

Western Asset Income Fund  
Form N-CSRS  
August 21, 2015

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

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANIES**  
**Investment Company Act file number 811-02351**

**Western Asset Income Fund**  
**(Exact name of registrant as specified in charter)**

**620 Eighth Avenue, 49<sup>th</sup> Floor, New York, NY 10018**  
**(Address of principal executive offices) (Zip code)**

**Robert I. Frenkel, Esq.**

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**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, 2015**

ITEM 1. REPORT TO STOCKHOLDERS.

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

Semi-Annual Report

June 30, 2015

WESTERN ASSET

INCOME FUND (PAI)

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

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### **Fund objectives**

The Fund seeks a high level of current income, consistent with prudent investment risk. Capital appreciation is a secondary objective.

The Fund's investment policies provide that its portfolio be invested as follows: at least 75% in debt securities rated within the four highest grades, and in government securities, bank debt, commercial paper, cash or cash equivalents; up to 25% in other fixed income securities, convertible bonds, convertible preferred and preferred stock; and not more than 25% in securities restricted as to resale. Trust preferred interests and capital securities are considered debt securities and not preferred stock for purposes of the foregoing guidelines.

## Letter from the president

### Dear Shareholder,

We are pleased to provide the semi-annual report of Western Asset Income Fund for the six-month reporting period ended June 30, 2015. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

I am pleased to introduce myself as the new President and Chief Executive Officer of the Fund, succeeding Kenneth D. Fuller. I am honored to have been appointed to my new role. During my 27 year career with Legg Mason, I have seen the investment management industry evolve and expand. Throughout these changes, maintaining an unwavering focus on our shareholders and their needs has remained paramount.

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.lmcef.com](http://www.lmcef.com). Here you can gain immediate access to market and investment information, including:

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

Jane Trust, CFA

President and Chief Executive Officer

July 31, 2015

## Investment commentary

### Economic review

After a tepid start, the pace of U.S. economic activity improved during the six months ended June 30, 2015 (the reporting period). Looking back, the U.S. Department of Commerce's revised figures showed that fourth quarter 2014 U.S. gross domestic product (GDP) growth was 2.1%. First quarter 2015 GDP growth then moderated to 0.6%. This was attributed to a number of factors, including a deceleration in personal consumption expenditures (PCE), along with negative contributions from exports, nonresidential fixed investment, and state and local government spending. However, the economy then gained some traction, as the U.S. Department of Commerce's initial estimate for second quarter 2015 GDP growth released after the reporting period ended was 2.3%. The upturn was driven by an increase in exports, an acceleration in PCE, a deceleration in imports and increased state and local government spending.

Activity in the U.S. manufacturing sector initially moderated and then strengthened during the reporting period. Based on the Institute for Supply Management's Purchasing Managers Index (PMI), U.S. manufacturing expanded during all six months of the reporting period (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion).

The labor market was a tailwind for the economy during the reporting period. When the period began, unemployment was 5.7%, as reported by the U.S. Department of Labor. By June 2015, unemployment was 5.3%, its lowest level since April 2008.

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**Market review**

**Q. How did the Federal Reserve Board ( Fed<sup>iii</sup> ) respond to the economic environment?**

**A.** The Fed took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As it has since December 2008, the Fed maintained the federal funds rate<sup>iv</sup> at a historically low range between zero and 0.25%. However, in October 2014 the Fed ended its asset purchase program that was announced in December 2012. In December 2014, the Fed said that it can be patient in beginning to normalize the stance of monetary policy. At its meeting that ended on April 29, 2015, the Fed said, economic growth slowed during the winter months, in part reflecting transitory factors. Finally, at its meeting that ended on July 29, 2015, after the reporting period ended, the Fed said, The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run.

**Q. Did Treasury yields trend higher or lower during the six months ended June 30, 2015?**

**A.** Short-term Treasury yields edged lower, whereas long-term Treasury yields increased during the reporting period. When the reporting period began, the yield on the two-year Treasury note was 0.67%. It peaked at 0.75% on June 10, 2015, and fell as low as 0.44% on January 15, 2015, before ending the period at 0.64%. The yield on the ten-year Treasury note began the period at 2.17% and its peak of 2.50% occurred on June 10, 2015. The yield on the ten-year Treasury note was as low as 1.68% in late January/early February 2015 and concluded the reporting period at 2.35%.

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

**A.** The spread sectors generally posted positive, albeit small gains, during the reporting period. Performance fluctuated with investor sentiment given the uncertainties regarding future Fed monetary policy, along with concerns over global growth and geopolitical issues. The broad U.S. bond market, as measured by the Barclays U.S. Aggregate Index<sup>v</sup>, declined 0.10% during the six months ended June 30, 2015.

**Q. How did the high-yield bond market perform over the six months ended June 30, 2015?**

**A.** The U.S. high-yield bond market, as measured by the Barclays U.S. Corporate High Yield 2% Issuer Cap Index<sup>xi</sup>, returned 2.53% for the six months ended June 30, 2015. High yield bonds were volatile during the reporting period. While the underlying fundamentals in the high-yield market remained generally solid and default rates were well below their long-term average, the asset class posted negative returns in March and June 2015 when investor risk aversion increased.

