

WESTERN ASSET HIGH INCOME FUND II INC.
Form N-CSRS
January 23, 2007

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 811-8709

Western Asset High Income Fund II Inc.
(Exact name of registrant as specified in charter)

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

10004
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC
300 First Stamford Place
Stamford, CT 06902
(Name and address of agent for service)

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

Date of fiscal year end: April 30

Date of reporting period: October 31, 2006

ITEM 1. REPORT TO STOCKHOLDERS.

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

**Western Asset
High Income Fund II Inc.**

SEMI-ANNUAL

REPORT

OCTOBER 31, 2006

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

**Western Asset
High Income Fund II Inc.**

Semi-Annual Report October 31, 2006

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The Fund seeks to maximize current income. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with maximization of current income.	Board Approval of Management and Subadvisory Agreements	33
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Letter from the Chairman

Dear Shareholder,

The U.S. economy took a step backwards and weakened considerably during the six-month reporting period. After gross domestic product (GDP) increased a modest 1.7% in the last three months of 2005, the economy rebounded sharply in the first quarter of 2006. During this time, GDP rose 5.6%, its highest reading since the third quarter of 2003. In the second quarter of 2006 GDP growth was 2.6%, according to the U.S. Commerce Department. The preliminary estimate for third quarter GDP growth was 2.2%.

After increasing the federal funds rateⁱⁱ to 5.25% in June its 17th consecutive rate hike the Federal Reserve Board (Fedⁱⁱⁱ) paused from raising rates at its next four meetings. In its statement

R. JAY GERKEN, CFA

Chairman, President and
Chief Executive Officer

accompanying the December meeting, the Fed stated, "Economic growth has slowed over the course of the year, partly reflecting a substantial cooling of the housing market. Although recent indicators have been mixed, the economy seems likely to expand at a moderate pace on balance over coming quarters. The Fed's next meeting is at the end of January, and we believe any further rate movements will likely be data dependent."

After a prolonged period of rising interest rates, both short- and long-term yields declined over the reporting period. After peaking in late June when two- and 10-year Treasuries hit 5.29% and 5.25%, respectively rates fell sharply as the Fed paused from its tightening cycle. In addition, inflationary pressures eased as oil prices, which rose to a record \$78 a barrel in mid-July, subsequently fell 15% in the latter part of the third quarter.^{iv} Overall, during the six-months ended October 31, 2006, two-year Treasury yields fell from 4.87% to 4.71%. Over the same period, 10-year

Western Asset High Income Fund II Inc. I

Treasury yields declined from 5.07% to 4.61%. Looking at the six-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index^v, returned 4.60%.

Strong corporate profits and low default rates helped high yield bonds generate positive returns during the reporting period. While there were a number of high profile company specific issues, mostly in the automobile industry, they were not enough to drag down the overall high yield market. During the six-month period ended October 31, 2006, the Citigroup High Yield Market Index^{vi} returned 5.16%.

Despite periods of weakness, emerging markets debt generated positive results over the six-month period, as the JPMorgan Emerging Markets Bond Index Global^{vii} returned 6.30%. An expanding global economy, solid domestic spending and a pause in U.S. interest rate hikes supported many emerging market countries.

Performance Review

For the six months ended October 31, 2006, the Western Asset High Income Fund II Inc. returned 4.92%, based on its net asset value (NAVⁱⁱⁱ) and 10.31% based on its New York Stock Exchange (NYSE) market price per share. In comparison, the Fund's unmanaged benchmark, the Citigroup High Yield Market Index returned 5.16% for the same time frame. The Lipper High Current Yield (Leveraged) Closed-End Funds Category Average^{ix} increased 4.74%. Please note that Lipper performance returns are based on each fund's NAV per share.

During this six-month period, the Fund made distributions to shareholders totaling \$0.430 per share, (which may have included a return of capital). The performance table shows the Fund's six-month total return based on its NAV and market price as of October 31, 2006. **Past performance is no guarantee of future results.**

II Western Asset High Income Fund II Inc.

Performance Snapshot as of October 31, 2006 (unaudited)

Price Per Share	6-Month Total Return
\$11.87 (NAV)	4.92%
\$10.62 (Market Price)	10.31%

All figures represent past performance and are not a guarantee of future results.

Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions, including returns of capital, if any, in additional shares

Special Shareholder Notices

Following the purchase of substantially all of Citigroup Inc. s (Citigroup) asset management business in December 2005, Legg Mason, Inc. (Legg Mason) undertook an internal reorganization to consolidate the advisory services provided to the legacy Citigroup funds through a more limited number of advisers. As part of this reorganization, at a meeting held on June 26, 2006, the Fund s Board approved a new management agreement with Legg Mason Partners Fund Advisor, LLC (LMPFA), under which LMPFA became investment manager for the Fund effective August 1, 2006.

Western Asset Management Company (Western Asset) became subadviser for the Fund, under a new sub-advisory agreement between LMPFA and Western Asset, effective August 1, 2006. LMPFA and Western Asset are wholly-owned subsidiaries of Legg Mason. The portfolio managers who are responsible for the day-to-day management of the Fund remained the same immediately prior to and immediately after the date of these changes. LMPFA provides administrative and certain oversight services to the Fund. LMPFA has delegated to the subadviser the day-to-day portfolio management of the Fund. The management fee for the Fund remains unchanged.

Effective November 30, 2006, Western Asset Management Company Limited (Western Asset Limited) will become an additional subadviser to the Fund. Western Asset Limited will provide certain advisory services to the Fund relating to currency transactions and investment in nondollar denominated securities.

Western Asset Limited has offices at 10 Exchange Place, London, England. Western Asset Limited acts as an investment adviser to institutional accounts, such as corporate pension plans, mutual funds and endowment funds.

Prior to October 9, 2006, the Fund was known as Salomon Brothers High Income Fund II Inc.

Information About Your Fund

As you may be aware, several issues in the mutual fund industry (not directly affecting closed-end investment companies, such as this Fund) have come under the scrutiny of federal and state regulators. Affiliates of the Fund's manager have, in recent years, received requests for information from various government regulators regarding market timing, late trading, fees, and other mutual fund issues in connection with various investigations. The regulators appear to be examining, among other things, the open-end funds' response to market timing and shareholder exchange activity, including compliance with prospectus disclosure related to these subjects. The Fund is not in a position to predict the outcome of these requests and investigations, or whether these may affect the Fund.

Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to Financial Statements included in this report.

Looking for Additional Information?

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

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA
Chairman, President and Chief Executive Officer

December 13, 2006

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.

RISKS: As interest rates rise, bond prices fall generally, reducing the value of the Fund. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on fund performance. High yield bonds involve greater credit and liquidity risks than investment grade bonds. Foreign securities are subject to certain risks not associated with domestic investing, such as currency fluctuations and changes in political and economic conditions which could result in significant fluctuations. The risks are magnified in emerging markets.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- i Gross domestic product is a market value of goods and services produced by labor and property in a given country.
- ii The federal funds rate is the interest rate that banks with excess reserves at a Federal Reserve district bank charge other banks that need overnight loans.
- iii The Federal Reserve Board is responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- iv Source: *The Wall Street Journal*, 9/29/06.
- v The Lehman Brothers 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.
- vi The Citigroup High Yield Market Index is a broad-based unmanaged index of high yield securities
- vii JPMorgan Emerging Markets Bond Index Global tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds, and local market instruments. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d'Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.

viii NAV is calculated by subtracting total liabilities 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 at the Fund's market price as determined by supply of and demand for the Fund's shares.

ix Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the six-month period ended October 31, 2006, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 29 funds in the Fund's Lipper category.

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Fund at a Glance (unaudited)

Investment Breakdown

As a Percent of Total Investments

Schedule of Investments (October 31, 2006) (unaudited)

WESTERN ASSET HIGH INCOME FUND II INC.

