

WESTERN ASSET PREMIER BOND FUND  
Form N-CSRS  
August 30, 2010

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

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-10603

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

55 Water Street, New York, NY  
(Address of principal executive offices)

10041  
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place,

Stamford, CT 06902  
(Name and address of agent for service)

Registrant's telephone number, including area code: (888)777-0102

Date of fiscal year end: December 31

Date of reporting period: June 30, 2010

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ITEM 1. REPORT TO STOCKHOLDERS.

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

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June 30, 2010

**Semi-Annual Report**

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

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

Western Asset Premier Bond Fund

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**Fund objective**

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

**What's inside**

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**Letter from the president**

**Dear Shareholder,**

We are pleased to provide the semi-annual report of Western Asset Premier Bond Fund for the six-month reporting period ended June 30, 2010.

Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

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As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, [www.leggmason.com/cef](http://www.leggmason.com/cef). Here you can gain immediate access to market and investment information, including:

- Fund prices and performance,
- Market insights and commentaries from our portfolio managers, and
- A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

President

July 30, 2010

## Investment commentary

### Economic review

While the overall U.S. economy continued to expand over the six months ended June 30, 2010, several economic data points weakened toward the end of the reporting period. This, in combination with sovereign debt woes in Europe, caused investor sentiment to turn negative and had significant implications for the financial markets.

Looking back, the U.S. Department of Commerce reported that U.S. gross domestic product (GDP) contracted four consecutive quarters, beginning in the third quarter of 2008 through the second quarter of 2009. Economic conditions then began to improve in the third quarter of 2009, as GDP growth was 1.6%. A variety of factors helped the economy to regain its footing, including the government's \$787 billion stimulus program. Economic growth then accelerated during the fourth quarter of 2009, as GDP growth was 5.0%. A slower drawdown in business inventories and renewed consumer spending were contributing factors spurring the economy's higher growth rate. While the recovery continued during the first half of 2010, it did so at a more modest pace, as GDP growth was 3.7% during the first quarter of 2010 and an estimated 2.4% during the second quarter. The slower pace of growth in the second quarter was due, in part, to slower consumer spending, which rose an annualized 1.6% during the quarter, versus a 1.9% gain over the first three months of the year.

Even before GDP growth turned positive, there were signs that the economy was on the mend. The manufacturing sector, as measured by the Institute for Supply Management's PMI, rose to 52.8 in August 2009, the first time it surpassed 50 since January 2008 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). While June 2010's PMI reading of 56.2 was lower than May's reading of 59.7, manufacturing has now expanded eleven consecutive months according to PMI data. The manufacturing sector's growth remained fairly broad-based with thirteen of the eighteen industries tracked by the Institute for Supply Management expanding during June.

After experiencing sharp job losses in 2009, the U.S. Department of Labor reported that over one million new positions were added during the first five months of 2010. Included in that total, however, were 700,000 temporary government jobs tied to the 2010 Census. In June, 225,000 of these temporary positions were eliminated, offsetting private sector growth and resulting in a net loss of 125,000 jobs for the month. However, the unemployment rate fell to 9.5% in June, versus 9.7% and 9.9% in May and April, respectively.

There was mixed news in the housing market during the period. According to the National Association of Realtors, existing home sales increased 7.0% and 8.0% in March and April, respectively, after sales had fallen for the period from December 2009 through February 2010. The rebound was largely attributed to people rushing to take advantage of the government's \$8,000 tax credit for first-time home buyers that expired at the end of April. However, with the end of the tax credit, existing home sales then declined 2.2% and 5.1% in May and June, respectively. In addition, the inventory of unsold homes increased 2.5% to 3.99 million in June. Looking at home prices, the S&P/Case-Shiller Home Price Index indicated that month-to-month U.S. home prices rose 1.3% in May. This marked the second straight monthly increase following six consecutive months of declining prices.

### Financial market overview

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During the first half of the reporting period, the financial markets were largely characterized by healthy investor risk appetite and solid results by lower-quality bonds. However, the market experienced a sharp sell-off during the second half of the reporting period, during which risk aversion returned and investors flocked to the relative safety of U.S. Treasury securities.

Given certain pockets of weakness in the economy, including elevated unemployment in the U.S., the Federal Reserve Board ( Fed )iv remained cautious. At its meeting in June 2010, the Fed said it will maintain the target range for the federal funds ratev at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

However, the Fed took several steps in reversing its accommodative monetary stance. On February 18, 2010, the Fed raised the discount rate,

Western Asset Premier Bond Fund

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**Investment commentary (cont d)**

the interest rate it charges banks for temporary loans, from 1/2 to 3/4 percent. The Fed also concluded its \$1.25 trillion mortgage securities purchase program at the end of the first quarter of 2010. However, the Fed left the door open for future stimulus measures if needed. In the minutes of its June meeting that were released on July 14th (after the reporting period ended), the Fed said, "In addition to continuing to develop and test instruments to exit from the period of unusually accommodative monetary policy, the Committee would need to consider whether further policy stimulus might become appropriate if the outlook were to worsen appreciably."

**Fixed-income market review**

Continuing the trend that began in the second quarter of 2009, nearly every spread sector (non-Treasury) outperformed equal-duration Treasuries during the first half of the reporting period. Over that time, investor confidence was high given encouraging economic data, continued low interest rates, benign inflation and rebounding corporate profits. However, robust investor appetite was replaced with heightened risk aversion toward the end of April and during the month of May. This was due to the escalating sovereign debt crisis in Europe, uncertainties regarding new financial reforms in the U.S. and some worse-than-expected economic data. Most spread sectors then produced positive absolute returns in June, as investor demand for these securities began to again increase.

Both short- and long-term Treasury yields fluctuated during the period but generally moved lower. When the period began, two- and ten-year Treasury yields were 1.14% and 3.85%, respectively. Two- and ten-year Treasury yields initially rose, reaching as high as 1.18% and 4.01%, respectively, in early April. Yields then largely declined amid the investor flight to quality. On June 30, 2010, two- and ten-year Treasury yields reached their lows for the reporting period: 0.61% and 2.97%, respectively. Over the six-month reporting period, the yield curve flattened, with longer-term Treasury yields declining more than their shorter-term counterparts. For the six months ended June 30, 2010, the Barclays Capital U.S. Aggregate Index returned 5.33%.

**Performance review**

For the six months ended June 30, 2010, Western Asset Premier Bond Fund returned 11.98% based on its net asset value (NAV)ix and 9.43% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Barclays Capital U.S. Corporate High Yield Indexx and the Barclays Capital U.S. Credit Indexxi, returned 4.51% and 5.62%, respectively, over the same time frame. The Lipper Corporate Debt Closed-End Funds BBB-Rated Category Averagexii returned 6.88% for the same period. Please note that Lipper performance returns are based on each fund's NAV.

During this six-month period, the Fund made distributions to shareholders totaling \$0.64 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 June 30, 2010. **Past performance is no guarantee of future results.**



**Performance Snapshot as of June 30, 2010 (unaudited)**

| <b>Price Per Share</b> | <b>6-Month Total Return*</b> |
|------------------------|------------------------------|
| \$13.21 (NAV)          | 11.98%                       |
| \$13.93 (Market Price) | 9.43%                        |

**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. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.**

**Looking for additional information?**

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

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

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

Sincerely,

R. Jay Gerken, CFA

President

July 30, 2010

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

All investments are subject to risk including the possible loss of principal. 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 manufacturing sector.
- iii The S&P/Case-Shiller Home Price Index measures the residential housing market, tracking changes in the value of the residential real estate market in twenty metropolitan regions across the United States.