**Performance review**

For the six months ended June 30, 2015, Western Asset Income Fund returned -0.14% based on its net asset value ( NAV<sup>ii</sup> ) and -0.04% based on its New York Stock Exchange ( NYSE ) market price per share. The Fund's unmanaged benchmarks, the Barclays U.S. Corporate High Yield Index<sup>viii</sup> and the Barclays U.S. Credit Index<sup>ix</sup>,



## Investment commentary (cont d)

returned 2.53% and -0.78%, respectively, for the same period. The Lipper Corporate Debt Closed-End Funds BBB-Rated Category Average<sup>x</sup> returned -0.17% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During this six-month period, the Fund made distributions to shareholders totaling \$0.35 per share. As of June 30, 2015, the Fund estimates that all of the distributions were sourced from net investment income.\* The performance table shows the Fund's six-month total return based on its NAV and market price as of June 30, 2015. **Past performance is no guarantee of future results.**

### Performance Snapshot as of June 30, 2015 (unaudited)

Price Per Share	6-Month Total Return**
\$14.48 (NAV)	-0.14%
\$13.11 (Market Price)	-0.04%

**All figures represent past performance and are not a guarantee of future results. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.**

**\*\* Total returns are based on changes in NAV or market price, respectively. Returns reflect the deduction of all Fund expenses, including management fees, operating expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.**

**Total return assumes the reinvestment of all distributions, including returns of capital, if any, at NAV.**

**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 PAI and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol XPAIX on most financial websites. *Barron's* and the *Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as [www.lmcef.com](http://www.lmcef.com).

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.

Thank you for your investment in Western Asset Income Fund. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Jane Trust, CFA

President and Chief Executive Officer

July 31, 2015

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\*This estimate is not for tax purposes. The Fund will issue a Form 1099 with final composition of the distributions for tax purposes after year-end. A return of capital is not taxable and results in a reduction in the tax basis of a shareholder's investment. For more information about a distribution's composition, please refer to the Fund's distribution press release or, if applicable, the Section 19 notice located in the press release section of our website, [www.lmcef.com](http://www.lmcef.com).

VI Western Asset Income Fund

***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 are subject to 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.

- 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 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 U.S. manufacturing sector.
- iii 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.
- 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 The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- vi The Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- vii 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.
- viii The Barclays 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-A securities are also included.
- ix The Barclays U.S. Credit Index is an index composed of corporate and non-corporate debt issues that are investment grade (rated Baa3/BBB- or higher).

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<sup>x</sup> 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, 2015, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 10 funds in the Fund's Lipper category.

## Fund at a glance (unaudited)

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

The bar graph above represents the Fund's portfolio as of June 30, 2015 and December 31, 2014, and does not include derivatives such as futures 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. Represents less than 0.1%.

## Spread duration (unaudited)

Economic exposure June 30, 2015

### Total Spread Duration

PAI 7.82 years

Benchmark 7.14 years

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

ABS	Asset-Backed Securities
Benchmark	Barclays U.S. Credit Index
EM	Emerging Markets
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities
PAI	Western Asset Income Fund

## Effective duration (unaudited)

Interest rate exposure June 30, 2015

Total Effective Duration

PAI 6.91 years

Benchmark 7.23 years

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark	Barclays U.S. Credit Index
EM	Emerging Markets
HY	High Yield
IG Credit	Investment Grade Credit
PAI	Western Asset Income Fund