Face Amount	Security	Value
CORPORATE BONDS & NOTES 87.6%		
Aerospace & Defense 1.6%		
1,555,000	Alliant Techsystems Inc., Senior Subordinated Notes, 6.750% due 4/1/16	\$ 1,547,225
4,200,000	Argo-Tech Corp., Senior Notes, 9.250% due 6/1/11	4,378,500
1,535,000	DRS Technologies Inc., Senior Subordinated Notes: 6.625% due 2/1/16	1,527,325
3,350,000	7.625% due 2/1/18	3,442,125
5,500,000	L-3 Communications Corp., Senior Subordinated Notes, 7.625% due 6/15/12	5,740,625
	Total Aerospace & Defense	16,635,800
Airlines 0.5%		
373,027	Continental Airlines Inc., Pass-Through Certificates: Series 1998-1, Class C, 6.541% due 9/15/08	368,224
1,299,217	Series 2000-2, Class C, 8.312% due 10/2/12	1,316,269
1,355,000	Series 2001-2, Class D, 7.568% due 12/1/06	1,355,847
2,135,000	Delta Air Lines Inc., Pass-Through Certificates, Series 01-1, 7.711% due 9/18/11 (a)	2,072,285
	Total Airlines	5,112,625
Auto Components 1.2%		
2,870,000	Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13	2,783,900
1,439,000	TRW Automotive Inc.: Senior Notes, 9.375% due 2/15/13	1,548,724
150,000	Senior Subordinated Notes, 11.000% due 2/15/13	165,375
4,535,000	Visteon Corp., Senior Notes: 8.250% due 8/1/10	4,353,600
3,670,000	7.000% due 3/10/14	3,202,075
	Total Auto Components	12,053,674
Automobiles 3.3%		
1,880,000	Ford Motor Co.: Debentures: 8.875% due 1/15/22	1,640,300
1,150,000	8.900% due 1/15/32	1,043,625
24,780,000	Notes, 7.450% due 7/16/31	19,545,225
5,320,000	General Motors Corp.: Notes, 7.200% due 1/15/11	4,987,500
2,375,000	Senior Debentures: 8.250% due 7/15/23	2,119,687
5,315,000	8.375% due 7/15/33	4,756,925
	Total Automobiles	34,093,262
Biotechnology 0.0%		

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325,000

Angiotech Pharmaceuticals Inc., Senior Subordinated Notes,
7.750% due 4/1/14 (b)

310,375

See Notes to Financial Statements.

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Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Building Products 1.7%		
10,415,000	Associated Materials Inc., Senior Discount Notes, step bond to yield 12.272% due 3/1/14	\$ 6,170,887
2,130,000	Jacuzzi Brands Inc., Senior Secured Notes, 9.625% due 7/1/10	2,292,413
1,750,000	Nortek Inc., Senior Subordinated Notes, 8.500% due 9/1/14	1,680,000
11,025,000	NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.457% due 3/1/14	7,607,250
	Total Building Products	17,750,550
Capital Markets 0.7%		
3,304,000	BCP Crystal U.S. Holdings Corp., Senior Subordinated Notes, 9.625% due 6/15/14	3,642,660
3,000,000	E*TRADE Financial Corp., Senior Notes, 7.375% due 9/15/13	3,097,500
	Total Capital Markets	6,740,160
Chemicals 3.4%		
2,800,000	Borden Chemicals & Plastics LP, Notes, 9.500% due 5/1/05 (a)(c)(d)*	49,000
280,000	Chemtura Corp., Senior Notes, 6.875% due 6/1/16	275,100
3,500,000	Equistar Chemicals LP, Senior Notes, 10.625% due 5/1/11	3,762,500
5,260,000	Georgia Gulf Corp., Senior Notes, 9.500% due 10/15/14 (b)	5,207,400
	Huntsman International LLC:	
1,560,000	7.875% due 11/15/14 (b)	1,560,000
3,873,000	Senior Subordinated Notes, 10.125% due 7/1/09	3,950,460
	Lyondell Chemical Co.:	
	Senior Notes:	
1,400,000	8.000% due 9/15/14	1,438,500
1,155,000	8.250% due 9/15/16	1,195,425
	Senior Secured Notes:	
1,517,000	9.500% due 12/15/08	1,564,406
1,300,000	11.125% due 7/15/12	1,413,750
100,000	10.500% due 6/1/13	110,500
3,075,000	Methanex Corp., Senior Notes, 8.750% due 8/15/12	3,328,687
3,550,000	Millennium America Inc., Senior Notes, 9.250% due 6/15/08	3,674,250
4,475,000	Montell Finance Co. BV, Debentures, 8.100% due 3/15/27 (b)	4,228,875
2,251,000	Rhodia SA, Senior Notes, 10.250% due 6/1/10	2,560,513
1,485,000	Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16	1,429,313
	Total Chemicals	35,748,679
Commercial Banks 0.3%		
440,000	Banco Mercantil del Norte SA, Bonds, 6.135% due 10/13/16 (b)	444,357
2,650,000	Russian Agricultural Bank, Notes, 7.175% due 5/16/13 (b)	2,799,063
	Total Commercial Banks	3,243,420
Commercial Services & Supplies 2.3%		
2,100,000	Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11	2,121,000
	Allied Waste North America Inc., Senior Notes, Series B:	
250,000	8.500% due 12/1/08	264,375
1,617,000	9.250% due 9/1/12	1,728,169
5,885,000	7.375% due 4/15/14	5,885,000

1,050,000

7.250% due 3/15/15

1,055,250

See Notes to Financial Statements.

Western Asset High Income Fund II Inc. 2006 Semi-Annual Report

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Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Commercial Services & Supplies 2.3% (continued)		
3,200,000	Brand Services Inc., Senior Notes, 12.000% due 10/15/12	\$ 3,580,096
3,960,000	DynCorp International LLC/DIV Capital Corporation, Senior Subordinated Notes, Series B, 9.500% due 2/15/13	4,138,200
5,110,000	Windstream Corp., Senior Notes, 8.625% due 8/1/16 (b)	5,537,962
	Total Commercial Services & Supplies	24,310,052
Communications Equipment 0.5%		
6,250,000	Lucent Technologies Inc., Debentures, 6.450% due 3/15/29	5,625,000
Consumer Finance 3.7%		
	Ford Motor Credit Co.:	
	Notes:	
3,075,000	7.875% due 6/15/10	3,002,940
3,880,000	7.000% due 10/1/13	3,611,737
	Senior Notes:	
4,248,000	10.640% due 6/15/11 (b)(e)	4,475,693
1,950,000	9.875% due 8/10/11	2,016,867
	General Motors Acceptance Corp., Notes:	
6,890,000	6.875% due 8/28/12	6,916,678
17,950,000	8.000% due 11/1/31	19,286,755
	Total Consumer Finance	39,310,670
Containers & Packaging 2.1%		
2,310,000	Berry Plastics Holding Corp., Senior Secured Notes, 8.875% due 9/15/14 (b)	2,344,650
4,960,000	Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14	4,997,200
	Graphic Packaging International Corp.:	
670,000	Senior Notes, 8.500% due 8/15/11	691,775
3,905,000	Senior Subordinated Notes, 9.500% due 8/15/13	4,031,912
3,750,000	JSG Funding PLC, Senior Notes, 9.625% due 10/1/12	3,989,062
2,195,000	Owens-Brockway Glass Container Inc., Senior Secured Notes, 8.750% due 11/15/12	2,326,700
1,490,000	Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (b)	1,549,600
1,975,000	Radnor Holdings Corp., Senior Notes, 11.000% due 3/15/10 (a)	232,063
2,355,000	Smurfit-Stone Container Enterprises Inc., Senior Notes, 8.375% due 7/1/12	2,307,900
	Total Containers & Packaging	22,470,862
Diversified Consumer Services 1.5%		
1,965,000	Education Management LLC/Education Management Corp., Senior Notes, 8.750% due 6/1/14 (b)	2,023,950
	Hertz Corp.:	
3,930,000	Senior Notes, 8.875% due 1/1/14 (b)	4,126,500
7,165,000	Senior Subordinated Notes, 10.500% due 1/1/16 (b)	7,899,412
	Service Corp. International:	
650,000	Debentures, 7.875% due 2/1/13	672,750
	Senior Notes:	
320,000	7.375% due 10/1/14 (b)	330,400

880,000

7.625% due 10/1/18 (b)

908,600

Total Diversified Consumer Services

15,961,612

See Notes to Financial Statements.

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Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Diversified Financial Services 2.7%		
3,060,000	Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15 (b)	\$ 3,121,200
2,110,000	CCM Merger Inc., Notes, 8.000% due 8/1/13 (b)	2,044,063
1,255,000	CitiSteel USA Inc., Senior Secured Notes: 12.949% due 9/1/10 (e)	1,302,063
870,000	15.000% due 10/1/10 (b)(f)	943,950
2,850,000	Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC: Second Priority, Senior Secured Notes, 9.000% due 7/15/14	3,220,500
1,900,000	Senior Secured Notes, 9.750% due 11/15/14 (b)	1,904,750
1,435,000	Hughes Network Systems LLC/HNS Finance Corp., Senior Notes, 9.500% due 4/15/14 (b)	1,492,400
2,055,000	Milacron Escrow Corp., Senior Secured Notes, 11.500% due 5/15/11	1,990,781
1,360,000	TNK-BP Finance SA, 7.500% due 7/18/16 (b)	1,425,367
1,460,000	UCAR Finance Inc., Senior Notes, 10.250% due 2/15/12	1,542,125
2,055,000	UGS Corp., Senior Subordinated Notes, 10.000% due 6/1/12	2,229,675
4,130,000	Vanguard Health Holdings Co. I LLC, Senior Discount Notes, step bond to yield 9.967% due 10/1/15	3,025,225
4,425,000	Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14	4,303,312
	Total Diversified Financial Services	28,545,411
Diversified Telecommunication Services 6.5%		
3,240,000	Cincinnati Bell Inc.: Senior Notes, 7.000% due 2/15/15	3,199,500
1,040,000	Senior Subordinated Notes, 8.375% due 1/15/14	1,066,000
1,055,000	Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28	938,950
2,515,000	Citizens Communications Co., Senior Notes, 9.000% due 8/15/31	2,744,494
5,101,000	Hawaiian Telcom Communications Inc., Senior Subordinated Notes, Series B, 12.500% due 5/1/15	5,470,822
1,825,000	Inmarsat Finance PLC, Senior Notes, 7.625% due 6/30/12	1,891,156
4,350,000	Insight Midwest LP/Insight Capital Inc., Senior Notes, 10.500% due 11/1/10	4,513,125
4,315,000	Intelsat Bermuda Ltd., Senior Notes: 9.250% due 6/15/16 (b)	4,627,837
6,280,000	11.250% due 6/15/16 (b)	6,868,750
670,000	Intelsat Ltd., Notes, 7.625% due 4/15/12	608,025
910,000	Level 3 Financing Inc.: 11.800% due 3/15/11 (e)	962,325
630,000	10.750% due 10/15/11	672,525
2,110,000	Senior Notes, 9.250% due 11/1/14 (b)	2,133,738
2,430,000	Nordic Telephone Co. Holdings, Senior Notes, 8.875% due 5/1/16 (b)	2,557,575
2,440,000	NTL Cable PLC, Senior Notes, 9.125% due 8/15/16	2,577,250
1,355,000	PanAmSat Corp., Senior Notes, 9.000% due 8/15/14	1,422,750
365,000	Qwest Communications International Inc., Senior Notes: 7.500% due 2/15/14	374,125
900,000	Series B, 7.500% due 2/15/14	922,500