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- iv 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.
- v 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.
- vi Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- vii The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- viii The Barclays Capital U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- ix 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.
- x The Barclays Capital U.S. Corporate High Yield Index covers the universe of fixed-rate, non-investment grade debt, including corporate and non-corporate sectors. Pay-in-kind ( PIK ) bonds, Eurobonds and debt issues from countries designated as emerging markets are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging market countries are included. Original issue zero coupon bonds, step-up coupon structures and 144-As are also included.
- xi The Barclays Capital U.S. Credit Index is an index composed of corporate and non-corporate debt issues that are investment grade (rated Baa3/BBB- or higher).
- xii 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, 2010, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 27 funds in the Fund s Lipper category.

**Fund highlights (unaudited)**

|   | <b>Six Months Ended<br/>June 30, 2010</b> | <b>Year Ended<br/>December 31, 2009</b> |
|---|---|---|
| Net Asset Value                           | \$154,235,891                             | \$143,858,719                           |
| Per Share                                 | \$13.21                                   | \$12.39                                 |
| Market Value Per Share                    | \$13.93                                   | \$13.36                                 |
| Net Investment Income                     | \$9,103,355                               | \$18,942,993                            |
| Per Common Share                          | \$0.78                                    | \$1.64                                  |
| Dividends Paid to Common Shareholders:    |   |   |
| Ordinary Income                           | \$7,453,665                               | \$14,754,747                            |
| Per Common Share                          | \$0.64                                    | \$1.28                                  |
| Dividends Paid to Preferred Shareholders: |   |   |
| Ordinary Income                           | \$94,883                                  | \$266,195                               |
| Per Common Share                          | \$0.01                                    | \$0.02                                  |

**The Fund**

Western Asset Premier Bond Fund ( WEA or the Fund ) is a diversified, closed-end management investment company which seeks to provide current income and capital appreciation for its shareholders by investing primarily in a diversified portfolio of investment grade bonds. Substantially all of the Fund's net investment income (after payment of dividends to holders of preferred shares and interest in connection with other forms of leverage (if applicable)) is distributed to the Fund's common shareholders. A Dividend Reinvestment Plan is available to those common shareholders of record desiring it. The Fund's common shares are listed on the New York Stock Exchange ( NYSE ) where they trade under the symbol WEA.

**Investment policies**

Each limitation below applies only at the time a transaction is entered into. Any subsequent change in a rating assigned to a security, or change in the percentage of the Fund's assets invested in certain securities or other instruments, resulting from market fluctuations or other changes in the Fund's total assets, will not require the Fund to dispose of an investment.

Under normal market conditions, the Fund expects to:

- Invest substantially all (but at least 80%) of its total managed assets (the total assets of the Fund, including any assets attributable to leverage, less accrued liabilities) in bonds, including corporate bonds, U.S. government and agency securities and mortgage related securities.

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- Invest at least 65% of its total managed assets in bonds that at the time of investment are investment grade quality. The Fund may invest up to 35% of its total managed assets in bonds of below investment grade quality.

The Fund may invest in securities or instruments other than bonds (including preferred stock) and may invest up to 10% of its total managed assets in instruments denominated in currencies other than the U.S. dollar.

### **Dividend reinvestment plan**

The Fund and American Stock Transfer & Trust Company LLC ( Agent ), as the Transfer Agent and Registrar of the Fund, offer a convenient way to add shares of the Fund to your account. The Fund offers to all common shareholders a Dividend Reinvestment Plan ( Plan ). Under the Plan, cash distributions (e.g., dividends and capital gains) of registered shareholders (those who own shares in their own name on the Fund's records) on the common shares are automatically invested in shares of the Fund unless the shareholder elects otherwise by contacting the Agent at the address set forth below. Shareholders who own shares in a brokerage, bank or other financial institution account must contact the company where their account is held in order to participate in the Plan.

As a participant in the Dividend Reinvestment Plan you will automatically receive your dividend or net capital gains distribution in newly issued shares of the Fund if the market price of a share on the

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**Fund highlights (unaudited) (cont d)**

date of the distribution is at or above the NAV of a Fund share, minus estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market. The number of shares to be issued to you will be determined by dividing the amount of the cash distribution to which you are entitled (net of any applicable withholding taxes) by the greater of the NAV per share on such date or 95% of the market price of a share on such date. If the market price of a share on such distribution date is below the NAV, minus estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market, the Agent will, as agent for the participants, buy shares of the Fund through a broker on the open market. The price per share of shares purchased for each participant's account with respect to a particular dividend or other distribution will be the average price (including brokerage commissions, transfer taxes and any other costs of purchase) of all shares purchased with respect to that dividend or other distribution. All common shares acquired on your behalf through the Plan will be automatically credited to an account maintained on the books of the Agent. Full and fractional shares will be voted by the Agent in accordance with your instructions.

**Additional information regarding the Plan**

The Fund will pay all costs applicable to the Plan, except for brokerage commissions for open market purchases by the Agent under the Plan, which will be charged to participants. All shares acquired through the Plan receive voting rights and are eligible for any stock split, stock dividend, or other rights accruing to shareholders that the Board of Trustees may declare.

Registered shareholder may terminate participation in the Plan at any time by giving notice to the Agent. Such termination will be effective prior to the record date next succeeding the receipt of such instructions or by a later date of termination specified in such instructions. Upon termination, a participant will receive a certificate for the full shares credited to his or her account or may request the sale of all or part of such shares. Fractional shares credited to a terminating account will be paid for in cash at the current market price at the time of termination. Shareholders who own shares in a brokerage, bank or other financial institution account must contact the company where their account is held in order to terminate participation in the Plan.

Dividends and other distributions invested in additional shares under the Plan are subject to income tax just as if they had been received in cash. After year end, dividends paid on the accumulated shares will be included in the Form 1099-DIV information return to the Internal Revenue Service (IRS) and only one Form 1099-DIV will be sent to participants each year.

Inquiries regarding the Plan, as well as notices of termination, should be directed to American Stock Transfer & Trust Company LLC, 59 Maiden Lane, New York, NY, 10038. Investor Relations Telephone number 1-888-888-0151.

**Fund at a glance (unaudited)**

**Standard & Poor's Debt Ratings<sup>1</sup> (at market value)**

**Sector Schedule<sup>2</sup> (at market value)**

The bar graphs above represent the Fund's portfolio as of June 30, 2010 and do not include derivatives such as Futures Contracts and Swaps. 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.

1 Source: Standard & Poor's Rating Service. The ratings shown are based on each portfolio security's rating as determined by Standard & Poor's (S&P), a Nationally Recognized Statistical Ratings Organization (NRSRO). These ratings are the opinions of S&P and are not measures of quality or guarantees of performance. Securities held by the Fund may be rated by other NRSROs, and these ratings may be higher or lower. The Fund itself has not been rated by a NRSRO and the credit quality of the investments in the Fund's portfolio does not apply to the stability or safety of the Fund.