## Schedule of investments (unaudited)

June 30, 2015

### Western Asset Income Fund

	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<b>Corporate Bonds &amp; Notes 92.1%</b>				
<b>Consumer Discretionary 7.7%</b>				
<i>Automobiles 0.6%</i>				
Ford Motor Credit Co., LLC, Senior Notes	8.125%	1/15/20	\$ 410,000	\$ 500,685
General Motors Co., Senior Notes	5.200%	4/1/45	310,000	307,036
<i>Total Automobiles</i>				<i>807,721</i>
<i>Hotels, Restaurants &amp; Leisure 0.2%</i>				
Wynn Macau Ltd., Senior Notes	5.250%	10/15/21	290,000	274,050 <sup>(a)</sup>
<i>Household Durables 0.1%</i>				
Toll Brothers Finance Corp., Senior Notes	6.750%	11/1/19	90,000	99,900
<i>Media 6.1%</i>				
21st Century Fox America Inc., Senior Debentures	7.750%	12/1/45	130,000	177,004
21st Century Fox America Inc., Senior Notes	6.550%	3/15/33	545,000	665,852
Comcast Corp., Bonds	6.400%	5/15/38	950,000	1,155,989
Comcast Corp., Notes	6.450%	3/15/37	220,000	271,875
Comcast Corp., Senior Notes	6.950%	8/15/37	160,000	208,018
DISH DBS Corp., Senior Notes	5.875%	7/15/22	500,000	490,000
TCI Communications Inc., Senior Debentures	8.750%	8/1/15	160,000	161,002
Time Warner Cable Inc., Debentures	7.300%	7/1/38	100,000	112,671
Time Warner Cable Inc., Senior Bonds	6.550%	5/1/37	160,000	166,564
Time Warner Cable Inc., Senior Notes	8.750%	2/14/19	690,000	819,480
Time Warner Cable Inc., Senior Notes	5.500%	9/1/41	50,000	46,633
Time Warner Entertainment Co., LP, Senior Notes	8.375%	7/15/33	410,000	503,242
Time Warner Inc., Senior Debentures	7.700%	5/1/32	595,000	781,603
Time Warner Inc., Senior Notes	4.900%	6/15/42	150,000	147,605
UBM PLC, Notes	5.750%	11/3/20	570,000	615,085 <sup>(a)</sup>
Virgin Media Finance PLC, Senior Notes	6.375%	4/15/23	1,000,000	1,033,750 <sup>(a)</sup>
WPP Finance 2010, Senior Notes	4.750%	11/21/21	840,000	915,954
WPP Finance 2010, Senior Notes	5.625%	11/15/43	150,000	161,884
<i>Total Media</i>				<i>8,434,211</i>
<i>Specialty Retail 0.7%</i>				
American Greetings Corp., Senior Notes	7.375%	12/1/21	160,000	168,000
Gap Inc., Senior Notes	5.950%	4/12/21	730,000	824,382
<i>Total Specialty Retail</i>				<i>992,382</i>
<b>Total Consumer Discretionary</b>				<b>10,608,264</b>
<b>Consumer Staples 4.2%</b>				
<i>Beverages 1.0%</i>				
Anheuser-Busch InBev Worldwide Inc., Senior Notes	5.375%	1/15/20	260,000	293,256
Pernod-Ricard SA, Senior Bonds	5.750%	4/7/21	350,000	394,057 <sup>(a)</sup>
Pernod-Ricard SA, Senior Notes	5.500%	1/15/42	670,000	712,425 <sup>(a)</sup>
<i>Total Beverages</i>				<i>1,399,738</i>

See Notes to Financial Statements.



## Western Asset Income Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Food Products 0.4%</i>				
Kraft Foods Group Inc., Senior Notes	5.000%	6/4/42	\$ 170,000	\$ 169,409
Kraft Heinz Foods Co., Senior Notes	5.000%	7/15/35	70,000	70,842 <sup>(a)</sup>
Kraft Heinz Foods Co., Senior Notes	5.200%	7/15/45	340,000	348,439 <sup>(a)</sup>
<i>Total Food Products</i>				<i>588,690</i>
<i>Tobacco 2.8%</i>				
Altria Group Inc., Senior Notes	9.950%	11/10/38	680,000	1,094,960
Altria Group Inc., Senior Notes	10.200%	2/6/39	230,000	378,748
Philip Morris International Inc., Senior Notes	4.500%	3/20/42	260,000	253,340
R.J. Reynolds Tobacco Co., Senior Notes	8.125%	6/23/19	330,000	390,944
R.J. Reynolds Tobacco Co., Senior Notes	8.125%	5/1/40	270,000	340,788
R.J. Reynolds Tobacco Co., Senior Notes	7.000%	8/4/41	320,000	370,163
Reynolds American Inc., Senior Notes	4.750%	11/1/42	720,000	653,171
Reynolds American Inc., Senior Notes	5.850%	8/15/45	320,000	335,646
<i>Total Tobacco</i>				<i>3,817,760</i>
<b>Total Consumer Staples</b>				<b>5,806,188</b>
<i>Energy 15.1%</i>				
<i>Energy Equipment &amp; Services 0.7%</i>				
Baker Hughes Inc., Senior Notes	7.500%	11/15/18	370,000	434,699
EnSCO PLC, Senior Notes	5.200%	3/15/25	480,000	475,231
Pride International Inc., Senior Notes	7.875%	8/15/40	130,000	143,126
<i>Total Energy Equipment &amp; Services</i>				<i>1,053,056</i>
<i>Oil, Gas &amp; Consumable Fuels 14.4%</i>				
Anadarko Finance Co., Senior Notes	7.500%	5/1/31	465,000	582,303
Apache Corp., Senior Notes	6.900%	9/15/18	100,000	114,452
Apache Corp., Senior Notes	6.000%	1/15/37	190,000	204,949
Apache Corp., Senior Notes	5.100%	9/1/40	160,000	154,635
Apache Corp., Senior Notes	5.250%	2/1/42	90,000	88,811
Columbia Pipeline Group Inc., Senior Notes	5.800%	6/1/45	210,000	206,947 <sup>(a)</sup>
Comstock Resources Inc., Senior Secured Notes	10.000%	3/15/20	350,000	315,728 <sup>(a)</sup>
ConocoPhillips, Notes	6.500%	2/1/39	810,000	1,005,244
ConocoPhillips, Senior Notes	6.000%	1/15/20	310,000	359,026
Devon Energy Corp., Senior Notes	5.600%	7/15/41	310,000	324,556
Devon Energy Corp., Senior Notes	5.000%	6/15/45	280,000	276,420
Devon Financing Corp. LLC, Debentures	7.875%	9/30/31	380,000	489,820
Ecopetrol SA, Senior Notes	5.375%	6/26/26	740,000	732,600
Ecopetrol SA, Senior Notes	5.875%	5/28/45	176,000	155,320
Enbridge Energy Partners LP, Senior Notes	9.875%	3/1/19	120,000	148,396
Energy Transfer Equity LP, Senior Notes	7.500%	10/15/20	250,000	281,875

See Notes to Financial Statements.