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Diversified Telecommunication Services 6.5% (continued)		
8,728,000	Qwest Corp.:	
7,325,000	Debentures, 6.875% due 9/15/33	\$ 8,215,230
3,640,000	Notes, 8.875% due 3/15/12	8,094,125
4,770,000	Southwestern Bell Telephone Co., Debentures, 7.000% due 11/15/27	3,735,608
6,000,000MXN	Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13 (b)	3,625,200
610,000	Telefonos de Mexico SA de CV, Senior Notes, 8.750% due 1/31/16	560,146
	Wind Acquisition Finance SA, Senior Bond, 10.750% due 12/1/15 (b)	680,913
	Total Diversified Telecommunication Services	68,462,669
Electric Utilities 0.8%		
1,295,000	Enersis SA, Notes:	
487,000	7.375% due 1/15/14	1,393,166
1,665,000	7.400% due 12/1/16	529,213
1,106,110	IPALCO Enterprises Inc., Secured Notes, 8.625% due 11/14/11	1,794,038
2,570,000	Midwest Generation LLC, Pass-Through Certificates, Series B, 8.560% due 1/2/16	1,195,290
	Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10	2,929,800
	Total Electric Utilities	7,841,507
Electronic Equipment & Instruments 0.3%		
2,420,000	NXP BV/NXP Funding LLC:	
795,000	Secured Notes, 7.875% due 10/15/14 (b)	2,468,400
	Senior Notes, 9.500% due 10/15/15 (b)	805,931
	Total Electronic Equipment & Instruments	3,274,331
Energy Equipment & Services 0.5%		
650,000	GulfMark Offshore Inc., Senior Subordinated Notes, 7.750% due 7/15/14	656,500
3,175,000	Hanover Compressor Co., Senior Notes, 9.000% due 6/1/14	3,397,250
1,210,000	Pride International Inc., Senior Notes, 7.375% due 7/15/14	1,255,375
	Total Energy Equipment & Services	5,309,125
Food Products 0.4%		
1,600,000	Dole Food Co. Inc.:	
2,065,000	Debentures, 8.750% due 7/15/13	1,500,000
1,050,000	Senior Notes:	
	7.250% due 6/15/10	1,935,937
	8.875% due 3/15/11	1,006,688
	Total Food Products	4,442,625
Health Care Providers & Services 3.8%		
4,425,000	AmeriPath Inc., Senior Subordinated Notes, 10.500% due 4/1/13	4,779,000
4,885,000	DaVita Inc., Senior Subordinated Notes, 7.250% due 3/15/15	4,885,000
3,880,000	HCA Inc.:	
2,100,000	Debentures, 7.500% due 11/15/95	2,893,401
7,210,000	Notes, 6.375% due 1/15/15	1,685,250
4,800,000	Senior Notes, 6.500% due 2/15/16	5,749,975
		4,662,000

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IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated
Notes,
8.750% due 6/15/14

See Notes to Financial Statements.

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Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Health Care Providers & Services 3.8% (continued)		
6,000,000	Tenet Healthcare Corp., Senior Notes: 7.375% due 2/1/13	\$ 5,347,500
4,560,000	9.875% due 7/1/14	4,485,900
1,500,000	6.875% due 11/15/31	1,170,000
4,550,000	Triad Hospitals Inc., Senior Subordinated Notes, 7.000% due 11/15/13	4,447,625
	Total Health Care Providers & Services	40,105,651
Hotels, Restaurants & Leisure 5.7%		
600,000	Boyd Gaming Corp., Senior Subordinated Notes: 7.750% due 12/15/12	619,500
1,000,000	6.750% due 4/15/14	983,750
700,000	Caesars Entertainment Inc., Senior Subordinated Notes: 9.375% due 2/15/07	707,000
4,500,000	8.875% due 9/15/08	4,696,875
3,000,000	8.125% due 5/15/11	3,078,750
2,725,000	Carrols Corp., Senior Subordinated Notes, 9.000% due 1/15/13	2,772,688
4,725,000	Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12	4,937,625
4,150,000	Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14	4,030,687
4,070,000	Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10	4,375,250
4,800,000	Isle of Capri Casinos Inc., Senior Subordinated Notes, 7.000% due 3/1/14	4,632,000
3,850,000	Las Vegas Sands Corp., Senior Notes, 6.375% due 2/15/15 MGM MIRAGE Inc.:	3,638,250
355,000	Senior Notes, 8.500% due 9/15/10	377,631
1,775,000	Senior Notes, 6.750% due 9/1/12 Senior Subordinated Notes:	1,730,625
485,000	9.750% due 6/1/07	497,125
455,000	8.375% due 2/1/11	474,906
1,100,000	Mohegan Tribal Gaming Authority, Senior Subordinated Notes: 7.125% due 8/15/14	1,115,125
2,475,000	6.875% due 2/15/15	2,468,813
620,000	Penn National Gaming Inc., Senior Subordinated Notes, 6.750% due 3/1/15	607,600
4,700,000	Pinnacle Entertainment Inc., Senior Subordinated Notes, 8.250% due 3/15/12	4,794,000
3,930,000	Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14 (b)	4,234,575
415,000	River Rock Entertainment Authority, Senior Notes, 9.750% due 11/1/11	446,125
2,825,000	Sbarro Inc., Senior Notes, 11.000% due 9/15/09 Station Casinos Inc.:	2,888,562
515,000	Senior Notes, 7.750% due 8/15/16 Senior Subordinated Notes:	531,738
475,000	6.875% due 3/1/16	438,188
4,175,000	6.625% due 3/15/18	3,726,187
1,000,000	Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., 6.625% due 12/1/14	985,000
	Total Hotels, Restaurants & Leisure	59,788,575

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Household Durables 2.7%		
310,000	American Greetings Corp., Senior Notes, 7.375% due 6/1/16	\$ 316,975
	Beazer Homes USA Inc., Senior Notes:	
295,000	6.875% due 7/15/15	278,775
1,920,000	8.125% due 6/15/16	1,963,200
4,000,000	Holt Group Inc., Senior Notes, 9.750% due 1/15/06 (a)(c)(d)*	0
	Interface Inc.:	
2,875,000	Senior Notes, 10.375% due 2/1/10	3,162,500
1,500,000	Senior Subordinated Notes, 9.500% due 2/1/14	1,563,750
	K Hovnanian Enterprises Inc., Senior Notes:	
2,605,000	7.500% due 5/15/16	2,539,875
4,480,000	8.625% due 1/15/17	4,642,400
2,710,000	Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes,	
	9.000% due 11/1/11	2,791,300
5,625,000	Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 9.946% due 9/1/12	4,682,813
4,150,000	Sealy Mattress Co., Senior Subordinated Notes, 8.250% due 6/15/14	4,326,375
2,145,000	Tempur-Pedic Inc./Tempur Production USA Inc., Senior Subordinated Notes,	
	10.250% due 8/15/10	2,262,975
	Total Household Durables	28,530,938
Household Products 0.6%		
	Nutro Products Inc.:	
435,000	Senior Notes, 9.400% due 10/15/13 (b)(e)	449,138
1,530,000	Senior Subordinated Notes, 10.750% due 4/15/14 (b)	1,652,400
	Spectrum Brands Inc., Senior Subordinated Notes:	
1,795,000	8.500% due 10/1/13	1,570,625
950,000	7.375% due 2/1/15	774,250
1,890,000	Visant Holding Corp., Senior Notes, 8.750% due 12/1/13	1,946,700
	Total Household Products	6,393,113
Independent Power Producers & Energy Traders 4.2%		
2,710,000	AES China Generating Co., Ltd., Class A, 8.250% due 6/26/10	2,686,450
	AES Corp.:	
	Senior Notes:	
1,325,000	9.500% due 6/1/09	1,426,031
1,900,000	9.375% due 9/15/10	2,071,000
40,000	8.875% due 2/15/11	43,200
4,175,000	7.750% due 3/1/14	4,394,187
730,000	Senior Secured Notes, 9.000% due 5/15/15 (b)	789,313
2,500,000	Calpine Generating Co. LLC, Senior Secured Notes, 14.370% due 4/1/11 (a)(e)	2,681,250
8,350,000	Dynegy Holdings Inc., Senior Debentures, 7.625% due 10/15/26	7,807,250
	Edison Mission Energy, Senior Notes:	
4,575,000	7.730% due 6/15/09	4,780,875
445,000	7.500% due 6/15/13 (b)	459,463
2,600,000	7.750% due 6/15/16 (b)	2,697,500
3,535,000	Mirant North America LLC, Senior Notes, 7.375% due 12/31/13	3,592,444

See Notes to Financial Statements.