2 Expressed as a percentage of the portfolio.



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**Quarterly comparison of market price and net asset value (NAV), discount or premium to NAV and average daily volume of shares traded (unaudited)**

|                    | <b>Market Price</b> | <b>Net Asset Value</b> | <b>Premium/ (Discount)</b> | <b>Average Daily Volume/ (Shares)</b> |
|--------------------|---------------------|------------------------|----------------------------|---------------------------------------|
| September 30, 2009 | \$13.02             | \$11.76                | 10.71%                     | 25,709                                |
| December 31, 2009  | \$13.36             | \$12.39                | 7.83%                      | 39,666                                |
| March 31, 2010     | \$13.86             | \$13.04                | 6.29%                      | 31,726                                |
| June 30, 2010      | \$13.93             | \$13.21                | 5.45%                      | 27,811                                |

**Schedule of investments (unaudited)**

June 30, 2010

**Western Asset Premier Bond Fund**

| <b>Security</b>   | <b>Rate</b> | <b>Maturity Date</b> | <b>Face Amount</b> | <b>Value</b>      |
|---|-------------|----------------------|--------------------|-------------------|
| <b>Corporate Bonds &amp; Notes 60.6%</b>  |             |                      |                    |                   |
| <b>Consumer Discretionary 8.9%</b>  |             |                      |                    |                   |
| <b>Automobiles 1.5%</b>   |             |                      |                    |                   |
| DaimlerChrysler NA Holding Corp., Notes   | 8.500%      | 1/18/31              | 1,000,000          | \$ 1,277,450      |
| DaimlerChrysler North America Holding Corp., Notes  | 7.300%      | 1/15/12              | 1,000,000          | 1,077,911         |
| <b>Total Automobiles</b>  |             |                      |                    | <b>2,355,361</b>  |
| <b>Diversified Consumer Services 0.0%</b>   |             |                      |                    |                   |
| Service Corp. International, Senior Notes   | 7.625%      | 10/1/18              | 5,000              | 5,062             |
| Service Corp. International, Senior Notes   | 7.500%      | 4/1/27               | 60,000             | 53,100            |
| <b>Total Diversified Consumer Services</b>  |             |                      |                    | <b>58,162</b>     |
| <b>Hotels, Restaurants &amp; Leisure 0.9%</b>   |             |                      |                    |                   |
| El Pollo Loco Inc., Senior Notes  | 11.750%     | 11/15/13             | 395,000            | 306,125           |
| Harrah's Operating Co. Inc., Senior Notes   | 10.750%     | 2/1/16               | 300,000            | 239,250           |
| Inn of the Mountain Gods Resort & Casino, Senior Notes  | 12.000%     | 11/15/10             | 530,000            | 257,050(a)(b)     |
| Landry's Restaurants Inc., Senior Secured Notes   | 11.625%     | 12/1/15              | 110,000            | 113,850           |
| Mohegan Tribal Gaming Authority, Senior Secured Notes   | 11.500%     | 11/1/17              | 170,000            | 168,300(c)        |
| NCL Corp. Ltd., Senior Secured Notes  | 11.750%     | 11/15/16             | 170,000            | 177,650           |
| Sbarro Inc., Senior Notes   | 10.375%     | 2/1/15               | 90,000             | 71,100            |
| Snoqualmie Entertainment Authority, Senior Secured Notes  | 4.136%      | 2/1/14               | 110,000            | 87,725(c)(d)      |
| Station Casinos Inc., Senior Notes  | 7.750%      | 8/15/16              | 205,000            | 12,941(a)(b)      |
| Station Casinos Inc., Senior Subordinated Notes   | 6.625%      | 3/15/18              | 100,000            | 75(a)(b)          |
| <b>Total Hotels, Restaurants &amp; Leisure</b>  |             |                      |                    | <b>1,434,066</b>  |
| <b>Household Durables 0.0%</b>  |             |                      |                    |                   |
| American Greetings Corp., Senior Notes  | 7.375%      | 6/1/16               | 20,000             | 19,950            |
| <b>Leisure Equipment &amp; Products 0.5%</b>  |             |                      |                    |                   |
| Eastman Kodak Co., Senior Notes   | 7.250%      | 11/15/13             | 760,000            | 744,800           |
| <b>Media 5.3%</b>   |             |                      |                    |                   |
| Cablevision Systems Corp., Senior Notes   | 7.750%      | 4/15/18              | 30,000             | 30,000            |
| CCH II LLC/CCH II Capital Corp., Senior Notes   | 13.500%     | 11/30/16             | 108,083            | 125,917           |
| Cengage Learning Acquisitions Inc., Senior Notes  | 10.500%     | 1/15/15              | 270,000            | 251,100(c)        |
| Charter Communications Operating LLC/Charter Communications Operating Capital, Senior Secured Notes | 10.875%     | 9/15/14              | 280,000            | 310,800(c)        |
| CMP Susquehanna Corp.   | 3.531%      | 5/15/14              | 14,000             | 4,200(b)(c)(d)(e) |
| Comcast Corp.   | 5.900%      | 3/15/16              | 400,000            | 450,779           |
| Comcast Corp., Notes  | 7.050%      | 3/15/33              | 1,000,000          | 1,154,561         |
| CSC Holdings Inc., Senior Notes   | 6.750%      | 4/15/12              | 250,000            | 258,750           |
| DISH DBS Corp., Senior Notes  | 7.000%      | 10/1/13              | 600,000            | 618,000           |
| DISH DBS Corp., Senior Notes  | 7.750%      | 5/31/15              | 120,000            | 123,600           |
| DISH DBS Corp., Senior Notes  | 7.875%      | 9/1/19               | 385,000            | 400,400           |
| News America Holdings Inc.  | 8.875%      | 4/26/23              | 400,000            | 518,929           |

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|   |         |         |           |            |
|---|---------|---------|-----------|------------|
| Sun Media Corp., Senior Notes                       | 7.625%  | 2/15/13 | 55,000    | 55,000     |
| Time Warner Inc., Senior Debentures                 | 7.700%  | 5/1/32  | 1,150,000 | 1,386,939  |
| Time Warner Inc., Senior Subordinated Notes         | 6.875%  | 5/1/12  | 1,400,000 | 1,525,221  |
| Univision Communications Inc., Senior Secured Notes | 12.000% | 7/1/14  | 420,000   | 450,450(c) |
| Virgin Media Finance PLC, Senior Bonds              | 9.500%  | 8/15/16 | 100,000   | 105,625    |

See Notes to Financial Statements.