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

June 30, 2015

### Western Asset Income Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas &amp; Consumable Fuels continued</i>				
Enterprise Products Operating LLC, Senior Notes	6.125%	10/15/39	\$ 320,000	\$ 350,988
EOG Resources Inc., Senior Notes	5.875%	9/15/17	540,000	592,800
EXCO Resources Inc., Senior Notes	7.500%	9/15/18	70,000	44,450
Freeport-McMoran Oil & Gas LLC/FCX Oil & Gas Inc., Senior Notes	6.875%	2/15/23	267,000	286,358
Halcon Resources Corp., Secured Notes	8.625%	2/1/20	180,000	177,750 <sup>(a)</sup>
Hess Corp., Notes	7.875%	10/1/29	1,180,000	1,486,152
Hess Corp., Senior Bonds	6.000%	1/15/40	300,000	320,336
Kerr-McGee Corp., Notes	6.950%	7/1/24	1,080,000	1,302,061
Kinder Morgan Inc., Medium-Term Notes	7.800%	8/1/31	2,000,000	2,284,178
LUKOIL International Finance BV, Senior Notes	3.416%	4/24/18	300,000	287,700 <sup>(a)</sup>
LUKOIL International Finance BV, Senior Notes	4.563%	4/24/23	200,000	178,000 <sup>(a)</sup>
MEG Energy Corp., Senior Notes	6.375%	1/30/23	600,000	555,000 <sup>(a)</sup>
Noble Energy Inc., Senior Notes	6.000%	3/1/41	390,000	412,874
Noble Energy Inc., Senior Notes	5.250%	11/15/43	150,000	146,139
Petrobras Global Finance BV, Senior Notes	7.250%	3/17/44	280,000	259,941
Petrobras Global Finance BV, Senior Notes	6.850%	6/5/2115	120,000	98,443
Petroleos Mexicanos, Senior Bonds	6.625%	6/15/35	2,635,000	2,812,862
Phillips 66, Senior Notes	5.875%	5/1/42	160,000	174,328
Shell International Finance BV, Senior Notes	6.375%	12/15/38	250,000	314,353
Transcontinental Gas Pipe Line Co., LLC, Senior Notes	5.400%	8/15/41	310,000	298,917
Transcontinental Gas Pipe Line Co., LLC, Senior Notes	4.450%	8/1/42	450,000	377,010
Williams Cos. Inc., Debentures	7.500%	1/15/31	47,000	51,438
Williams Cos. Inc., Senior Notes	4.550%	6/24/24	680,000	658,977
Williams Cos. Inc., Senior Notes	7.750%	6/15/31	37,000	41,298
Williams Cos. Inc., Senior Notes	8.750%	3/15/32	610,000	739,747
<i>Total Oil, Gas &amp; Consumable Fuels</i>				<i>19,693,182</i>
<b>Total Energy</b>				<b>20,746,238</b>
<b>Financials 40.0%</b>				
<i>Banks 20.7%</i>				
Bank of America Corp., Junior Subordinated Notes	6.500%	10/23/24	650,000	672,750 <sup>(b)(c)</sup>
Bank of America Corp., Senior Notes	6.500%	8/1/16	70,000	73,841
Bank of America Corp., Senior Notes	6.400%	8/28/17	300,000	328,931
Bank of America Corp., Senior Notes	7.625%	6/1/19	70,000	83,067
Bank of America Corp., Senior Notes	5.625%	7/1/20	30,000	33,812
Bank of America Corp., Senior Notes	5.875%	2/7/42	320,000	369,044
Bank of America Corp., Senior Notes	4.875%	4/1/44	740,000	751,637
Bank of America Corp., Subordinated Notes	5.700%	5/2/17	1,000,000	1,066,887

See Notes to Financial Statements.