8 Western Asset High Income Fund II Inc. 2006 Semi-Annual Report

Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Independent Power Producers & Energy Traders 4.2% (continued)		
1,675,000	NRG Energy Inc., Senior Notes: 7.250% due 2/1/14	\$ 1,698,031
8,770,000	7.375% due 2/1/16	8,890,587
	Total Independent Power Producers & Energy Traders	44,017,581
Industrial Conglomerates 0.1%		
2,750,000	Moll Industries Inc., Senior Subordinated Notes, 10.500% due 7/1/08 (a)(c)(d)*	0
940,000	Sequa Corp., Senior Notes, 9.000% due 8/1/09	996,400
	Total Industrial Conglomerates	996,400
Insurance 0.6%		
6,005,000	Crum & Forster Holdings Corp., Senior Notes, 10.375% due 6/15/13	6,260,213
Internet & Catalog Retail 0.3%		
915,000	Brookstone Co. Inc., Senior Secured Notes, 12.000% due 10/15/12	887,550
2,118,000	FTD Inc., Senior Subordinated Notes, 7.750% due 2/15/14	2,118,000
	Total Internet & Catalog Retail	3,005,550
IT Services 0.6%		
2,900,000	Sungard Data Systems Inc.: Senior Notes, 9.125% due 8/15/13	3,023,250
3,230,000	Senior Subordinated Notes, 10.250% due 8/15/15	3,399,575
	Total IT Services	6,422,825
Leisure Equipment & Products 0.3%		
2,810,000	WMG Acquisition Corp., Senior Subordinated Notes, 7.375% due 4/15/14	2,760,825
Machinery 0.8%		
1,850,000	Case New Holland Inc., Senior Notes, 7.125% due 3/1/14	1,873,125
1,465,000	Commercial Vehicle Group Inc., Senior Notes, 8.000% due 7/1/13	1,428,375
641,000	Mueller Group Inc., Senior Subordinated Notes, 10.000% due 5/1/12	701,895
4,389,000	Mueller Holdings Inc., Senior Discount Notes, step bond to yield 14.736% due 4/15/14	3,884,265
	Total Machinery	7,887,660
Media 11.5%		
150,000	Affinion Group Inc.: 11.500% due 10/15/15	157,125
4,465,000	Senior Notes, 10.125% due 10/15/13	4,755,225
20,000	AMC Entertainment Inc.: Senior Notes, Series B, 8.625% due 8/15/12	20,725
6,905,000	Senior Subordinated Notes, 11.000% due 2/1/16	7,673,181
3,000,000	CCH I Holdings LLC/CCH I Holdings Capital Corp.: Senior Accreting Notes, step bond to yield 17.441% due 1/15/15	2,527,500
156,000	Senior Secured Notes, 11.000% due 10/1/15 (b)	150,540
5,040,000	CCH I LLC/CCH Capital Corp., Senior Secured Notes, 11.000% due 10/1/15	4,882,500
	CCH II LLC/CCH II Capital Corp., Senior Notes:	

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4,390,000	10.250% due 9/15/10	4,554,625
3,032,000	10.250% due 10/1/13 (b)	3,138,120

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Media 11.5% (continued)		
865,000	Charter Communications Holdings LLC, Senior Discount Notes, step bond to yield 15.478% due 1/15/12	\$ 756,875
925,000	Charter Communications Operating LLC, Second Lien Senior Notes, 8.375% due 4/30/14 (b)	955,063
1,375,000	Chukchansi Economic Development Authority, Senior Notes, 8.000% due 11/15/13 (b)	1,436,875
2,700,000	CMP Susquehanna Corp., Senior Subordinated Notes, 9.875% due 5/15/14 (b)	2,622,375
4,210,000	CSC Holdings Inc.: Debentures, Series B, 8.125% due 8/15/09	4,362,612
280,000	Senior Notes, Series B: 8.125% due 7/15/09	290,150
3,400,000	7.625% due 4/1/11	3,446,750
813,000	Dex Media East LLC/Dex Media East Finance Co., Senior Notes, Series B, 12.125% due 11/15/12	908,528
3,350,000	Dex Media Inc., Discount Notes, step bond to yield 8.367% due 11/15/13	2,935,438
2,344,000	Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, Series B, 9.875% due 8/15/13	2,557,890
4,441,000	DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13	4,629,742
4,410,000	EchoStar DBS Corp., Senior Notes: 7.000% due 10/1/13 (b)	4,393,462
9,325,000	7.125% due 2/1/16 (b)	9,161,812
1,655,000	Houghton Mifflin Co.: Senior Subordinated Notes, 9.875% due 2/1/13	1,781,194
3,555,000	Senior Discount Notes, step bond to yield 10.992% due 10/15/13	3,226,163
1,950,000	Interp National Radio Sales Inc., Senior Subordinated Notes, Series B, 10.000% due 7/1/08	1,686,750
930,000	ION Media Networks Inc., Secured Notes, 11.624% due 1/15/13 (b)(e)	935,813
5,860,000	Kabel Deutschland GMBH, Senior Notes, 10.625% due 7/1/14 (b)	6,365,425
2,760,000	Lamar Media Corp., Senior Subordinated Notes, 6.625% due 8/15/15	2,670,300
4,190,000	LodgeNet Entertainment Corp., Senior Subordinated Notes, 9.500% due 6/15/13	4,504,250
2,615,000	Primedia Inc., Senior Notes, 8.875% due 5/15/11	2,608,463
1,255,000	Quebecor Media Inc., Senior Notes, 7.750% due 3/15/16	1,273,825
1,000,000	R.H. Donnelley Corp.: Senior Discount Notes: Series A-1, 6.875% due 1/15/13	946,250
2,200,000	Series A-2, 6.875% due 1/15/13	2,081,750
5,200,000	Senior Notes, Series A-3, 8.875% due 1/15/16	5,388,500
900,000	R.H. Donnelley Finance Corp. I, Senior Subordinated Notes, 10.875% due 12/15/12 (b)	988,875
3,475,000		3,587,937

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	Radio One Inc., Senior Subordinated Notes, Series B, 8.875% due 7/1/11	
4,885,000	Rainbow National Services LLC, Senior Notes, 8.750% due 9/1/12 (b)	5,159,781
1,455,000	Rogers Cable Inc.: Secured Notes, 5.500% due 3/15/14	1,374,975
1,340,000	Senior Secured Second Priority Notes: 6.250% due 6/15/13	1,329,950
760,000	6.750% due 3/15/15	769,500

See Notes to Financial Statements.

