33	246,704	225,148(c)
Structured Asset Securities Corp., 2004-NP1 A	0.586%	9/25/33	263,408	233,448(a)(c)
Structured Asset Securities Corp., 2005-4XS 3A4	4.790%	3/25/35	890,000	882,801
Structured Asset Securities Corp., 2005-RF2 A	0.536%	4/25/35	1,233,103	1,012,850(a)(c)
Structured Asset Securities Corp., 2005-RF3 2A	4.049%	6/25/35	2,097,190	1,806,129(a)(c)(k)
Thornburg Mortgage Securities Trust, 2003-4 A1	0.506%	9/25/43	890,365	833,465(c)
Thornburg Mortgage Securities Trust, 2004-03 A	0.926%	9/25/44	892,366	831,063(c)
Thornburg Mortgage Securities Trust, 2007-4 2A1	6.156%	9/25/37	639,469	621,245(c)
Thornburg Mortgage Securities Trust, 2007-4 3A1	6.027%	9/25/37	670,478	666,184(c)
WaMu Mortgage Pass-Through Certificates, 2004-AR08 A1	0.608%	6/25/44	450,434	334,021(c)
WaMu Mortgage Pass-Through Certificates, 2004-AR13 A2A	0.558%	11/25/34	1,900,155	1,537,716(c)
WaMu Mortgage Pass-Through Certificates, 2004-AR6 A	0.608%	5/25/44	704,268	546,555(c)
WaMu Mortgage Pass-Through Certificates, 2007-HY7 2A3	5.558%	7/25/37	1,799,883	1,214,430(c)
Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-5 3A3	6.221%	7/25/36	833,768	462,661
Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-7 A2A	5.667%	9/25/36	1,376,386	832,947
Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-7 A3	6.081%	9/25/36	168,207	99,836
Washington Mutual Inc., 2004-AR11	2.718%	10/25/34	515,182	479,034(c)
Washington Mutual Inc., 2004-AR12 A2A	0.578%	10/25/44	549,545	442,256(c)
Washington Mutual Inc., 2005-AR8 2A1A	0.476%	7/25/45	442,674	358,620(c)
Washington Mutual Inc. Mortgage Pass-Through Certificates, 2004-AR02 A	1.678%	4/25/44	316,803	256,813(c)
Washington Mutual Inc. Mortgage Pass-Through Certificates, 2004-AR13 A1A	0.548%	11/25/34	1,351,147	1,102,283(c)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR06 2A1A	0.416%	4/25/45	396,544	328,500(c)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR08 1A1A	0.456%	7/25/45	30,426	24,456(c)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR09 A1A	0.506%	7/25/45	204,457	167,856(c)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR13 A1A1	0.476%	10/25/45	364,367	298,286(c)

See Notes to Financial Statements.

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Western Asset Premier Bond Fund 2011 Semi-Annual Report