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

June 30, 2010

## Western Asset Premier Bond Fund

| Security  | Rate    | Maturity Date | Face Amount | Value             |
|---|---------|---------------|-------------|-------------------|
| <b>Media continued</b>                            |         |               |             |                   |
| Virgin Media Finance PLC, Senior Notes            | 9.125%  | 8/15/16       | 335,000     | \$ 346,725        |
| <b>Total Media</b>                                |         |               |             | <b>8,116,996</b>  |
| <b>Multiline Retail 0.4%</b>                      |         |               |             |                   |
| Neiman Marcus Group Inc., Senior Notes            | 9.000%  | 10/15/15      | 279,478     | 280,177(f)        |
| Neiman Marcus Group Inc., Senior Secured Notes    | 7.125%  | 6/1/28        | 330,000     | 297,000           |
| <b>Total Multiline Retail</b>                     |         |               |             | <b>577,177</b>    |
| <b>Specialty Retail 0.1%</b>                      |         |               |             |                   |
| Michaels Stores Inc., Senior Notes                | 10.000% | 11/1/14       | 80,000      | 82,600            |
| <b>Textiles, Apparel &amp; Luxury Goods 0.2%</b>  |         |               |             |                   |
| Oxford Industries Inc., Senior Secured Notes      | 11.375% | 7/15/15       | 255,000     | 280,500           |
| <b>Total Consumer Discretionary</b>               |         |               |             | <b>13,669,612</b> |
| <b>Consumer Staples 5.7%</b>                      |         |               |             |                   |
| <b>Food &amp; Staples Retailing 5.6%</b>          |         |               |             |                   |
| CVS Corp.   | 9.350%  | 1/10/23       | 700,000     | 724,542(b)(c)     |
| CVS Corp.   | 5.789%  | 1/10/26       | 820,093     | 832,477(c)        |
| CVS Pass-Through Trust                            | 7.507%  | 1/10/32       | 1,987,591   | 2,263,171(c)      |
| CVS Pass-Through Trust, Secured Notes             | 5.880%  | 1/10/28       | 924,214     | 948,558           |
| CVS Pass-Through Trust, Secured Notes             | 6.036%  | 12/10/28      | 914,662     | 935,498           |
| CVS Pass-Through Trust, Secured Notes             | 6.943%  | 1/10/30       | 1,899,103   | 2,094,407         |
| Delhaize America Inc., Debentures                 | 9.000%  | 4/15/31       | 166,000     | 226,884           |
| Safeway Inc., Notes                               | 5.800%  | 8/15/12       | 500,000     | 543,182           |
| <b>Total Food &amp; Staples Retailing</b>         |         |               |             | <b>8,568,719</b>  |
| <b>Tobacco 0.1%</b>                               |         |               |             |                   |
| Alliance One International Inc., Senior Notes     | 10.000% | 7/15/16       | 160,000     | 162,800(c)        |
| <b>Total Consumer Staples</b>                     |         |               |             | <b>8,731,519</b>  |
| <b>Energy 8.1%</b>                                |         |               |             |                   |
| <b>Energy Equipment &amp; Services 0.8%</b>       |         |               |             |                   |
| Complete Production Services Inc., Senior Notes   | 8.000%  | 12/15/16      | 150,000     | 146,625           |
| GulfMark Offshore Inc., Senior Subordinated Notes | 7.750%  | 7/15/14       | 270,000     | 256,500           |
| Hercules Offshore LLC, Senior Secured Notes       | 10.500% | 10/15/17      | 155,000     | 137,562(c)        |
| Pride International Inc., Senior Notes            | 7.375%  | 7/15/14       | 240,000     | 239,100           |
| Sonat Inc., Notes                                 | 7.625%  | 7/15/11       | 500,000     | 515,787           |
| <b>Total Energy Equipment &amp; Services</b>      |         |               |             | <b>1,295,574</b>  |
| <b>Oil, Gas &amp; Consumable Fuels 7.3%</b>       |         |               |             |                   |
| Anadarko Finance Co., Senior Notes                | 7.500%  | 5/1/31        | 1,000,000   | 841,013           |
| Belden & Blake Corp., Secured Notes               | 8.750%  | 7/15/12       | 750,000     | 699,375           |
| Berry Petroleum Co., Senior Notes                 | 10.250% | 6/1/14        | 160,000     | 172,000           |
| Burlington Resources Finance Co.                  | 7.400%  | 12/1/31       | 450,000     | 562,686           |
| Chesapeake Energy Corp., Senior Notes             | 6.375%  | 6/15/15       | 480,000     | 495,600           |

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|  |        |          |         |            |
|--|--------|----------|---------|------------|
| Chesapeake Energy Corp., Senior Notes              | 6.625% | 1/15/16  | 30,000  | 30,488     |
| Chesapeake Energy Corp., Senior Notes              | 7.250% | 12/15/18 | 300,000 | 309,750    |
| Colorado Interstate Gas Co., Senior Notes          | 6.800% | 11/15/15 | 150,000 | 172,838    |
| Compagnie Generale de Geophysique SA, Senior Notes | 7.500% | 5/15/15  | 210,000 | 200,025    |
| CONSOL Energy Inc., Senior Notes                   | 8.250% | 4/1/20   | 440,000 | 458,700(c) |

See Notes to Financial Statements.

**Western Asset Premier Bond Fund**

| <b>Security</b>   | <b>Rate</b> | <b>Maturity<br/>Date</b> | <b>Face<br/>Amount</b> | <b>Value</b>      |
|---|-------------|--------------------------|------------------------|-------------------|
| <b><i>Oil, Gas &amp; Consumable Fuels continued</i></b> |             |                          |                        |                   |
| DCP Midstream LP  | 7.875%      | 8/16/10                  | 750,000                | \$ 755,497        |
| Devon Energy Corp., Debentures                          | 7.950%      | 4/15/32                  | 310,000                | 397,257           |
| Devon Financing Corp. ULC, Notes                        | 6.875%      | 9/30/11                  | 1,000,000              | 1,067,665         |
| El Paso Corp., Medium-Term Notes                        | 7.800%      | 8/1/31                   | 190,000                | 187,779           |
| Hess Corp., Notes                                       | 7.875%      | 10/1/29                  | 1,640,000              | 2,018,038         |
| Hess Corp., Notes                                       | 7.300%      | 8/15/31                  | 60,000                 | 70,788            |
| Kinder Morgan Energy Partners LP, Senior Notes          | 7.125%      | 3/15/12                  | 500,000                | 537,454           |
| LUKOIL International Finance BV, Bonds                  | 6.356%      | 6/7/17                   | 340,000                | 345,100(c)        |
| OPTI Canada Inc., Senior Secured Notes                  | 7.875%      | 12/15/14                 | 45,000                 | 39,150            |
| OPTI Canada Inc., Senior Secured Notes                  | 8.250%      | 12/15/14                 | 190,000                | 165,300           |
| Petrohawk Energy Corp., Senior Notes                    | 9.125%      | 7/15/13                  | 145,000                | 151,163           |
| Plains Exploration & Production Co., Senior Notes       | 10.000%     | 3/1/16                   | 140,000                | 149,800           |
| Plains Exploration & Production Co., Senior Notes       | 8.625%      | 10/15/19                 | 125,000                | 126,563           |
| Quicksilver Resources Inc., Senior Notes                | 11.750%     | 1/1/16                   | 185,000                | 203,963           |
| Teekay Corp., Senior Notes                              | 8.500%      | 1/15/20                  | 310,000                | 308,450           |
| Williams Cos. Inc., Debentures                          | 7.500%      | 1/15/31                  | 668,000                | 710,566           |
| Williams Cos. Inc., Senior Notes                        | 8.750%      | 3/15/32                  | 63,000                 | 73,519            |
| <b>Total Oil, Gas &amp; Consumable Fuels</b>            |             |                          |                        | <b>11,250,527</b> |
| <b>Total Energy</b>                                     |             |                          |                        | <b>12,546,101</b> |
| <b>Financials 9.8%</b>                                  |             |                          |                        |                   |
| <b>Capital Markets 1.3%</b>                             |             |                          |                        |                   |
| Goldman Sachs Group Inc., Notes                         | 6.600%      | 1/15/12                  | 900,000                | 951,879           |
| Morgan Stanley, Notes                                   | 6.600%      | 4/1/12                   | 1,000,000              | 1,061,245         |
| <b>Total Capital Markets</b>                            |             |                          |                        | <b>2,013,124</b>  |
| <b>Commercial Banks 0.1%</b>                            |             |                          |                        |                   |
| ICICI Bank Ltd., Subordinated Bonds                     | 6.375%      | 4/30/22                  | 184,000                | 169,282(c)(d)     |
| <b>Consumer Finance 3.1%</b>                            |             |                          |                        |                   |
| Ford Motor Credit Co., LLC, Senior Notes                | 7.500%      | 8/1/12                   | 70,000                 | 71,580            |
| Ford Motor Credit Co., LLC, Senior Notes                | 12.000%     | 5/15/15                  | 1,030,000              | 1,192,329         |
| Ford Motor Credit Co., LLC, Senior Notes                | 8.000%      | 12/15/16                 | 680,000                | 695,362           |
| GMAC Inc., Senior Notes                                 | 6.875%      | 8/28/12                  | 94,000                 | 94,235            |
| HSBC Finance Corp.                                      | 4.750%      | 7/15/13                  | 1,670,000              | 1,749,173         |
| SLM Corp., Senior Notes                                 | 0.476%      | 7/26/10                  | 1,020,000              | 1,019,927(d)      |
| <b>Total Consumer Finance</b>                           |             |                          |                        | <b>4,822,606</b>  |
| <b>Diversified Financial Services 4.4%</b>              |             |                          |                        |                   |
| AAC Group Holding Corp., Senior Discount Notes          | 10.250%     | 10/1/12                  | 440,000                | 435,600(c)        |
| Air 2 US, Notes   | 8.027%      | 10/1/19                  | 373,624                | 344,669(c)        |
| CCM Merger Inc., Notes                                  | 8.000%      | 8/1/13                   | 140,000                | 128,100(c)        |
| Citigroup Inc.  | 6.625%      | 6/15/32                  | 1,000,000              | 951,940           |
| International Lease Finance Corp., Senior Notes         | 8.750%      | 3/15/17                  | 1,380,000              | 1,307,550(c)      |
| JPMorgan Chase & Co., Subordinated Notes                | 5.125%      | 9/15/14                  | 1,300,000              | 1,387,269         |
| Liberty Media LLC                                       | 3.750%      | 2/15/30                  | 1,860,000              | 892,800           |
| New Communications Holdings Inc., Senior Notes          | 8.750%      | 4/15/22                  | 91,000                 | 91,000(c)         |
| Smurfit Kappa Funding PLC, Senior Subordinated Notes    | 7.750%      | 4/1/15                   | 150,000                | 148,125           |