10 Western Asset High Income Fund II Inc. 2006 Semi-Annual Report

Schedule of Investments (October 31, 2006) (unaudited) (continued)

	Face Amount	Security	Value
Media 11.5% (continued)			
	4,417,000	Sinclair Broadcast Group Inc., Senior Subordinated Notes, 8.000% due 3/15/12	\$ 4,571,595
	750,000	Videotron Ltd., Senior Notes, 6.375% due 12/15/15	720,000
	860,000	XM Satellite Radio Inc., Senior Notes: 9.989% due 5/1/13 (e)	812,700
	2,180,000	9.750% due 5/1/14	2,081,900
		Total Media	121,183,009
Metals & Mining 1.2%			
	275,000	Chaparral Steel Co., Senior Notes, 10.000% due 7/15/13	309,375
	5,685,000	Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15	6,253,500
	4,255,000	RathGibson Inc., Senior Notes, 11.250% due 2/15/14 (b)	4,446,475
	5,000,000	Republic Technologies International LLC/RTI Capital Corp., Senior Secured Notes, 13.750% due 7/15/09 (a)(c)(d)*	0
	375,000	Vale Overseas Ltd., Notes: 6.250% due 1/11/16	379,313
	1,284,000	8.250% due 1/17/34	1,490,082
		Total Metals & Mining	12,878,745
Multiline Retail 0.8%			
	6,385,000	Neiman Marcus Group Inc., Senior Subordinated Notes, 10.375% due 10/15/15	7,015,519
	1,543,000	Saks Inc., Notes, 9.875% due 10/1/11	1,681,870
		Total Multiline Retail	8,697,389
Office Electronics 0.4%			
	4,375,000	Xerox Capital Trust I Exchange Capital Securities, 8.000% due 2/1/27	4,489,844
Oil, Gas & Consumable Fuels 9.3%			
	5,145,000	Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12	5,273,625
	6,000,000	Chesapeake Energy Corp., Senior Notes: 6.625% due 1/15/16	5,902,500
	600,000	6.875% due 1/15/16	598,500
	3,725,000	6.500% due 8/15/17	3,529,438
	5,127,000	Cimarex Energy Co., Senior Notes, 9.600% due 3/15/12	5,421,802
	1,005,000	Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15	997,463
		El Paso Corp.: Medium-Term Notes: 7.800% due 8/1/31	5,682,687
	5,425,000	7.750% due 1/15/32	7,882,437
	7,525,000	Notes, 7.875% due 6/15/12	5,447,000
	5,200,000	Enterprise Products Operating LP, Junior Subordinated Notes, 8.375% due 8/1/66 (e)	2,336,053
	2,170,000	2,336,053	2,336,053
	2,510,000	EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11	2,428,425
	50,960,000	Gazprom OAO, Series A6, 6.950% due 8/6/09	1,920,101
	2,325,000	Inergy LP/Inergy Finance Corp., Senior Notes, 8.250% due 3/1/16	2,423,813
	3,705,000	International Coal Group Inc., Senior Notes, 10.250% due 7/15/14 (b)	3,621,638
	1,465,000	Mariner Energy Inc., Senior Notes, 7.500% due 4/15/13 (b)	1,413,725
	995,000	Northwest Pipeline Corp., Senior Notes, 7.000% due 6/15/16	1,034,800

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Oil, Gas & Consumable Fuels 9.3% (continued)		
490,000	OMI Corp., Senior Notes, 7.625% due 12/1/13	\$ 502,250
	Pemex Project Funding Master Trust:	
1,846,000	6.125% due 8/15/08	1,867,229
250,000	7.375% due 12/15/14	275,000
1,298,000	Senior Notes, 5.991% due 12/3/12 (b)(e)	1,302,868
2,160,000	Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13 (b)	2,214,000
1,318,000	Petrozuata Finance Inc., 8.220% due 4/1/17 (b)	1,292,980
4,575,000	Plains Exploration & Production Co., Senior Notes, 7.125% due 6/15/14	4,929,562
	Pogo Producing Co., Senior Subordinated Notes:	
1,130,000	7.875% due 5/1/13 (b)	1,155,425
2,000,000	Series B, 8.250% due 4/15/11	2,065,000
5,665,000	SemGroup LP, Senior Notes, 8.750% due 11/15/15 (b)	5,735,812
160,000	SESI LLC, Senior Notes, 6.875% due 6/1/14 (b)	159,600
1,000,000	Swift Energy Co., Senior Subordinated Notes, 9.375% due 5/1/12	1,057,500
	Whiting Petroleum Corp., Senior Subordinated Notes:	
2,550,000	7.250% due 5/1/12	2,537,250
1,975,000	7.000% due 2/1/14	1,955,250
	Williams Cos. Inc.:	
	Notes:	
3,650,000	7.875% due 9/1/21	3,878,125
6,225,000	8.750% due 3/15/32	6,940,875
3,700,000	Senior Notes, 7.625% due 7/15/19	3,912,750
	Total Oil, Gas & Consumable Fuels	97,695,483
Paper & Forest Products 1.5%		
	Appleton Papers Inc.:	
395,000	Senior Notes, 8.125% due 6/15/11	395,000
4,425,000	Senior Subordinated Notes, Series B, 9.750% due 6/15/14	4,402,875
650,000	Domtar Inc., Notes, 5.375% due 12/1/13	574,438
	NewPage Corp.:	
	Senior Secured Notes:	
580,000	10.000% due 5/1/12	610,450
785,000	11.739% due 5/1/12 (e)	851,725
2,840,000	Senior Subordinated Notes, 12.000% due 5/1/13	2,982,000
800,000	P.H. Glatfelter, Senior Notes, 7.125% due 5/1/16 (b)	801,654
1,000,000	Smurfit Capital Funding PLC, Debentures, 7.500% due 11/20/25	940,000
	Verso Paper Holdings LLC:	
610,000	Senior Secured Notes, 9.125% due 8/1/14 (b)	622,200
3,290,000	Senior Subordinated Notes, 11.375% due 8/1/16 (b)	3,355,800
	Total Paper & Forest Products	15,536,142
Personal Products 0.2%		
2,070,000	Playtex Products Inc., Senior Secured Notes, 8.000% due 3/1/11	2,168,325

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Pharmaceuticals 0.6%		
3,930,000	Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12	\$ 3,900,525
1,915,000	Valeant Pharmaceuticals International, Senior Notes, 7.000% due 12/15/11	1,847,975
	Total Pharmaceuticals	5,748,500
Real Estate Investment Trusts (REITs) 1.3%		
130,000	Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15	132,600
	Host Marriott LP, Senior Notes:	
2,500,000	7.125% due 11/1/13	2,540,625
1,625,000	Series I, 9.500% due 1/15/07	1,643,281
3,400,000	Series O, 6.375% due 3/15/15	3,327,750
2,565,000	Kimball Hill Inc., Senior Subordinated Notes, 10.500% due 12/15/12	2,321,325
	Ventas Realty LP/Ventas Capital Corp., Senior Notes:	
1,070,000	7.125% due 6/1/15	1,106,113
665,000	6.500% due 6/1/16	666,663
2,165,000	6.750% due 4/1/17	2,192,062
	Total Real Estate Investment Trusts (REITs)	13,930,419
Real Estate Management & Development 0.0%		
475,000	Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15	409,688
Road & Rail 0.7%		
	Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Notes:	
550,000	10.250% due 6/15/07	564,438
4,850,000	9.375% due 5/1/12	5,201,625
160,000	12.500% due 6/15/12	176,000
840,000	Kansas City Southern Railway, 7.500% due 6/15/09	853,650
	Total Road & Rail	6,795,713
Software 0.5%		
2,225,000	Activant Solutions Inc., Senior Subordinated Notes, 9.500% due 5/1/16 (b)	2,080,375
2,810,000	UGS Capital Corp. II, Senior Subordinated Notes, 10.380% due 6/1/11 (b)(e)(f)	2,915,375
	Total Software	4,995,750
Specialty Retail 1.9%		
	AutoNation Inc.:	
700,000	7.374% due 4/15/13 (e)	708,750
875,000	7.000% due 4/15/14	875,000
2,105,000	Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12	1,905,025
4,050,000	Buffets Inc., Senior Subordinated Notes, 11.250% due 7/15/10	4,303,125
615,000	EPL Finance Corp., Senior Notes, 11.750% due 11/15/13 (b)	658,050
1,995,000	Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15	2,189,513
3,325,000	Hines Nurseries Inc., Senior Notes, 10.250% due 10/1/11	3,009,125
490,000	Linens n Things Inc., 10.999% due 1/15/14 (e)	482,650
925,000		930,781

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	Michaels Stores Inc., Senior Subordinated Notes, 11.375% due 11/1/16 (b)	
5,495,000	Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13	5,316,412
	Total Specialty Retail	20,378,431

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Textiles, Apparel & Luxury Goods 0.9%		
6,785,000	Levi Strauss & Co., Senior Notes, 9.750% due 1/15/15	\$ 7,226,025
2,950,000	Simmons Co., Senior Discount Notes, step bond to yield 9.995% due 12/15/14	2,197,750
	Total Textiles, Apparel & Luxury Goods	9,423,775
Tobacco 0.2%		
1,970,000	Alliance One International Inc., Senior Notes, 11.000% due 5/15/12	2,058,650
Trading Companies & Distributors 1.3%		
2,165,000	Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (b)	2,289,487
4,380,000	H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16 (b)	4,544,250
3,790,000	Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 (b)	4,055,300
2,480,000	Transdigm Inc., Senior Subordinated Notes, 7.750% due 7/15/14 (b)	2,560,600
	Total Trading Companies & Distributors	13,449,637
Wireless Telecommunication Services 1.6%		
1,825,000	American Tower Corp., Senior Notes, 7.500% due 5/1/12	1,879,750
910,000	Metropcs Wireless Inc., Senior Notes, 9.250% due 11/1/14 (b)	922,512
4,180,000	Nextel Communications Inc., Senior Notes, Series D, 7.375% due 8/1/15	4,321,004
440,000	Rogers Wireless Communications Inc., Senior Secured Notes, 7.250% due 12/15/12	464,200
1,040,000	Rogers Wireless Inc., Senior Subordinated Notes, 8.000% due 12/15/12	1,105,000
3,680,000	Rural Cellular Corp., Senior Notes, 9.875% due 2/1/10	3,882,400
3,900,000	UbiquiTel Operating Co., Senior Notes, 9.875% due 3/1/11	4,241,250
	Total Wireless Telecommunication Services	16,816,116
	TOTAL CORPORATE BONDS & NOTES	
	(Cost \$912,200,652)	920,067,356
ASSET-BACKED SECURITY 0.0%		
Diversified Financial Services 0.0%		
1,975,400	Airplanes Pass-Through Trust, Subordinated Notes, Series D, 10.875% due 3/15/19 (a)(c)(d)* (Cost \$2,022,204)	0
CONVERTIBLE BONDS & NOTES 0.3%		
Semiconductors & Semiconductor Equipment 0.1%		
1,120,000	Amkor Technologies Inc., Senior Subordinated Bond, 2.500% due 5/15/11	950,600
Wireless Telecommunication Services 0.2%		
2,675,000	American Tower Corp., Notes, 5.000% due 2/15/10	2,681,687
	TOTAL CONVERTIBLE BONDS & NOTES	
	(Cost \$2,603,655)	3,632,287

See Notes to Financial Statements.