**Schedule of investments (unaudited) (cont d)**

June 30, 2011

**Western Asset Premier Bond Fund**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Collateralized Mortgage Obligations</b>				
<b>continued</b>				
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR19 A1A1	0.456%	12/25/45	743,542 \$	613,956(c)
Washington Mutual Inc., MSC Pass-Through Certificates, 2004-RA1 2A	7.000%	3/25/34	44,990	46,766
Washington Mutual Mortgage Pass-Through Certificates, 2006-AR5 3A	1.218%	7/25/46	1,345,887	547,969(c)
<b>Total Collateralized Mortgage Obligations (Cost</b>	<b>\$59,852,536)</b>			<b>63,695,618</b>
<b>Collateralized Senior Loans 6.0%</b>				
<b>Consumer Discretionary 2.3%</b>				
Carmike Cinemas Inc., Term Loan	5.500%	1/27/16	887,589	888,698(g)
Getty Images Inc., Term Loan B	5.250%	11/7/16	992,500	996,842(g)
Las Vegas Sands LLC, Delayed Draw Term Loan	2.690%	11/23/16	166,092	161,026(g)
Las Vegas Sands LLC, Term Loan B	2.690%	11/23/16	826,389	800,105(g)
Univision Communications Inc.	4.436%	3/31/17	990,478	939,941(g)
<b>Total Consumer Discretionary</b>				<b>3,786,612</b>
<b>Health Care 2.3%</b>				
Community Health Systems Inc., Term Loan B	3.754%	1/25/17	1,495,000	1,443,976(g)
Grifols Inc., Term Loan B	6.000%	11/23/16	1,500,000	1,505,313(g)
MedAssets Inc., Term Loan B	5.250%	11/16/16	955,630	957,620(g)
<b>Total Health Care</b>				<b>3,906,909</b>
<b>Industrials 0.0%</b>				
Trico Shipping AS, Term Loan A	10.000%	5/12/14	66,208	66,208(b)(g)
<b>Information Technology 1.4%</b>				
First Data Corp., Term Loan B	4.186%	3/23/18	424,158	388,641(g)
First Data Corp., Term Loan B2	2.936%	9/24/14	514,436	475,912(g)
Freescale Semiconductor Inc., Term Loan	4.441%	12/1/16	1,483,221	1,474,646(g)
<b>Total Information Technology</b>				<b>2,339,199</b>
<b>Total Collateralized Senior Loans (Cost</b>	<b>\$10,090,816)</b>			<b>10,098,928</b>
<b>Mortgage-Backed Securities 0.3%</b>				
<b>FNMA 0.3%</b>				
Federal National Mortgage Association (FNMA), Whole Loan (Cost \$472,258)	6.500%	8/25/44	459,360	511,671
<b>Municipal Bonds 6.6%</b>				
<b>Florida 1.6%</b>				
Florida Educational Loan Marketing Corp., 2002-1 B	0.490%	12/1/36	700,000	559,650(c)(h)
	0.405%	12/1/18	2,500,000	2,084,375(b)(c)(h)



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Florida Educational Loan Marketing Corp.,  
Education Loan Revenue  
***Total Florida***

***2,644,025***

See Notes to Financial Statements.

**Western Asset Premier Bond Fund**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Kentucky 0.9%</b> Carroll County, KY, PCR, Kentucky Utilities Co. Project, AMBAC	0.180%	10/1/32	1,800,000	\$ 1,505,250(b)(c)
<b>Nevada 0.8%</b> Washoe County, NV, Pollution Control, Gas & Water Facilities Revenue, Sierra Pacific Power Co., AMBAC	0.521%	3/1/36	1,700,000	1,411,000(b)(c)(h)
<b>New York 0.8%</b> New York State Energy Research & Development Authority Facilities Revenue, Consolidated Edison Co. of New York Inc., AMBAC	0.315%	10/1/36	1,600,000	1,212,000(c)(h)
New York State Energy Research & Development Authority, Gas Facilities Revenue, Brooklyn Union Gas Project, NATL-RE	1.173%	12/1/20	200,000	154,000(c)
<b>Total New York</b>				<b>1,366,000</b>
<b>Pennsylvania 2.5%</b> Pennsylvania State Higher Education Assistance Agency, Student Loan Revenue	0.164%	6/1/47	4,525,000	4,153,950(c)
<b>Total Municipal Bonds (Cost \$10,977,164)</b>				<b>11,080,225</b>
<b>Non-U.S. Treasury Inflation Protected Securities 5.8%</b>				
Brazil Nota do Tesouro Nacional	6.000%	5/15/45	4,700,000	6,247,020
Brazil Nota do Tesouro Nacional, Notes	6.000%	8/15/50	5,339,201	3,487,212
<b>Total Non-U.S. Treasury Inflation Protected Securities (Cost \$8,045,628)</b>				<b>9,734,232</b>
<b>Sovereign Bonds 1.4%</b>				
<b>Brazil 0.2%</b> Brazil Nota do Tesouro Nacional, Notes	10.000%	1/1/14	280,000BRL	169,814
Brazil Nota do Tesouro Nacional, Notes	10.000%	1/1/17	312,000BRL	181,246
<b>Total Brazil</b>				<b>351,060</b>
<b>Honduras 0.0%</b> Republic of Honduras	0.235%	10/1/11	17,624	17,649(c)
<b>India 0.1%</b> ICICI Bank Ltd., Junior Subordinated Bonds	6.375%	4/30/22	184,000	179,400(a)(c)
<b>Malaysia 0.4%</b> Government of Malaysia, Senior Bonds	3.835%	8/12/15	1,500,000MYR	504,991
Government of Malaysia, Senior Bonds	4.262%	9/15/16	290,000MYR	99,301
<b>Total Malaysia</b>				<b>604,292</b>
<b>Mexico 0.7%</b> Mexican Bonos, Bonds	8.000%	6/11/20	10,180,000MXN	930,618
United Mexican States, Bonds	10.000%	12/5/24	2,750,000MXN	289,451
<b>Total Mexico</b>				<b>1,220,069</b>