See Notes to Financial Statements.



## Western Asset Premier Bond Fund 2010 Semi-Annual Report

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

June 30, 2010

## Western Asset Premier Bond Fund

| Security  | Rate    | Maturity Date | Face Amount | Value             |
|---|---------|---------------|-------------|-------------------|
| <b>Diversified Financial Services continued</b>                                     |         |               |             |                   |
| TNK-BP Finance SA, Senior Notes   | 7.875%  | 3/13/18       | 220,000     | \$ 229,240(c)     |
| UFJ Finance Aruba AEC   | 6.750%  | 7/15/13       | 500,000     | 559,984           |
| Unitymedia GmbH, Senior Secured Bonds   | 8.125%  | 12/1/17       | 100,000     | 98,000(c)         |
| Vanguard Health Holdings Co., II LLC, Senior Notes                                  | 8.000%  | 2/1/18        | 215,000     | 206,400           |
| <b>Total Diversified Financial Services</b>   |         |               |             | <b>6,780,677</b>  |
| <b>Insurance 0.7%</b>   |         |               |             |                   |
| XL Capital Ltd.   | 5.250%  | 9/15/14       | 1,000,000   | <b>1,023,226</b>  |
| <b>Real Estate Management &amp; Development 0.2%</b>                                |         |               |             |                   |
| Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, step bond | 0.000%  | 6/30/15       | 65,000      | 37,700(b)(c)      |
| Realogy Corp., Senior Notes   | 10.500% | 4/15/14       | 170,000     | 144,075           |
| Realogy Corp., Senior Subordinated Notes  | 12.375% | 4/15/15       | 165,000     | 124,575           |
| <b>Total Real Estate Management &amp; Development</b>                               |         |               |             | <b>306,350</b>    |
| <b>Total Financials</b>   |         |               |             |                   |
|   |         |               |             | <b>15,115,265</b> |
| <b>Health Care 1.2%</b>   |         |               |             |                   |
| <b>Health Care Providers &amp; Services 1.2%</b>                                    |         |               |             |                   |
| Community Health Systems Inc., Senior Notes   | 8.875%  | 7/15/15       | 200,000     | 206,250           |
| HCA Inc., Debentures  | 7.500%  | 11/15/95      | 185,000     | 137,825           |
| HCA Inc., Notes   | 6.375%  | 1/15/15       | 430,000     | 401,512           |
| HCA Inc., Notes   | 7.690%  | 6/15/25       | 90,000      | 80,550            |
| HCA Inc., Senior Notes  | 6.250%  | 2/15/13       | 85,000      | 83,513            |
| HCA Inc., Senior Secured Notes  | 9.250%  | 11/15/16      | 195,000     | 206,700           |
| HCA Inc., Senior Secured Notes  | 9.625%  | 11/15/16      | 399,000     | 426,930(f)        |
| US Oncology Holdings Inc., Senior Notes   | 6.643%  | 3/15/12       | 283,000     | 263,190(d)(f)     |
| <b>Total Health Care</b>  |         |               |             | <b>1,806,470</b>  |
| <b>Industrials 11.8%</b>  |         |               |             |                   |
| <b>Aerospace &amp; Defense 1.9%</b>   |         |               |             |                   |
| Boeing Co., Notes   | 6.125%  | 2/15/33       | 600,000     | 679,309           |
| L-3 Communications Corp., Senior Subordinated Notes                                 | 6.375%  | 10/15/15      | 535,000     | 535,000           |
| Northrop Grumman Corp., Debentures  | 7.750%  | 2/15/31       | 1,000,000   | 1,341,072         |
| Systems 2001 Asset Trust  | 6.664%  | 9/15/13       | 154,474     | 163,743(c)        |
| TransDigm Inc., Senior Subordinated Notes   | 7.750%  | 7/15/14       | 155,000     | 155,000(c)        |
| <b>Total Aerospace &amp; Defense</b>  |         |               |             | <b>2,874,124</b>  |
| <b>Airlines 8.6%</b>  |         |               |             |                   |
| America West Airlines Inc., Ambac Assurance Corp.                                   | 8.057%  | 7/2/20        | 2,557,991   | 2,494,041         |
| Continental Airlines Inc.   | 7.160%  | 9/24/14       | 479,732     | 469,898           |
| Continental Airlines Inc.   | 6.820%  | 5/1/18        | 913,728     | 910,986           |
| Continental Airlines Inc., Pass-Through Certificates                                | 6.900%  | 1/2/18        | 908,880     | 908,880           |
| Continental Airlines Inc., Pass-Through Certificates                                | 6.545%  | 2/2/19        | 1,139,517   | 1,145,214         |



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|   |         |         |         |            |
|---|---------|---------|---------|------------|
| Continental Airlines Inc., Pass-Through Certificates                | 6.703%  | 6/15/21 | 749,748 | 747,874    |
| Continental Airlines Inc., Pass-Through Certificates, 2000-1<br>A-1 | 8.048%  | 11/1/20 | 528,655 | 543,193    |
| DAE Aviation Holdings Inc., Senior Notes                            | 11.250% | 8/1/15  | 460,000 | 455,400(c) |
| Delta Air Lines Inc., Pass-Through Certificates                     | 6.619%  | 3/18/11 | 51,313  | 52,082     |
| Delta Air Lines Inc., Secured Notes                                 | 8.021%  | 8/10/22 | 194,672 | 185,426    |

See Notes to Financial Statements.