14 Western Asset High Income Fund II Inc. 2006 Semi-Annual Report

Schedule of Investments (October 31, 2006) (unaudited) (continued)

Shares	Security	Value
ESCROWED SHARES (a)(c)(d) 0.0%		
8,800,000	Breed Technologies Inc.*	\$ 0
2,025,000	Pillowtex Corp.*	0
2,648,056	Vlasic Foods International Inc.*	52,961
	TOTAL ESCROWED SHARES	
	(Cost \$0)	52,961
Face Amount		
SOVEREIGN BONDS 9.3%		
Argentina 0.7%		
1,400,000EUR	Republic of Argentina:	
300,000EUR	9.250% due 10/21/02 (a)	556,540
250,000EUR	9.000% due 6/20/03 (a)	119,259
275,000EUR	10.250% due 1/26/07 (a)	103,373
664,500	8.000% due 2/26/08 (a)	110,637
7,321,955ARS	5.590% due 8/3/12 (e)	624,593
97,000EUR	Bonds, 2.000% due 1/3/10 (e)	4,722,128
	GDP Linked Securities, 0.000% due 12/15/35 (e)	13,591
	Medium-Term Notes:	
1,175,000EUR	7.000% due 3/18/04 (a)	475,078
600,000EUR	8.125% due 10/4/04 (a)	232,770
525,000EUR	9.000% due 5/24/05 (a)(b)	209,541
	Total Argentina	7,167,510
Brazil 1.6%		
8,284,000	Federative Republic of Brazil:	
	11.000% due 8/17/40	10,907,957
2,005,000	Collective Action Securities:	
3,449,000	8.750% due 2/4/25	2,428,055
	Notes, 8.000% due 1/15/15	3,817,181
	Total Brazil	17,153,193
Colombia 0.5%		
1,609,000	Republic of Colombia:	
51,000	11.750% due 2/25/20	2,302,077
2,900,000	10.375% due 1/28/33	70,826
	7.375% due 9/18/37	3,001,500
	Total Colombia	5,374,403
Ecuador 0.2%		
2,100,000	Republic of Ecuador, 10.000% due 8/15/30 (b)	2,106,300
El Salvador 0.2%		
1,300,000	Republic of El Salvador:	
270,000	7.750% due 1/24/23 (b)	1,488,500
	8.250% due 4/10/32 (b)	317,925
	Total El Salvador	1,806,425

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Indonesia 0.1%		
400,000	Republic of Indonesia, 8.500% due 10/12/35 (b)	\$ 475,000
Mexico 1.7%		
1,020,000	United Mexican States: 11.375% due 9/15/16	1,470,840
1,410,000	8.125% due 12/30/19	1,714,913
870,000	Medium-Term Notes: 5.625% due 1/15/17	869,565
516,000	Series A: 6.375% due 1/16/13	542,445
2,894,000	5.875% due 1/15/14	2,969,967
8,795,000	8.000% due 9/24/22	10,674,931
	Total Mexico	18,242,661
Panama 0.2%		
1,285,000	Republic of Panama: 9.625% due 2/8/11	1,472,289
350,000	7.250% due 3/15/15	376,337
	Total Panama	1,848,626
Peru 0.6%		
40,000	Republic of Peru: 9.875% due 2/6/15	50,300
1,168,000	8.750% due 11/21/33	1,486,280
168,000	FLIRB, 5.000% due 3/7/17 (b)(e)	166,950
220,000	Global Bonds: 8.375% due 5/3/16	258,500
198,000	7.350% due 7/21/25	217,057
3,085,600	PDI: 5.000% due 3/7/17 (e)	3,070,172
529,720	5.000% due 3/7/17 (b)(e)	528,396
	Total Peru	5,777,655
Philippines 0.2%		
1,975,000	Republic of the Philippines, 9.500% due 2/2/30	2,555,156
Russia 0.9%		
330,561	Russian Federation: 8.250% due 3/31/10 (b)	346,527
244,000	12.750% due 6/24/28 (b)	440,115
8,025,000	5.000% due 3/31/30 (b)	9,000,539
	Total Russia	9,787,181
South Africa 0.1%		
575,000	Republic of South Africa: 9.125% due 5/19/09	625,313
725,000	6.500% due 6/2/14	764,875
	Total South Africa	1,390,188

See Notes to Financial Statements.

16 Western Asset High Income Fund II Inc. 2006 Semi-Annual Report

Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Turkey 0.6%		
2,106,000	Republic of Turkey:	
315,000	11.500% due 1/23/12	\$ 2,561,422
490,000	11.000% due 1/14/13	383,513
335,000	7.000% due 6/5/20	484,488
594,000	11.875% due 1/15/30	507,106
1,464,000	Bonds, 7.000% due 9/26/16	598,455
587,000	Collective Action Securities, Notes, 9.500% due 1/15/14	1,692,750
	Notes, 6.875% due 3/17/36	551,046
	Total Turkey	6,778,780
Uruguay 0.1%		
955,000	Republic of Uruguay, Benchmark Bonds, 7.500% due 3/15/15	1,025,431
Venezuela 1.6%		
965,000	Bolivarian Republic of Venezuela:	
10,246,000	5.375% due 8/7/10 (b)	938,704
241,000	5.750% due 2/26/16	9,541,587
	7.650% due 4/21/25	255,159
	Collective Action Securities:	
3,169,000	9.375% due 1/13/34	3,979,472
1,550,000	Notes, 10.750% due 9/19/13	1,910,375
	Total Venezuela	16,625,297
	TOTAL SOVEREIGN BONDS	
	(Cost \$92,515,146)	98,113,806
Shares		
COMMON STOCKS 0.3%		
CONSUMER DISCRETIONARY 0.0%		
Household Durables 0.0%		
10,685,938	Home Interiors of Gifts Inc. (c)(d)*	106,859
52,472	Mattress Discounters Corp. (c)(d)*	0
	TOTAL CONSUMER DISCRETIONARY	106,859
CONSUMER STAPLES 0.0%		
Food Products 0.0%		
3,784	Imperial Sugar Co.	100,390
MATERIALS 0.1%		
Chemicals 0.1%		
93,506	Applied Extrusion Technologies Inc., Class A Shares*	561,036
TELECOMMUNICATION SERVICES 0.2%		
Wireless Telecommunication Services 0.2%		
58,255	American Tower Corp., Class A Shares*	2,098,345
	TOTAL COMMON STOCKS	
	(Cost \$11,434,485)	2,866,630

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (unaudited) (continued)

Shares	Security	Value
PREFERRED STOCKS 0.2%		
CONSUMER DISCRETIONARY 0.0%		
Automobiles 0.0%		
1,800	Ford Motor Co., 8.000%	\$ 34,074
1,800	Ford Motor Co., Series F, 7.550%	32,760
	TOTAL CONSUMER DISCRETIONARY	66,834
ENERGY 0.1%		
Oil, Gas & Consumable Fuels 0.1%		
5,355	Chesapeake Energy Corp., Convertible, 6.250%	1,465,262
FINANCIALS 0.1%		
Diversified Financial Services 0.1%		
12,100	Preferred Plus, Series FRD-1, 7.400%	206,668
8,200	Preferred Plus, Series FMC1 Trust, Senior Debentures, Series LMG-3, 8.250%	158,260
9,100	Saturns, Series F 2003-5, 8.125%	173,810
17,552	TCR Holdings Corp., Class B Shares (c)(d)*	17
9,654	TCR Holdings Corp., Class C Shares (c)(d)*	10
25,451	TCR Holdings Corp., Class D Shares (c)(d)*	25
52,657	TCR Holdings Corp., Class E Shares (c)(d)*	53
	TOTAL FINANCIALS	538,843
	TOTAL PREFERRED STOCKS	
	(Cost \$1,894,642)	2,070,939
Warrants		
WARRANTS 0.1%		
18,500	Bolivarian Republic of Venezuela, Oil-linked payment obligations, Expires 4/15/20*	603,562
3,500	Brown Jordan International Inc., Expires 8/15/07 (b)(c)*	32
30,928,049	ContiFinancial Corp., Liquidating Trust, Units of Interest (Represents interest in a trust in the liquidation of ContiFinancial Corp. and its affiliates) (a)(c)*	93
2,750	Leap Wireless International Inc., Expires 4/15/10 (b)(c)(d)*	0
3,500	Mattress Discounters Co., Expires 7/15/07 (b)(c)(d)*	0
13,614	Pillowtex Corp., Expires 11/24/09 (c)(d)*	0
5,000	UbiquiTel Inc., Expires 4/15/10 (b)(c)(d)*	50
	TOTAL WARRANTS	603,737
	(Cost \$538,361)	
	TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS	
	(Cost \$1,023,209,145)	1,027,407,716
Face Amount		
SHORT-TERM INVESTMENTS 2.2%		

Certificate of Deposit (Yankee) 0.1%
1,700,000

UBS AG Jersey Branch, 3.841% due 1/11/07 (Cost \$1,701,479)

1,701,479

See Notes to Financial Statements.