## Western Asset Income Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Banks continued</i>				
Bank of America Corp., Subordinated Notes	6.110%	1/29/37	\$ 320,000	\$ 358,662
Bank of America Corp., Subordinated Notes	7.750%	5/14/38	900,000	1,198,337
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	240,000	317,976 (a)
BPCE SA, Subordinated Notes	5.150%	7/21/24	410,000	416,544 (a)
Citigroup Inc., Junior Subordinated Bonds	6.300%	5/15/24	280,000	273,350 (b)(c)
Citigroup Inc., Junior Subordinated Bonds	5.950%	5/15/25	540,000	521,208 (b)(c)
Citigroup Inc., Junior Subordinated Notes	5.950%	1/30/23	200,000	197,000 (b)(c)
Citigroup Inc., Senior Notes	8.500%	5/22/19	1,280,000	1,561,212
Citigroup Inc., Senior Notes	8.125%	7/15/39	450,000	645,913
Citigroup Inc., Senior Notes	5.875%	1/30/42	240,000	280,767
Citigroup Inc., Subordinated Notes	5.500%	9/13/25	750,000	810,598
Citigroup Inc., Subordinated Notes	6.125%	8/25/36	404,000	461,519
Citigroup Inc., Subordinated Notes	6.675%	9/13/43	370,000	448,121
Cooperatieve Centrale Raiffeisen-Boerenleenbank BA of Netherlands, Junior Subordinated Notes	11.000%	6/30/19	708,000	897,390 (a)(b)(c)
Cooperatieve Centrale Raiffeisen-Boerenleenbank BA of Netherlands, Senior Notes	5.250%	5/24/41	570,000	624,467
Cooperatieve Centrale Raiffeisen-Boerenleenbank BA of Netherlands, Subordinated Notes	5.750%	12/1/43	450,000	494,082
Credit Agricole SA, Junior Subordinated Notes	8.375%	10/13/19	560,000	649,600 (a)(b)(c)
HSBC Finance Capital Trust IX, Junior Subordinated Notes	5.911%	11/30/35	1,350,000	1,357,493 (c)
HSBC Holdings PLC, Junior Subordinated Bonds	6.375%	9/17/24	1,430,000	1,433,575 (b)(c)
HSBC Holdings PLC, Junior Subordinated Bonds	6.375%	3/30/25	350,000	351,750 (b)(c)
HSBC Holdings PLC, Subordinated Notes	5.250%	3/14/44	410,000	425,281
ING Bank NV, Subordinated Notes	5.800%	9/25/23	600,000	655,142 (a)
Intesa Sanpaolo SpA, Senior Notes	3.625%	8/12/15	1,240,000	1,243,073 (a)
Intesa Sanpaolo SpA, Subordinated Bonds	5.017%	6/26/24	250,000	242,886 (a)
JPMorgan Chase & Co., Junior Subordinated Bonds	5.150%	5/1/23	150,000	142,740 (b)(c)
JPMorgan Chase & Co., Junior Subordinated Bonds	6.000%	8/1/23	260,000	258,050 (b)(c)
JPMorgan Chase & Co., Subordinated Notes	6.125%	6/27/17	720,000	778,620
JPMorgan Chase & Co., Subordinated Notes	5.625%	8/16/43	440,000	469,243
JPMorgan Chase & Co., Subordinated Notes	4.950%	6/1/45	150,000	145,810
M&T Bank Corp., Junior Subordinated Bonds	6.875%	6/15/16	880,000	897,600 (b)
Royal Bank of Scotland Group PLC, Junior Subordinated Bonds	7.648%	9/30/31	1,360,000	1,693,200 (b)(c)
Royal Bank of Scotland Group PLC, Subordinated Notes	6.125%	12/15/22	310,000	333,802
Royal Bank of Scotland Group PLC, Subordinated Notes	6.100%	6/10/23	1,010,000	1,073,869
Royal Bank of Scotland Group PLC, Subordinated Notes	6.000%	12/19/23	350,000	370,626
Royal Bank of Scotland NV, Subordinated Bonds	7.750%	5/15/23	480,000	561,619

See Notes to Financial Statements.