**Western Asset Premier Bond Fund**

| <b>Security</b>  | <b>Rate</b> | <b>Maturity Date</b> | <b>Face Amount</b> | <b>Value</b>      |
|--|-------------|----------------------|--------------------|-------------------|
| <b>Airlines continued</b>  |             |                      |                    |                   |
| Delta Air Lines Inc., Senior Secured Notes                             | 9.500%      | 9/15/14              | 75,000             | \$ 78,750(c)      |
| Northwest Airlines Corp., Pass-Through Certificates                    | 7.575%      | 9/1/20               | 536,770            | 542,137           |
| Northwest Airlines Inc.  | 0.758%      | 2/6/15               | 2,796,423          | 2,474,834(d)      |
| US Airways Pass-Through Trust  | 6.850%      | 1/30/18              | 2,552,475          | 2,348,277         |
| <b>Total Airlines</b>  |             |                      |                    | <b>13,356,992</b> |
| <b>Commercial Services &amp; Supplies 0.7%</b>                         |             |                      |                    |                   |
| ACCO Brands Corp., Senior Secured Notes                                | 10.625%     | 3/15/15              | 220,000            | 238,700           |
| Altegrity Inc., Senior Subordinated Notes                              | 10.500%     | 11/1/15              | 310,000            | 294,500(c)        |
| DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes | 9.500%      | 2/15/13              | 307,000            | 315,059           |
| RSC Equipment Rental Inc./RSC Holdings III LLC, Senior Secured Notes   | 10.000%     | 7/15/17              | 170,000            | 182,325(c)        |
| <b>Total Commercial Services &amp; Supplies</b>                        |             |                      |                    | <b>1,030,584</b>  |
| <b>Marine 0.1%</b>   |             |                      |                    |                   |
| Trico Shipping AS, Senior Secured Notes                                | 11.875%     | 11/1/14              | 200,000            | 192,000(c)        |
| <b>Road &amp; Rail 0.3%</b>  |             |                      |                    |                   |
| Kansas City Southern de Mexico, Senior Notes                           | 9.375%      | 5/1/12               | 100,000            | 102,500           |
| Kansas City Southern de Mexico, Senior Notes                           | 12.500%     | 4/1/16               | 111,000            | 132,645           |
| RailAmerica Inc., Senior Secured Notes                                 | 9.250%      | 7/1/17               | 208,000            | 217,880           |
| <b>Total Road &amp; Rail</b>   |             |                      |                    | <b>453,025</b>    |
| <b>Trading Companies &amp; Distributors 0.2%</b>                       |             |                      |                    |                   |
| Ashtead Capital Inc., Notes  | 9.000%      | 8/15/16              | 129,000            | 126,420(c)        |
| H&E Equipment Services Inc., Senior Notes                              | 8.375%      | 7/15/16              | 245,000            | 230,300           |
| <b>Total Trading Companies &amp; Distributors</b>                      |             |                      |                    | <b>356,720</b>    |
| <b>Total Industrials 18,263,445</b>                                    |             |                      |                    |                   |
| <b>Information Technology 0.5%</b>                                     |             |                      |                    |                   |
| <b>IT Services 0.5%</b>  |             |                      |                    |                   |
| Ceridian Corp., Senior Notes   | 12.250%     | 11/15/15             | 138,450            | 124,605(f)        |
| Electronic Data Systems Corp., Notes                                   | 7.450%      | 10/15/29             | 500,000            | 649,635           |
| <b>Total IT Services</b>   |             |                      |                    | <b>774,240</b>    |
| <b>Semiconductors &amp; Semiconductor Equipment 0.0%</b>               |             |                      |                    |                   |
| Freescall Semiconductor Inc., Senior Subordinated Notes                | 10.125%     | 12/15/16             | 80,000             | 64,000            |
| <b>Total Information Technology</b>                                    |             |                      |                    | <b>838,240</b>    |
| <b>Materials 3.9%</b>  |             |                      |                    |                   |
| <b>Chemicals 0.7%</b>  |             |                      |                    |                   |
| Dow Chemical Co.   | 6.000%      | 10/1/12              | 1,000,000          | 1,075,247         |
| Westlake Chemical Corp., Senior Notes                                  | 6.625%      | 1/15/16              | 70,000             | 67,200            |
| <b>Total Chemicals</b>   |             |                      |                    | <b>1,142,447</b>  |
| <b>Metals &amp; Mining 1.9%</b>  |             |                      |                    |                   |
| Alcoa Inc.   | 5.375%      | 1/15/13              | 750,000            | 777,605           |
| CII Carbon LLC   | 11.125%     | 11/15/15             | 580,000            | 564,050(c)        |
| Freeport-McMoRan Copper & Gold Inc., Senior Notes                      | 8.375%      | 4/1/17               | 730,000            | 803,000           |
| Metals USA Inc., Senior Secured Notes                                  | 11.125%     | 12/1/15              | 445,000            | 467,250           |
| Novelis Inc., Senior Notes   | 7.250%      | 2/15/15              | 115,000            | 110,975           |

See Notes to Financial Statements.

## Western Asset Premier Bond Fund 2010 Semi-Annual Report

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

June 30, 2010

## Western Asset Premier Bond Fund

| Security   | Rate    | Maturity Date | Face Amount | Value            |
|--|---------|---------------|-------------|------------------|
| <b>Metals &amp; Mining continued</b>                           |         |               |             |                  |
| Vedanta Resources PLC, Senior Notes                            | 8.750%  | 1/15/14       | 130,000     | \$ 136,500(c)    |
| <b>Total Metals &amp; Mining</b>                               |         |               |             | <b>2,859,380</b> |
| <b>Paper &amp; Forest Products 1.3%</b>                        |         |               |             |                  |
| Abitibi-Consolidated Co. of Canada, Senior Secured Notes       | 13.750% | 4/1/11        | 192,795     | 189,521(a)(c)    |
| Appleton Papers Inc., Senior Secured Notes                     | 11.250% | 12/15/15      | 235,000     | 199,750(c)       |
| NewPage Corp., Senior Secured Notes                            | 11.375% | 12/31/14      | 595,000     | 539,963          |
| PE Paper Escrow GmbH, Senior Secured Notes                     | 12.000% | 8/1/14        | 100,000     | 109,875(c)       |
| Weyerhaeuser Co., Debentures                                   | 7.375%  | 3/15/32       | 1,000,000   | 987,909          |
| <b>Total Paper &amp; Forest Products</b>                       |         |               |             | <b>2,027,018</b> |
| <b>Total Materials</b>   |         |               |             |                  |
| <b>Telecommunication Services 4.8%</b>                         |         |               |             |                  |
| <b>Diversified Telecommunication Services 3.1%</b>             |         |               |             |                  |
| Cincinnati Bell Telephone Co., Senior Debentures               | 6.300%  | 12/1/28       | 25,000      | 17,250           |
| Deutsche Telekom International Finance BV                      | 5.250%  | 7/22/13       | 600,000     | 645,551          |
| France Telecom SA, Notes                                       | 8.500%  | 3/1/31        | 600,000     | 825,662          |
| Hawaiian Telcom Communications Inc., Senior Subordinated Notes | 12.500% | 5/1/15        | 135,000     | 14(a)(b)         |
| Intelsat Corp., Senior Notes                                   | 9.250%  | 8/15/14       | 140,000     | 143,150          |
| Intelsat Jackson Holdings Ltd., Senior Notes                   | 9.500%  | 6/15/16       | 35,000      | 36,750           |
| Intelsat Jackson Holdings Ltd., Senior Notes                   | 11.250% | 6/15/16       | 340,000     | 362,100          |
| Level 3 Financing Inc., Senior Notes                           | 9.250%  | 11/1/14       | 660,000     | 598,950          |
| Nordic Telephone Co. Holdings, Senior Secured Bonds            | 8.875%  | 5/1/16        | 285,000     | 292,837(c)       |
| Qwest Communications International Inc., Senior Notes          | 7.500%  | 2/15/14       | 140,000     | 140,350          |
| Qwest Corp., Senior Notes                                      | 7.875%  | 9/1/11        | 390,000     | 405,600          |
| Qwest Corp., Senior Notes                                      | 7.500%  | 10/1/14       | 150,000     | 159,563          |
| Wind Acquisition Finance SA, Senior Bonds                      | 12.000% | 12/1/15       | 500,000     | 517,500(c)       |
| Windstream Corp., Senior Notes                                 | 8.625%  | 8/1/16        | 635,000     | 639,762          |
| <b>Total Diversified Telecommunication Services</b>            |         |               |             | <b>4,785,039</b> |
| <b>Wireless Telecommunication Services 1.7%</b>                |         |               |             |                  |
| Cingular Wireless LLC  | 6.500%  | 12/15/11      | 250,000     | 268,801          |
| Sprint Capital Corp., Senior Notes                             | 8.375%  | 3/15/12       | 1,450,000   | 1,520,687        |
| True Move Co., Ltd.  | 10.750% | 12/16/13      | 590,000     | 579,675(c)       |
| True Move Co., Ltd., Notes                                     | 10.750% | 12/16/13      | 200,000     | 196,500(c)       |
| <b>Total Wireless Telecommunication Services</b>               |         |               |             | <b>2,565,663</b> |
| <b>Total Telecommunication Services</b>                        |         |               |             |                  |
| <b>Utilities 5.9%</b>  |         |               |             |                  |
| <b>Electric Utilities 3.0%</b>                                 |         |               |             |                  |
| Duke Energy Corp., Notes                                       | 6.250%  | 1/15/12       | 250,000     | 269,333          |
| EEB International Ltd., Senior Bonds                           | 8.750%  | 10/31/14      | 820,000     | 904,050(c)       |