18 Western Asset High Income Fund II Inc. 2006 Semi-Annual Report

Schedule of Investments (October 31, 2006) (unaudited) (continued)

Face Amount	Security	Value
Sovereign Bonds 0.7%		
5,500,000EGP	Egypt Treasury Bills: Zero coupon bond to yield 9.724% due 4/17/07	\$ 917,629
41,375,000EGP	Zero coupon bond to yield 9.643% due 10/30/07	6,578,373
	Total Sovereign Bonds	7,496,002
Repurchase Agreement 1.4%		
14,350,000	Nomura Securities International Inc. repurchase agreement dated 10/31/06, 5.280% due 11/1/06; Proceeds at maturity \$14,352,105; (Fully collateralized by various U.S. government agency obligations, 6.000% to 7.250% due 5/15/08 to 1/15/10; Market value \$14,637,496) (Cost \$14,350,000)	14,350,000
	TOTAL SHORT-TERM INVESTMENTS (Cost \$23,553,444)	23,547,481
	TOTAL INVESTMENTS 100.0% (Cost \$1,046,762,589#)	\$1,050,955,197

* Non-income producing security.

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

(a) Security is currently in default.

(b) 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 Directors, unless otherwise noted.

(c) Illiquid security.

(d) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).

(e) Variable rate security. Interest rate disclosed is that which is in effect at October 31, 2006.

(f) Payment-in-kind security for which part of the income earned may be paid as additional principal.

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

Abbreviations used in this schedule:

ARS Argentine Peso

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EGP	Egyptian Pound
EUR	Euro
FLIRB	Front-Loaded Interest Reduction Bonds
GDP	Gross Domestic Product
MXN	Mexican Peso
PDI	Past Due Interest

See Notes to Financial Statements.

Statement of Assets and Liabilities (October 31, 2006) (unaudited)**ASSETS:**

Investments, at value (Cost \$1,046,762,589)	\$ 1,050,955,197
Foreign currency, at value (Cost \$188,116)	188,851
Cash	175
Dividends and interest receivable	21,756,108
Receivable for securities sold	5,793,585
Prepaid expenses	35,354
Total Assets	1,078,729,270

LIABILITIES:

Loan payable (Note 4)	125,000,000
Payable for securities purchased	17,421,653
Payable for open reverse repurchase agreement	13,464,688
Investment management fee payable	708,132
Interest payable (Note 4)	585,776
Directors' fees payable	1,000
Accrued expenses	134,392
Total Liabilities	157,315,641
Total Net Assets	\$ 921,413,629

NET ASSETS:

Par value (\$0.001 par value; 77,614,787 shares issued and outstanding; 100,000,000 shares authorized)	\$ 77,615
Paid-in capital in excess of par value	1,041,434,075
Undistributed net investment income	722,957
Accumulated net realized loss on investments and foreign currency transactions	(125,014,523)
Net unrealized appreciation on investments and foreign currencies	4,193,505
Total Net Assets	\$ 921,413,629

Shares Outstanding	77,614,787
Net Asset Value	\$11.87

See Notes to Financial Statements.

Statement of Operations (For the six months ended October 31, 2006) (unaudited)**INVESTMENT INCOME:**

Interest	\$ 41,306,640
Income from securities lending	130,721
Dividends	84,578
Total Investment Income	41,521,939

EXPENSES:

Investment management fee (Note 2)	4,147,853
Interest expense (Notes 3 and 4)	3,678,197
Shareholder reports	84,457
Stock exchange listing fees	35,394
Directors' fees	35,024
Loan fees	33,379
Audit and tax	31,650
Legal fees	14,545
Transfer agent fees	12,023
Custody fees	11,187
Insurance	4,174
Miscellaneous expenses	21,252
Total Expenses	8,109,135
Net Investment Income	33,412,804

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS (NOTES 1 AND 3):

Net Realized Gain From:	
Investment transactions	11,925,293
Foreign currency transactions	231
Net Realized Gain	11,925,524
Change in Net Unrealized Appreciation/Depreciation From:	
Investments	(1,911,567)
Foreign currencies	1,264
Change in Net Unrealized Appreciation/Depreciation	(1,910,303)
Increase From Payment by Affiliate (Note 2)	21,963
Net Gain on Investments and Foreign Currency Transactions	10,037,184
Increase in Net Assets From Operations	\$ 43,449,988

See Notes to Financial Statements.

Statements of Changes in Net Assets

For the six months ended October 31, 2006 (unaudited) and the year ended April 30, 2006

	October 31	April 30
OPERATIONS:		
Net investment income	\$ 33,412,804	\$ 71,382,213
Net realized gain	11,925,524	47,220,165
Change in net unrealized appreciation/depreciation	(1,910,303)	1,730,215
Increase from payment by affiliate	21,963	
Increase in Net Assets From Operations	43,449,988	120,332,593
DISTRIBUTIONS TO SHAREHOLDERS FROM (NOTE 1):		
Net investment income	(33,374,359)	(70,629,457)
Decrease in Net Assets From Distributions to Shareholders	(33,374,359)	(70,629,457)
Increase in Net Assets	10,075,629	49,703,136
NET ASSETS:		
Beginning of period	911,338,000	861,634,864
End of period*	\$921,413,629	\$911,338,000
* Includes undistributed net investment income of:	\$722,957	\$684,512

See Notes to Financial Statements.

Statement of Cash Flows (For the six months ended October 31, 2006) (unaudited)**CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:**

Interest received	\$ 38,653,504
Operating expenses paid	(4,458,533)
Net purchases of short-term investments	(20,582,444)
Realized gain on foreign currency transactions	231
Net change in unrealized appreciation on foreign currencies	1,264
Purchases of long-term investments	(446,763,745)
Proceeds from disposition of long-term investments	456,822,506
Interest paid	(3,574,197)
Net Cash Provided By Operating Activities	20,098,586

CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:

Cash distributions paid on Common Stock	(33,374,359)
Proceeds from reverse repurchase agreements	13,464,688
Net Cash Flows Used By Financing Activities	(19,909,671)
Net Decrease in Cash	188,915
Cash, Beginning of year	111
Cash, End of year	\$ 189,026

RECONCILIATION OF INCREASE IN NET ASSETS FROM OPERATIONS TO NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:

Increase in Net Assets From Operations	\$ 43,449,988
Accretion of discount on investments	(2,993,606)
Amortization of premium on investments	2,355,849
Increase in investments, at value	(39,408,273)
Increase in payable for securities purchased	3,039,737
Increase in interest receivable	(2,230,678)
Decrease in receivable for securities sold	15,809,164
Decrease in prepaid expenses	17,821
Increase in interest payable	104,000
Decrease in accrued expenses	(45,416)
Total Adjustments	(23,351,402)
Net Cash Flows Provided By Operating Activities	\$ 20,098,586

See Notes to Financial Statements.