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

June 30, 2015

### Western Asset Income Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Banks continued</i>				
Standard Chartered PLC, Subordinated Notes	5.700%	3/26/44	\$ 410,000	\$ 425,036 (a)
Wachovia Capital Trust III, Junior Subordinated Bonds	5.570%	8/14/15	1,190,000	1,176,613 (b)(c)
Wells Fargo & Co., Junior Subordinated Bonds	5.900%	6/15/24	270,000	270,675 (b)(c)
Wells Fargo & Co., Subordinated Notes	5.375%	11/2/43	430,000	459,120
<i>Total Banks</i>				<i>28,302,538</i>
<i>Capital Markets 5.5%</i>				
Credit Suisse Group AG, Junior Subordinated Notes	6.250%	12/18/24	1,170,000	1,121,738 (a)(b)(c)
Credit Suisse Group Funding Guernsey Ltd., Senior Notes	4.875%	5/15/45	850,000	817,847 (a)
Goldman Sachs Group Inc., Senior Notes	5.375%	3/15/20	270,000	300,650
Goldman Sachs Group Inc., Senior Notes	5.250%	7/27/21	510,000	566,364
Goldman Sachs Group Inc., Senior Notes	6.250%	2/1/41	570,000	674,621
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	640,000	750,687
Goldman Sachs Group Inc., Subordinated Notes	5.150%	5/22/45	500,000	482,364
KKR Group Finance Co. III LLC, Senior Bonds	5.125%	6/1/44	850,000	814,940 (a)
Morgan Stanley, Medium-Term Notes	6.625%	4/1/18	100,000	112,206
Morgan Stanley, Senior Notes	5.500%	7/24/20	100,000	112,147
Morgan Stanley, Senior Notes	6.375%	7/24/42	90,000	110,501
Morgan Stanley, Subordinated Notes	5.000%	11/24/25	230,000	240,778
Pershing Square Holdings Ltd., Senior Notes	5.500%	7/15/22	1,000,000	1,002,890 (a)
UBS AG Stamford CT, Subordinated Notes	7.625%	8/17/22	340,000	398,480
<i>Total Capital Markets</i>				<i>7,506,213</i>
<i>Consumer Finance 2.6%</i>				
Ally Financial Inc., Subordinated Notes	8.000%	12/31/18	201,000	224,366
American Express Co., Subordinated Debentures	6.800%	9/1/66	370,000	380,693 (c)
Capital One Financial Corp., Senior Notes	6.750%	9/15/17	230,000	254,536
HSBC Finance Corp., Senior Notes	6.676%	1/15/21	1,300,000	1,503,975
Navient Corp., Senior Notes	7.250%	1/25/22	830,000	875,650
Navient Corp., Senior Notes	6.125%	3/25/24	290,000	277,675
<i>Total Consumer Finance</i>				<i>3,516,895</i>
<i>Diversified Financial Services 6.1%</i>				
Argos Merger Sub Inc., Senior Notes	7.125%	3/15/23	150,000	157,125 (a)
Beaver Valley Funding Corp., Senior Secured Bonds	9.000%	6/1/17	11,000	11,880
Blackstone Holdings Finance Co., LLC, Senior Notes	4.450%	7/15/45	190,000	174,258 (a)
Carlyle Holdings II Finance LLC, Senior Secured Notes	5.625%	3/30/43	220,000	228,562 (a)
CME Group Inc., Senior Notes	5.300%	9/15/43	440,000	485,465
General Electric Capital Corp., Junior Subordinated Bonds	6.250%	12/15/22	600,000	656,250 (b)(c)
General Electric Capital Corp., Senior Notes	6.875%	1/10/39	440,000	590,777
General Electric Capital Corp., Subordinated Debentures	6.375%	11/15/67	370,000	397,750 (c)

See Notes to Financial Statements.

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Western Asset Income Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Diversified Financial Services continued</i>				
General Electric Capital Corp., Subordinated Notes	5.300%	2/11/21	\$ 480,000	\$ 539,727
ILFC E-Capital Trust I, Junior Subordinated Notes	4.690%	12/21/65	470,000	465,770 <sup>(a)(c)</sup>
ILFC E-Capital Trust II, Bonds	6.250%	12/21/65	790,000	774,200 <sup>(a)(c)</sup>
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	190,000	207,881
International Lease Finance Corp., Senior Notes	8.875%	9/1/17	470,000	525,225
International Lease Finance Corp., Senior Notes	6.250%	5/15/19	130,000	140,563
International Lease Finance Corp., Senior Notes	8.250%	12/15/20	190,000	225,625
International Lease Finance Corp., Senior Secured Notes	7.125%	9/1/18	700,000	780,500 <sup>(a)</sup>
Voya Financial Inc., Senior Notes	5.700%	7/15/43	500,000	560,322
ZFS Finance USA Trust II, Bonds	6.450%	12/15/65	1,440,000	1,472,789 <sup>(a)(c)</sup>
<i>Total Diversified Financial Services</i>				<i>8,394,669</i>
<i>Insurance 4.1%</i>				
AIA Group Ltd., Senior Notes	4.875%	3/11/44	400,000	415,874 <sup>(a)</sup>
Allstate Corp., Junior Subordinated Debentures	6.500%	5/15/57	480,000	537,600 <sup>(c)</sup>
American Equity Investment Life Holding Co., Senior Notes	6.625%	7/15/21	60,000	63,450
American International Group Inc., Junior Subordinated Debentures	6.250%	3/15/37	80,000	88,103
American International Group Inc., Senior Notes	6.400%	12/15/20	90,000	106,996
Aon PLC, Senior Notes	4.750%	5/15/45	90,000	86,750
AXA SA, Subordinated Bonds	8.600%	12/15/30	200,000	268,031
Delphi Financial Group Inc., Senior Notes	7.875%	1/31/20	170,000	201,466
Fidelity & Guaranty Life Holdings Inc., Senior Notes	6.375%	4/1/21	190,000	197,600 <sup>(a)</sup>
Liberty Mutual Group Inc., Junior Subordinated Bonds	7.800%	3/15/37	190,000	225,150 <sup>(a)</sup>
Liberty Mutual Insurance Co., Subordinated Notes	7.875%	10/15/26	490,000	592,683 <sup>(a)</sup>
MetLife Inc., Junior Subordinated Bonds	5.250%	6/15/20	700,000	693,875 <sup>(b)(c)</sup>
MetLife Inc., Junior Subordinated Debentures	6.400%	12/15/36	1,150,000	1,262,125
Prudential Financial Inc., Junior Subordinated Debentures	8.875%	6/15/38	340,000	397,800 <sup>(c)</sup>
Teachers Insurance & Annuity Association of America College Retirement Equity Fund, Notes	6.850%	12/16/39	400,000	500,861 <sup>(a)</sup>
<i>Total Insurance</i>				<i>5,638,364</i>
<i>Real Estate Management &amp; Development 0.7%</i>				
Caesars Entertainment Resort Properties LLC, Senior Secured Notes	8.000%	10/1/20	500,000	470,940
Communications Sales & Leasing Inc., Senior Notes	8.250%	10/15/23	120,000	117,900 <sup>(a)</sup>
Communications Sales & Leasing Inc., Senior Secured Notes	6.000%	4/15/23	50,000	48,901 <sup>(a)</sup>
Security Capital Group Inc., Senior Notes	7.700%	6/15/28	280,000	373,064
<i>Total Real Estate Management &amp; Development</i>				<i>1,010,805</i>
<i>Thrifts &amp; Mortgage Finance 0.3%</i>				
Quicken Loans Inc., Senior Notes	5.750%	5/1/25	500,000	478,750 <sup>(a)</sup>
<b>Total Financials</b>				<b>54,848,234</b>