See Notes to Financial Statements.

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Western Asset Premier Bond Fund 2011 Semi-Annual Report

**Schedule of investments (unaudited) (cont d)**

June 30, 2011

**Western Asset Premier Bond Fund**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Venezuela 0.0%</b>				
Bolivarian Republic of Venezuela, Collective Action Securities, Global Senior Bonds	9.375%	1/13/34	2,000 \$	<b>1,425</b>
<b>Total Sovereign Bonds (Cost \$2,352,911)</b>				<b>2,373,895</b>
<b>U.S. Government &amp; Agency Obligations 1.8%</b>				
<b>U.S. Government Obligations 1.8%</b>				
U.S. Treasury Bonds	4.250%	11/15/40	2,680,000	2,619,700
U.S. Treasury Notes	3.125%	5/15/21	320,000	319,101
<b>Total U.S. Government &amp; Agency Obligations (Cost \$2,943,585)</b>				<b>2,938,801</b>
			<b>Shares</b>	
<b>Common Stocks 0.6%</b>				
<b>Consumer Discretionary 0.3%</b>				
<b>Automobiles 0.1%</b>				
General Motors Co.			8,588	<b>260,732*</b>
<b>Media 0.2%</b>				
Charter Communications Inc., Class A Shares			4,936	<b>267,827*</b>
<b>Total Consumer Discretionary</b>				<b>528,559</b>
<b>Energy 0.0%</b>				
<b>Oil, Gas &amp; Consumable Fuels 0.0%</b>				
SemGroup Corp., Class A Shares			789	<b>20,254*</b>
<b>Industrials 0.1%</b>				
<b>Building Products 0.0%</b>				
Ashton Woods USA LLC, Class B Membership			20	12,900(b)(e)
Nortek Inc.			1,206	43,404*
<b>Total Building Products</b>				<b>56,304</b>
<b>Marine 0.1%</b>				
DeepOcean Group Holding AS			8,860	<b>132,900(b)</b>
<b>Total Industrials</b>				<b>189,204</b>
<b>Materials 0.2%</b>				
<b>Chemicals 0.2%</b>				
Georgia Gulf Corp.			8,950	<b>216,053*</b>
<b>Total Common Stocks (Cost \$1,365,382)</b>				<b>954,070</b>

See Notes to Financial Statements.