Financial Highlights

For a share of capital stock outstanding throughout each year ended April 30, unless otherwise noted:

	2006 ⁽¹⁾	2006	2005 ⁽²⁾	2004	2003	2002
Net Asset Value, Beginning of Period	\$11.74	\$11.10	\$11.03	\$10.42	\$10.48	\$11.08
Income (Loss) From Operations:						
Net investment income	0.43	0.92	1.02	1.12	1.18	1.27
Net realized and unrealized gain (loss)	0.13	0.63	0.27	0.85	0.12	(0.50)
Total Income From Operations	0.56	1.55	1.29	1.97	1.30	0.77
Less Distributions From:						
Net investment income	(0.43)	(0.91)	(1.22)	(1.38)	(1.16)	(1.18)
Return of capital					(0.22)	(0.20)
Total Distributions	(0.43)	(0.91)	(1.22)	(1.38)	(1.38)	(1.38)
Increase in Net Asset Value Due to Shares Issued on Reinvestment of Distributions				0.02	0.02	0.01
Net Asset Value, End of Period	\$11.87	\$11.74	\$11.10	\$11.03	\$10.42	\$10.48
Market Price, End of Period	\$10.62	\$10.04	\$11.14	\$11.75	\$11.65	\$11.65
Total Return, Based on NAV⁽³⁾	4.92%	14.43%	12.13%	19.99%	15.58%	7.84%
Total Return, Based on Market Price⁽⁴⁾	10.31%	(1.58)%	5.39%	13.51%	15.00%	20.83%
Net Assets, End of Period (000s)	\$921,414	\$911,338	\$861,635	\$839,022	\$771,566	\$750,334
Ratios to Average Net Assets:						
Gross expenses	1.78% ⁽⁵⁾	2.31%	2.69%	2.17%	2.49%	2.80%
Gross expenses, excluding interest expense	0.97 ⁽⁵⁾	1.21	1.67	1.57	1.63	1.57
Net expenses	1.78 ⁽⁵⁾	2.30 ⁽⁶⁾	2.69	2.17	2.49	2.80
Net expenses, excluding interest expense	0.97 ⁽⁵⁾	1.20 ⁽⁶⁾	1.67	1.57	1.63	1.57
Net investment income	7.34 ⁽⁵⁾	7.94	8.99	10.18	12.64	12.08
Portfolio Turnover Rate	45%	55%	54%	50%	87%	118%
Supplemental Data:						
Loans Outstanding, End of Period (000s)	\$125,000	\$125,000	\$300,000	\$300,000	\$300,000	\$260,000
Asset Coverage for Loan Outstanding	837%	829%	387%	380%	357%	389%
Weighted Average Loan (000s)	\$125,000	\$203,630	\$300,000	\$300,000	\$300,000	\$260,000
Weighted Average Interest Rate on Loans	5.85%	4.21%	2.44%	1.64%	2.15%	3.44%

(1) For the six months ended October 31, 2006 (unaudited).

(2) Per share amounts have been calculated using the average shares method.

- (3) Performance figures may reflect fee waivers and/or expense reimbursements. Past performance is no guarantee of future results. In the absence of fee waivers and/or expense reimbursements, the total return would have been lower. Total returns for periods of less than one year are not annualized.
- (4) The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.
- (5) Annualized.
- (6) Reflects fee waivers and/or expense reimbursements.

See Notes to Financial Statements.

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Western Asset High Income Fund II Inc. (formerly known as Salomon Brothers High Income Fund II Inc.) (the Fund) was incorporated in Maryland and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended, (the 1940 Act). The Fund seeks to maximize current income by investing at least 80% of its net assets plus any borrowings for investment purposes in high yield debt securities. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

(a) Investment Valuation. Debt securities are valued at the mean between the bid and asked prices provided by an independent pricing service that are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. Equity securities for which market quotations are available are valued at the last sale price or official closing price on the primary market or exchange on which they trade. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the mean between the bid and asked prices as of the close of business of that market. When prices are not readily available, or are determined not to reflect fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund may value these 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 market value.

(b) Repurchase Agreements. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian take possession of the underlying collateral securities, the market value of which at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market to ensure the adequacy of the collateral. If the seller defaults, and the market value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

(c) Reverse Repurchase Agreements. The Fund may enter into reverse repurchase agreements in which the Fund sells portfolio securities and agrees to repurchase them from the buyer at a specified date and price. Whenever the Fund enters into a reverse repurchase agreement, the Fund's custodian delivers liquid assets to the counterparty in an amount

at least equal to the repurchase price (including accrued interest). The Fund pays

Notes to Financial Statements (unaudited) (continued)

interest on amounts obtained pursuant to reverse repurchase agreements. Reverse repurchase agreements are considered to be borrowings, which may create leverage risk for the Fund.

(d) Credit and Market Risk. The Fund invests in high yield and emerging market instruments that are subject to certain credit and market risks. The yields of high yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund's investment in securities rated below investment grade typically involve risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund's investment in non-dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

(e) Cash Flow Information. The Fund invests in securities and distributes dividends from net investment income and net realized gains, which are paid in cash and may be reinvested at the discretion of shareholders. These activities are reported in the Statement of Changes in Net Assets and additional information on cash receipts and cash payments are presented in the Statement of Cash Flows.

(f) Security Transactions and Investment Income. Security transactions are accounted for on a trade date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults on an expected interest payment, the Fund's policy is to generally halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default.

(g) Foreign Currency Translation. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, including gains and losses on forward foreign currency contracts, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the

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amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values

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Notes to Financial Statements (unaudited) (continued)

of assets and liabilities, other than investments in securities, at the date of valuation, resulting from changes in exchange rates.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

(h) Distributions to Shareholders. Distributions from net investment income for the Fund, if any, are declared and paid on a monthly basis. Distributions of net realized gains, if any, are declared at least annually. Distributions are recorded on the ex-dividend date and are determined in accordance with income tax regulations, which may differ from GAAP.

(i) Federal and Other Taxes. It is the Fund's policy to comply with the federal income and excise tax requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, the Fund intends to distribute substantially all of its income and net realized gains on investments, if any, to shareholders each year. Therefore, no federal income tax provision is required in the Fund's financial statements.

(j) Reclassification. GAAP requires that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share.

2. Investment Management Agreement and Other Transactions with Affiliates

For a portion of the period of this report, Salomon Brothers Asset Management Inc. (SBAM), an indirect wholly-owned subsidiary of Legg Mason, Inc. (Legg Mason), acted as the investment manager of the Fund. Under the investment management agreement, the Fund paid an investment management fee calculated at an annual rate of 0.80% of the Fund's average weekly net assets plus the proceeds of any outstanding borrowings used for leverage. This fee is calculated daily and paid monthly.

Effective August 1, 2006, Legg Mason Partners Fund Advisor, LLC (LMPFA) became the Fund's investment manager and Western Asset Management Company (Western Asset) became the Fund's subadviser. The portfolio managers who are responsible for the day-to-day management of the Fund remain the same immediately prior to and immediately after the date of these changes. LMPFA and Western Asset are wholly-owned subsidiaries of Legg Mason and are affiliates of SBAM.

Effective November 30, 2006, Western Asset Management Company Limited (Western Asset Limited) became an additional subadviser to the Fund. Western Asset Limited will provide certain advisory services to the Fund relating to currency transactions and investment in nondollar

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denominated securities. Western Asset Limited does not receive any compensation from the Fund and is compensated by Western Asset for its services to the Fund.

LMPFA provides administrative and certain oversight services to the Fund. LMPFA has delegated to the subadviser the day-to-day portfolio management of the Fund. The Fund's investment management fee remains unchanged. For its services, LMPFA pays Western Asset 70% of the net management fee it receives from the Fund.

Notes to Financial Statements (unaudited) (continued)

During periods in which the Fund is utilizing financial leverage, the fees which are payable to the Manager as a percentage of the Fund's assets will be higher than if the Fund did not utilize leverage because the fees are calculated as a percentage of the Fund's assets, including those investments purchased with leverage.

During the six months end October 31, 2006, SBAM reimbursed the Fund \$21,963 for losses incurred resulting from an investment transaction error.

Certain officers and one Director of the Fund are employees of Legg Mason or its affiliates and do not receive compensation from the Fund.

3. Investments

During the six months ended October 31, 2006, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) and U.S

Government & Agency Obligations were as follows:

	Investments	U.S. Government & Agency Obligations
Purchases	\$422,610,930	\$27,192,552
Sales	394,823,253	50,133,854

At October 31, 2006, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$	41,460,152
Gross unrealized depreciation		(37,267,544)
Net unrealized appreciation	\$	4,192,608

Transactions in reverse repurchase agreements for the Fund during the six months ended October 31, 2006 were as follows:

Average Daily Balance	Weighted Average Interest Rate	Maximum Amount Outstanding
\$13,464,688	5.113%	\$13,464,688

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Interest rates on reverse repurchase agreements ranged from 5.100% to 5.150% during the six months ended October 31, 2006. Interest expense incurred on reverse repurchase agreements totaled \$15,300.

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Notes to Financial Statements (unaudited) (continued)

At October 31, 2006, the Fund had the following open reverse repurchase agreements:

Face Amount	Security	Value
\$9,874,528	Reverse Repurchase Agreement with Credit Suisse First Boston, dated 10/24/06 bearing 5.100% to be repurchased at \$9,926,287 on 11/30/06, collateralized by: \$8,284,000 Federative Republic of Brazil, 11.000% due 8/17/40; Market value (including accrued interest) \$11,096,148	\$ 9,874,528
3,590,160	Reverse Repurchase Agreement with Credit Suisse First Boston, dated 10/24/06 bearing 5.150% to be repurchased at \$3,609,163 on 11/30/06, collateralized by: \$3,169,000 Republic of Venezuela, 9.375% due 1/13/34; Market value (including accrued interest) \$4,069,279	3,590,160