See Notes to Financial Statements.

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

June 30, 2015

### Western Asset Income Fund

Security	Rate	Maturity Date	Face Amount	Value
<b>Health Care 2.4%</b>				
<i>Biotechnology 0.7%</i>				
Amgen Inc., Senior Notes	5.150%	11/15/41	\$ 420,000	\$ 431,318
Gilead Sciences Inc., Senior Notes	5.650%	12/1/41	60,000	68,746
Gilead Sciences Inc., Senior Notes	4.500%	2/1/45	450,000	448,266
<i>Total Biotechnology</i>				<i>948,330</i>
<i>Health Care Providers &amp; Services 0.4%</i>				
Anthem Inc., Senior Notes	5.875%	6/15/17	290,000	314,918
Catholic Health Initiatives, Secured Bonds	4.350%	11/1/42	30,000	27,434
Humana Inc., Senior Notes	8.150%	6/15/38	80,000	111,154
UnitedHealth Group Inc., Senior Notes	6.000%	11/15/17	31,000	34,453
<i>Total Health Care Providers &amp; Services</i>				<i>487,959</i>
<i>Pharmaceuticals 1.3%</i>				
AbbVie Inc., Senior Subordinated Notes	4.500%	5/14/35	350,000	342,406
AbbVie Inc., Senior Subordinated Notes	4.700%	5/14/45	420,000	413,126
Actavis Funding SCS, Senior Notes	4.550%	3/15/35	480,000	456,371
Actavis Funding SCS, Senior Notes	4.750%	3/15/45	500,000	476,027
Zoetis Inc., Senior Notes	4.700%	2/1/43	160,000	152,546
<i>Total Pharmaceuticals</i>				<i>1,840,476</i>
<b>Total Health Care</b>				<b>3,276,765</b>
<b>Industrials 4.6%</b>				
<i>Aerospace &amp; Defense 1.2%</i>				
Esterline Technologies Corp., Senior Notes	7.000%	8/1/20	750,000	779,700
Exelis Inc., Senior Notes	5.550%	10/1/21	520,000	572,162
United Technologies Corp., Senior Notes	6.125%	2/1/19	200,000	228,513
<i>Total Aerospace &amp; Defense</i>				<i>1,580,375</i>
<i>Airlines 1.2%</i>				
Air Canada, Pass-Through Trust, Secured Notes	6.625%	5/15/18	280,000	293,272 <sup>(a)</sup>
Continental Airlines Inc., Pass-Through Certificates, Secured Notes	9.250%	5/10/17	108,278	119,106
Continental Airlines Inc., Pass-Through Certificates, Secured Notes	6.250%	4/11/20	135,540	142,995
Continental Airlines Inc., Pass-Through Certificates, Senior Secured Notes	6.545%	2/2/19	98,795	108,240
Continental Airlines Inc., Pass-Through Certificates, Senior Secured Notes	7.250%	11/10/19	164,527	190,440
Continental Airlines Inc., Pass-Through Certificates, Senior Secured Notes	7.256%	3/15/20	119,433	132,570
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	80,773	92,687
Delta Air Lines Inc., Pass-Through Certificates, Senior Secured Notes	7.750%	12/17/19	160,460	183,325
United Airlines Inc., Pass-Through Certificates, Secured Notes	9.750%	1/15/17	66,483	72,300
US Airways, Pass-Through Trust, Senior Secured Bonds	5.900%	10/1/24	310,360	350,706
<i>Total Airlines</i>				<i>1,685,641</i>

See Notes to Financial Statements.