## Western Asset Premier Bond Fund

Security	Rate	Shares	Value
<b>Convertible Preferred Stocks 0.1%</b>			
<b>Financials 0.1%</b>			
<b>Thriffs &amp; Mortgage Finance 0.1%</b>			
Federal National Mortgage Association (FNMA) (Cost \$1,357,500)	5.375%	15	\$ 136,875*
<b>Preferred Stocks 0.0%</b>			
<b>Consumer Discretionary 0.0%</b>			
<b>Automobiles 0.0%</b>			
Escrow GCB General Motors	0.000%	55,025	35,766(e)
<b>Media 0.0%</b>			
CMP Susquehanna Radio Holdings Corp.	0.000%	3,171	0*(a)(e)(i)
<b>Total Consumer Discretionary</b>			<b>35,766</b>
<b>Financials 0.0%</b>			
<b>Diversified Financial Services 0.0%</b>			
Corporate-Backed Trust Certificates, Series 2001-8, Class A-1	7.375%	33,900	0*(b)(d)(e)(i)
<b>Thriffs &amp; Mortgage Finance 0.0%</b>			
Federal Home Loan Mortgage Corp. (FHLMC)	0.000%	100	465*(c)
Federal Home Loan Mortgage Corp. (FHLMC)	5.000%	200	930*
Federal Home Loan Mortgage Corp. (FHLMC)	8.375%	1,025	3,024*(c)
<b>Total Thriffs &amp; Mortgage Finance</b>			<b>4,419</b>
<b>Total Financials</b>			<b>4,419</b>
<b>Total Preferred Stocks (Cost \$39,213)</b>			<b>40,185</b>
	<b>Expiration Date</b>	<b>Warrants</b>	
<b>Warrants 0.2%</b>			
Buffets Restaurant Holdings	4/28/14	223	2*(b)(e)
Charter Communications Inc.	11/30/14	265	3,180*(b)
CMP Susquehanna Radio Holdings Co.	3/23/19	3,624	0*(a)(b)(e)(i)
General Motors Co.	7/10/16	7,849	167,969*
General Motors Co.	7/10/19	7,849	125,035*
Nortek Inc.	12/7/14	576	4,608*(b)(e)
SemGroup Corp.	11/30/14	830	5,602*(e)
<b>Total Warrants (Cost \$750,001)</b>			<b>306,396</b>
<b>Total Investments before Short-Term Investments (Cost \$222,863,951)</b>			<b>235,210,525</b>

See Notes to Financial Statements.

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Western Asset Premier Bond Fund 2011 Semi-Annual Report

**Schedule of investments (unaudited) (cont d)**

June 30, 2011

**Western Asset Premier Bond Fund**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Short-Term Investments</b> 4.7%				
<b>Repurchase Agreements</b> 4.7%				
Deutsche Bank Securities Inc. repurchase agreement dated 6/30/11; Proceeds at maturity \$7,915,002; (Fully collateralized by U.S. government agency obligations, 3.500% due 8/17/20; Market value \$8,073,296) (Cost \$7,915,000)	0.010%	7/1/11	7,915,000	\$ 7,915,000
<b>Total Investments</b> 145.1% (Cost \$230,778,951#)				<b>243,125,525</b>
Liabilities in Excess of Other Assets (2.1)%				(3,601,802)
Liquidation value of Preferred Shares (43.0)%				(72,000,000)
<b>Total Net Assets</b> 100.0%				<b>\$167,523,723</b>

Face amount denominated in U.S. dollars, unless otherwise noted.

\* Non-income producing security.

- (a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Trustees, unless otherwise noted.
- (b) Security is valued in good faith in accordance with procedures approved by the Board of Trustees (See Note 1).
- (c) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (d) The coupon payment on these securities is currently in default as of June 30, 2011.
- (e) Illiquid security.
- (f) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (g) Interest rates disclosed represent the effective rates on collateralized senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
- (h) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax ( AMT ).
- (i) Value is less than \$1.
- (j) The maturity principal is currently in default as of June 30, 2011.
- (k) All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.

# Aggregate cost for federal income tax purposes is substantially the same.

**Abbreviations used in this schedule:**

ARM	Adjustable Rate Mortgage
BRL	Brazilian Real
CMB	Cash Management Bill
IO	Interest Only
MXN	Mexican Peso
MYR	Malaysian Ringgit
PAC	Planned Amortization Class
STRIPS	Separate Trading of Registered Interest and Principal Securities

See Notes to Financial Statements.

**Statement of assets and liabilities (unaudited)**

June 30, 2011

**Assets:**

Investments, at value (Cost \$230,778,951)	\$243,125,525
Foreign currency, at value (Cost \$362,272)	382,280
Cash	106,846
Interest receivable	2,006,712
Deposits with brokers for swap contracts	300,000
Swaps, at value (net premiums paid \$31,725)	197,501
Receivable for securities sold	79,799
Principal paydown receivable	28,337
Receivable for open swap contracts	5,712
Prepaid expenses	37,503
<b>Total Assets</b>	<b>246,270,215</b>

**Liabilities:**