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|   |        |          |           |                  |
|---|--------|----------|-----------|------------------|
| FirstEnergy Corp., Notes                      | 6.450% | 11/15/11 | 27,000    | 28,519           |
| FirstEnergy Corp., Notes                      | 7.375% | 11/15/31 | 3,040,000 | 3,205,355        |
| MidAmerican Energy Holdings Co., Senior Notes | 5.875% | 10/1/12  | 250,000   | 270,667          |
| <b><i>Total Electric Utilities</i></b>        |        |          |           | <b>4,677,924</b> |

See Notes to Financial Statements.

**Western Asset Premier Bond Fund**

| <b>Security</b>  | <b>Rate</b> | <b>Maturity Date</b> | <b>Face Amount</b> | <b>Value</b>      |
|--|-------------|----------------------|--------------------|-------------------|
| <b>Gas Utilities 0.0%</b>  |             |                      |                    |                   |
| Southern Natural Gas Co., Senior Notes                           | 8.000%      | 3/1/32               | 20,000             | \$ 22,662         |
| <b>Independent Power Producers &amp; Energy Traders 2.3%</b>     |             |                      |                    |                   |
| AES Corp., Senior Notes  | 9.750%      | 4/15/16              | 360,000            | 387,000(c)        |
| AES Corp., Senior Notes  | 8.000%      | 10/15/17             | 525,000            | 530,250           |
| AES Corp., Senior Notes  | 8.000%      | 6/1/20               | 100,000            | 100,500           |
| Dynegy Holdings Inc., Senior Notes                               | 7.750%      | 6/1/19               | 150,000            | 103,687           |
| Edison Mission Energy, Senior Notes                              | 7.750%      | 6/15/16              | 180,000            | 125,100           |
| Edison Mission Energy, Senior Notes                              | 7.625%      | 5/15/27              | 179,000            | 101,583           |
| Energy Future Holdings Corp., Senior Notes                       | 11.250%     | 11/1/17              | 1,881,805          | 1,223,173(f)      |
| NRG Energy Inc., Senior Notes                                    | 7.375%      | 2/1/16               | 815,000            | 810,925           |
| NRG Energy Inc., Senior Notes                                    | 7.375%      | 1/15/17              | 225,000            | 222,750           |
| <b>Total Independent Power Producers &amp; Energy Traders</b>    |             |                      |                    | <b>3,604,968</b>  |
| <b>Multi-Utilities 0.6%</b>                                      |             |                      |                    |                   |
| Dominion Resources Inc., Senior Notes                            | 5.700%      | 9/17/12              | 770,000            | 832,288           |
| <b>Total Utilities</b>   |             |                      |                    | <b>9,137,842</b>  |
| <b>Total Corporate Bonds &amp; Notes (Cost \$91,896,206)</b>     |             |                      |                    | <b>93,488,041</b> |
| <b>Asset-Backed Securities 27.3%</b>                             |             |                      |                    |                   |
| <b>Financials 27.3%</b>  |             |                      |                    |                   |
| <b>Automobiles 0.2%</b>  |             |                      |                    |                   |
| AmeriCredit Automobile Receivables Trust, 2007-CM A3B            | 0.381%      | 5/7/12               | 393,299            | 392,923(d)        |
| <b>Diversified Financial Services 1.6%</b>                       |             |                      |                    |                   |
| Global Franchise Trust, 1998-1 A2                                | 6.659%      | 10/10/11             | 674,964            | 573,720(c)(e)     |
| Green Tree Recreational Equipment & Consumer Trust, 1996-C CTFS  | 7.650%      | 10/15/17             | 156,817            | 136,773           |
| PAMCO CLO, 1997-1A B   | 7.910%      | 8/6/10               | 877,453            | 175,490(a)        |
| Pegasus Aviation Lease Securitization, 2000-1 A2                 | 8.370%      | 3/25/30              | 1,600,000          | 584,000(c)(e)     |
| Settlement Fee Finance LLC, 2004-1A A                            | 9.100%      | 7/25/34              | 1,053,017          | 947,716(c)(e)     |
| <b>Total Diversified Financial Services</b>                      |             |                      |                    | <b>2,417,699</b>  |
| <b>Home Equity 17.8%</b>   |             |                      |                    |                   |
| ABFS Mortgage Loan Trust, 2002-3 M1                              | 5.902%      | 9/15/33              | 1,130,000          | 768,279           |
| ACE Securities Corp., 2005-SD1 A1                                | 0.747%      | 11/25/50             | 47,618             | 46,102(d)         |
| Bayview Financial Acquisition Trust, 2007-B 2A1                  | 0.647%      | 8/28/47              | 1,204,939          | 1,127,637(d)      |
| Bayview Financial Asset Trust, 2004-SSRA A1                      | 0.947%      | 12/25/39             | 438,116            | 302,300(c)(d)(e)  |
| Bayview Financial Asset Trust, 2007-SR1A A                       | 0.797%      | 3/25/37              | 2,415,822          | 1,763,550(c)(d)   |
| Bayview Financial Asset Trust, 2007-SR1A M3                      | 1.497%      | 3/25/37              | 602,586            | 241,034(c)(d)     |
| Bayview Financial Asset Trust, 2007-SR1A M4                      | 1.847%      | 3/25/37              | 164,342            | 54,233(c)(d)      |
| Bear Stearns Asset Backed Securities Trust, 2006-SD3 1P0, STRIPS | 0.000%      | 8/25/36              | 1,396,529          | 976,034           |
| Bear Stearns Asset Backed Securities Trust, 2007-SD1 1A3A        | 6.500%      | 10/25/36             | 1,366,814          | 963,467           |
| Centex Home Equity Loan Trust, 2003-B AF4                        | 3.735%      | 2/25/32              | 349,152            | 300,666           |
| Citigroup Mortgage Loan Trust Inc., 2006-SHL1 A1                 | 0.547%      | 11/25/45             | 249,854            | 200,480(c)(d)     |
| Citigroup Mortgage Loan Trust Inc., 2007-SHL1 A                  | 0.747%      | 11/25/46             | 1,173,508          | 531,536(c)(d)     |
| Contimortgage Home Equity Trust, 1997-4 B1F                      | 7.330%      | 10/15/28             | 475,119            | 417,891           |
| Countrywide Asset-Backed Certificates, 2007-13 2A1               | 1.247%      | 10/25/47             | 1,244,607          | 846,616(d)        |

See Notes to Financial Statements.