**Western Asset Income Fund**

	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<i>Commercial Services &amp; Supplies 1.1%</i>				
Republic Services Inc., Senior Notes	5.500%	9/15/19	\$ 130,000	\$ 145,204
Republic Services Inc., Senior Notes	5.250%	11/15/21	330,000	369,820
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	5.250%	4/15/21	600,000	591,000 <sup>(a)</sup>
Waste Management Inc., Senior Notes	7.750%	5/15/32	250,000	334,616
<i>Total Commercial Services &amp; Supplies</i>				<i>1,440,640</i>
<i>Machinery 0.8%</i>				
Caterpillar Inc., Senior Notes	4.750%	5/15/64	220,000	215,348
Valmont Industries Inc., Senior Notes	6.625%	4/20/20	790,000	911,647
<i>Total Machinery</i>				<i>1,126,995</i>
<i>Road &amp; Rail 0.3%</i>				
Burlington Northern Santa Fe LLC, Senior Notes	4.900%	4/1/44	460,000	476,248
<b>Total Industrials</b>				<b>6,309,899</b>
<b>Information Technology 1.8%</b>				
<i>Communications Equipment 0.4%</i>				
Harris Corp., Senior Notes	4.854%	4/27/35	260,000	249,144
Harris Corp., Senior Notes	5.054%	4/27/45	210,000	200,070
QUALCOMM Inc., Senior Subordinated Notes	4.800%	5/20/45	100,000	95,960
<i>Total Communications Equipment</i>				<i>545,174</i>
<i>Electronic Equipment, Instruments &amp; Components 0.2%</i>				
Interface Security Systems Holdings Inc./Interface Security Systems LLC, Senior Secured Notes	9.250%	1/15/18	290,000	291,450
<i>IT Services 0.4%</i>				
HP Enterprise Services LLC, Notes	7.450%	10/15/29	420,000	512,843
<i>Semiconductors &amp; Semiconductor Equipment 0.6%</i>				
KLA-Tencor Corp., Senior Notes	4.650%	11/1/24	680,000	679,629
National Semiconductor Corp., Senior Notes	6.600%	6/15/17	110,000	121,472
<i>Total Semiconductors &amp; Semiconductor Equipment</i>				<i>801,101</i>
<i>Technology Hardware, Storage &amp; Peripherals 0.2%</i>				
Hewlett-Packard Co., Senior Notes	4.650%	12/9/21	310,000	329,040
<b>Total Information Technology</b>				<b>2,479,608</b>
<b>Materials 5.5%</b>				
<i>Chemicals 0.8%</i>				
Dow Chemical Co., Debentures	7.375%	11/1/29	800,000	1,008,483
Ecolab Inc., Senior Notes	5.500%	12/8/41	140,000	152,951
<i>Total Chemicals</i>				<i>1,161,434</i>
<i>Containers &amp; Packaging 0.2%</i>				
Rock-Tenn Co., Senior Notes	4.450%	3/1/19	230,000	244,147

See Notes to Financial Statements.

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

June 30, 2015

### Western Asset Income Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Metals &amp; Mining 4.0%</i>				
Alcoa Inc., Senior Notes	5.125%	10/1/24	\$ 320,000	\$ 324,000
Barrick Gold Corp., Senior Notes	4.100%	5/1/23	790,000	769,755
BHP Billiton Finance USA Ltd., Senior Notes	5.000%	9/30/43	100,000	103,803
Freeport-McMoRan Inc., Senior Notes	5.400%	11/14/34	20,000	17,253
Freeport-McMoRan Inc., Senior Notes	5.450%	3/15/43	120,000	100,183
Glencore Finance Canada Ltd., Senior Notes	6.900%	11/15/37	430,000	463,193 <sup>(a)</sup>
Rio Tinto Finance USA Ltd., Senior Notes	9.000%	5/1/19	660,000	823,856
Southern Copper Corp., Senior Notes	5.375%	4/16/20	150,000	163,830
Southern Copper Corp., Senior Notes	5.250%	11/8/42	470,000	407,885
Steel Dynamics Inc., Senior Notes	6.125%	8/15/19	140,000	147,350
Vale Overseas Ltd., Senior Notes	6.875%	11/21/36	1,148,000	1,109,898
Vedanta Resources PLC, Senior Notes	6.750%	6/7/16	310,000	317,363 <sup>(a)</sup>
Vedanta Resources PLC, Senior Notes	6.000%	1/31/19	350,000	338,625 <sup>(a)</sup>
Yamana Gold Inc., Senior Notes	4.950%	7/15/24	370,000	356,396
<i>Total Metals &amp; Mining</i>				<i>5,443,390</i>
<i>Paper &amp; Forest Products 0.5%</i>				
Fibria Overseas Finance Ltd., Senior Notes	5.250%	5/12/24	310,000	310,775
Georgia-Pacific Corp., Senior Bonds	7.375%	12/1/25	250,000	321,570
<i>Total Paper &amp; Forest Products</i>				<i>632,345</i>
<b>Total Materials</b>				
<b>Telecommunication Services 8.3%</b>				
<i>Diversified Telecommunication Services 6.9%</i>				
AT&T Inc., Senior Notes	4.500%	5/15/35		