## Western Asset Premier Bond Fund 2010 Semi-Annual Report

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

June 30, 2010

## Western Asset Premier Bond Fund

| Security   | Rate   | Maturity Date | Face Amount | Value           |
|--|--------|---------------|-------------|-----------------|
| <i>Home Equity continued</i>                                     |        |               |             |                 |
| Countrywide Asset-Backed Certificates, 2007-SEA2 1A1             | 1.347% | 8/25/47       | 67,794      | \$ 37,409(c)(d) |
| Countrywide Home Equity Loan Trust, 2006-HW 2A1B                 | 0.487% | 11/15/36      | 664,200     | 478,785(d)      |
| Countrywide Home Equity Loan Trust, 2007-B A                     | 0.500% | 2/15/37       | 814,237     | 586,877(d)      |
| Countrywide Home Equity Loan Trust, 2007-GW A                    | 0.900% | 8/15/37       | 2,433,232   | 1,868,457(d)    |
| Credit-Based Asset Servicing and Securitization, 2004-CB2 M1     | 0.867% | 7/25/33       | 2,209,205   | 1,477,547(d)    |
| Credit-Based Asset Servicing and Securitization LLC, 2005-RP1 M1 | 0.967% | 1/25/35       | 780,000     | 676,815(c)(d)   |
| CS First Boston Mortgage Securities Corp., 2004-CF2 2A1          | 0.817% | 5/25/44       | 75,376      | 72,774(c)(d)    |
| Ellington Loan Acquisition Trust, 2007-1 A2A1                    | 1.347% | 5/26/37       | 287,083     | 249,670(c)(d)   |
| EMC Mortgage Loan Trust, 2003-B A1                               | 0.897% | 11/25/41      | 125,798     | 110,512(c)(d)   |
| First Horizon ABS Trust, 2007-HE1 A                              | 0.473% | 9/25/29       | 977,608     | 722,433(d)      |
| Fremont Home Loan Trust, 2006-2 2A2                              | 0.457% | 2/25/36       | 454,801     | 443,442(d)      |
| GMAC Mortgage Corp. Loan Trust, 2004-VF1 A1                      | 1.097% | 2/25/31       | 603,709     | 435,198(c)(d)   |
| Green Tree Home Improvement Loan Trust, 1996-D HIB2              | 8.000% | 9/15/27       | 67,274      | 46,916          |
| GSAA Home Equity Trust, 2006-19 A3A                              | 0.587% | 12/25/36      | 949,107     | 512,525(d)      |
| GSAMP Trust, 2003-SEA2 A1  | 4.422% | 7/25/33       | 2,169,582   | 1,840,146       |
| Lehman XS Trust, 2006-GP4 3A1A                                   | 0.417% | 8/25/46       | 100,885     | 98,783(d)       |
| Lehman XS Trust, 2007-1 WF1                                      | 7.000% | 1/25/37       | 1,020,782   | 493,882         |
| Morgan Stanley ABS Capital I, 2003-SD1 A1                        | 0.847% | 3/25/33       | 25,114      | 20,328(d)       |
| MSDWCC Heloc Trust, 2003-2 A                                     | 0.607% | 4/25/16       | 174,488     | 148,436(d)      |
| New Century Home Equity Loan Trust, 2004-2 A2                    | 0.717% | 8/25/34       | 475,320     | 342,866(d)      |
| Park Place Securities Inc., 2004-WCW1 M2                         | 1.027% | 9/25/34       | 1,900,000   | 1,596,388(d)    |
| Park Place Securities Inc., 2004-WHQ2 M2                         | 0.977% | 2/25/35       | 750,000     | 615,791(d)      |
| RAAC Series, 2007-RP1 M1   | 0.897% | 5/25/46       | 210,000     | 7,193(c)(d)     |
| Renaissance Home Equity Loan Trust, 2004-2 AF4                   | 5.392% | 7/25/34       | 688,960     | 682,442         |
| Renaissance Home Equity Loan Trust, 2005-3 AV3                   | 0.727% | 11/25/35      | 800,000     | 662,360(d)      |
| Residential Asset Mortgage Products Inc., 2004-RZ1 AII           | 0.827% | 3/25/34       | 399,792     | 232,112(d)      |
| Residential Asset Securities Corp., 2001-KS3 AII                 | 0.807% | 9/25/31       | 300,571     | 209,702(d)      |
| Residential Asset Securities Corp., 2002-KS2 AI6                 | 6.228% | 4/25/32       | 756,759     | 747,983(d)      |
| Residential Asset Securities Corp., 2003-KS8 AI6                 | 4.830% | 10/25/33      | 1,057,932   | 995,530(d)      |
| Salomon Brothers Mortgage Securities VII, 2002-CIT1              | 0.947% | 3/25/32       | 36,439      | 36,287(d)       |
| Saxon Asset Securities Trust, 2000-2 MF1                         | 8.870% | 7/25/30       | 65,485      | 65,574(d)       |
| Structured Asset Securities Corp., 2002-AL1 A3                   | 3.450% | 2/25/32       | 922,267     | 841,442         |
| Structured Asset Securities Corp., 2003-AL1 A                    | 3.357% | 4/25/31       | 131,651     | 120,271(c)      |
| Structured Asset Securities Corp., 2005-4XS 2A1A                 | 2.093% | 3/25/35       | 630,180     | 451,926(d)      |
| Structured Asset Securities Corp., 2007-BC1 A2                   | 0.397% | 2/25/37       | 723,793     | 685,270(d)      |
| Wachovia Asset Securitization Inc., 2002-HE1                     | 0.717% | 9/27/32       | 205,926     | 160,683(d)      |
| Wachovia Asset Securitization Inc., 2002-HE2                     | 0.777% | 12/25/32      | 76,074      | 55,902(d)       |



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|   |        |         |           |                   |
|---|--------|---------|-----------|-------------------|
| Wachovia Asset Securitization Inc., 2003-HE1                            | 0.637% | 3/25/33 | 28,488    | 17,200(d)         |
| <b>Total Home Equity</b>  |        |         |           | <b>27,387,682</b> |
| <b>Manufactured Housing 7.7%</b>  |        |         |           |                   |
| Associates Manufactured Housing Pass Through<br>Certificates, 1997-CLB2 | 8.900% | 6/15/28 | 3,011,259 | 3,011,259(e)      |
| Associates Manufactured Housing Pass-Through<br>Certificates, 1997-1 B1 | 7.600% | 6/15/28 | 400,000   | 421,092(b)(d)     |
| Bank of America Manufactured Housing Contract Trust,<br>1997-2M         | 6.900% | 4/10/28 | 100,000   | 141,991(d)        |

See Notes to Financial Statements.

**Western Asset Premier Bond Fund**

| <b>Security</b>  | <b>Rate</b> | <b>Maturity<br/>Date</b> | <b>Face<br/>Amount</b> | <b>Value</b>    |
|--|-------------|--------------------------|------------------------|-----------------|
| <i>Manufactured Housing continued</i>                  |             |                          |                        |                 |
| Conseco Finance Securitizations Corp., 2002-1 A        | 6.681%      | 12/1/33                  | 405,751                | \$ 414,308(d)   |
| Firstfed Corp. Manufactured Housing Contract, 1996-1 B | 8.060%      | 10/15/22                 | 2,100,000              | 2,019,990(c)(e) |
| Green Tree Financial Corp., 1992-2 B                   | 9.150%      | 1/15/18                  | 185,719                | 115,387         |
| Green Tree Financial Corp., 1993-1 B                   | 8.450%      | 4/15/18                  | 249,015                | 226,132         |
| Greenpoint Manufactured Housing, 1999-5 A5             | 7.820%      | 12/15/29                 | 706,000                | 712,176(d)      |
| Indymac Manufactured Housing Contract, 1997-1 A5       |             |                          |                        |                 |