

WESTERN ASSET HIGH INCOME FUND II INC.
Form N-CSR
July 07, 2008

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

FORM N-CSR

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

Investment Company Act file number 811-8709

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

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

10041
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

300 First Stamford Place, 4th Fl.

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

Registrant's telephone number, including area code: (800) 451-2010

Date of fiscal year end: April 30,

Date of reporting period: April 30, 2008

ITEM 1. REPORT TO STOCKHOLDERS.

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

ANNUAL REPORT / APRIL 30, 2008

**Western Asset High
Income Fund II Inc.
(HIX)**

Managed by **WESTERN ASSET**

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

Fund objective

The Fund seeks to maximize current income by investing at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield debt securities. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income.

What's inside

Letter from the chairman	I
Fund overview	1
Fund at a glance	6
Schedule of investments	7
Statement of assets and liabilities	27
Statement of operations	28
Statements of changes in net assets	29
Statement of cash flow	30
Financial highlights	31
Notes to financial statements	32
Report of independent registered public accounting firm	44
Board approval of management and subadvisory agreements	45
Additional information	50
Annual chief executive officer and chief financial officer certifications	56
Dividend reinvestment plan	57

Legg Mason Partners Fund Advisor, LLC (LMPFA) is the Fund's investment manager. Western Asset Management Company (Western Asset) and Western Asset Management Company Limited (Western Asset Limited) are the Fund's subadvisers. LMPFA, Western Asset and Western Asset Limited are wholly-owned subsidiaries of Legg Mason, Inc.

Letter from the chairman

Dear Shareholder,

The U.S. economy weakened significantly during the 12-month reporting period ended April 30, 2008. Second quarter 2007 U.S. gross domestic product (GDP)ⁱ growth was 3.8% and third quarter GDP growth was 4.9%, its strongest showing in four years. However, continued weakness in the housing market, an ongoing credit crunch and soaring oil and food prices then took their toll on the economy. During the fourth quarter of 2007, GDP growth was 0.6%. The U.S. Commerce Department then reported that its preliminary estimate for first quarter 2008 GDP growth was a modest 0.9%. While it was once debated whether or not the U.S. would fall into a recession, it is now looking more likely that the U.S. could experience a mild recession. Even areas of the economy that had once been fairly resilient have begun to falter, including the job market. The U.S. Department of Labor reported that payroll employment declined in each of the first four months of 2008 – the longest consecutive monthly decline since early 2003.

Ongoing issues related to the housing and subprime mortgage markets and an abrupt tightening in the credit markets prompted the Federal Reserve Board (Fed)ⁱⁱ to take aggressive and, in some cases, unprecedented actions during the reporting period. At its meeting in September 2007, the Fed reduced the federal funds rateⁱⁱⁱ from 5.25% to 4.75%. This marked the first reduction in the federal funds rate since June 2003. The Fed lowered rates on six more occasions through the end of the reporting period, bringing the federal funds rate to 2.00% as of April 30, 2008. In its statement accompanying the April rate cut, the Fed stated: Recent information indicates that economic activity remains weak. Household and business spending has been subdued and labor markets have softened further. Financial markets remain under considerable stress, and tight credit conditions and the deepening housing contraction are likely to weigh on economic growth over the next few quarters.

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

In addition to lowering short-term interest rates, the Fed took several actions to improve liquidity in the credit markets. In March 2008, the Fed established a new lending program allowing certain brokerage firms, known as primary dealers, to also borrow from its discount window. The Fed also

Western Asset High Income Fund II Inc. I

Letter from the chairman *continued*

increased the maximum term for discount window loans from 30 to 90 days. Then, in mid-March, the Fed played a major role in facilitating the purchase of Bear Stearns by JPMorgan Chase.

During the 12-month reporting period, both short- and long-term Treasury yields experienced periods of volatility. This was due, in part, to mixed economic and inflation data, the fallout from the subprime mortgage market crisis and shifting expectations regarding the Fed's monetary policy. Within the bond market, investors were initially focused on the subprime segment of the mortgage-backed market. These concerns broadened, however, to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This turmoil triggered several flights to quality, causing Treasury yields to move sharply lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower).

Overall, during the 12 months ended April 30, 2008, two-year Treasury yields fell from 4.60% to 2.29%. Over the same time frame, 10-year Treasury yields fell from 4.63% to 3.77%. Short-term yields fell sharply in concert with the Fed's rate cuts while longer-term yields fell less dramatically due to inflationary concerns, resulting in a steepening of the U.S. yield curve^{iv}. Looking at the 12-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index^v, returned 6.87%.

Increased investor risk aversion during the fiscal year caused the high-yield bond market to produce weak results over the 12-month period ended April 30, 2008. During that period, the Citigroup High Yield Market Index^{vi} returned -0.67%. While high-yield bond prices rallied several times during the reporting period, several flights to quality dragged down the sector, although overall default rates continued to be low.

Despite increased investor risk aversion, emerging markets debt generated positive results, as the JPMorgan Emerging Markets Bond Index Global (EMBI Global)^{vii} returned 4.60% over the 12 months ended April 30, 2008. Overall solid demand, an expanding global economy, increased domestic spending and the Fed's numerous rate cuts supported the emerging market debt asset class.

Please read on for a more detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

II Western Asset High Income Fund II Inc.

Information about your fund

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

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

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

May 30, 2008

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

- i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- iii The 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.
- iv The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- v The Lehman Brothers U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- vi The Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.
- vii The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds, and local market instruments. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d'Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.

(This page intentionally left blank.)

Fund overview

Q. What is the Fund's investment strategy?

A. As a primary investment objective, the Fund seeks to maximize current income by investing at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield securities. As a secondary investment objective, the Fund seeks capital appreciation to the extent consistent with its primary objective of seeking to maximize current income. We employ an actively managed approach that is risk controlled and assimilates top-down macro-economic views with industry sector insights and bottom-up credit research to derive the general framework for the Fund's predominantly non-investment grade credit mandate. This framework provides the foundation for how the portfolio is positioned with respect to risk (aggressive, neutral, conservative), as well as identifying sector overweights and underweights.

Risk and weightings are reviewed on a regular basis. Our bottom-up process provides the basis for populating the targeted industry weightings through individual credit selection. Analysts work closely with portfolio managers to determine which credits provide the best risk/reward relationship within their respective sectors. The research team focuses on key fundamental measures such as leverage, cash flow adequacy, liquidity, amortization schedule, underlying asset value and management integrity/track record.

Western Asset Management Company (Western Asset), the Fund's subadviser, utilizes a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio managers, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization.

Q. What were the overall market conditions during the Fund's reporting period?

A. During the fiscal year, the U.S. bond market experienced periods of increased volatility. Changing perceptions regarding the economy, inflation and future Federal Reserve Board (Fed); monetary policy caused bond prices to fluctuate. Two- and 10-year Treasury yields began the reporting period at 4.60% and 4.63%, respectively. Treasury yields then moved sharply higher as incoming economic data improved and inflationary pressures increased. By mid-June 2007, two- and 10-year Treasuries were yielding 5.10% and 5.26%, respectively, and market sentiment was that the Fed's next move would be to raise interest rates.

Fund overview *continued*

However, after their June peaks, Treasury yields moved lower, as concerns regarding the subprime mortgage market and a severe credit crunch triggered a massive flight to quality. Investors were drawn to the relative safety of Treasuries, causing their yields to fall and their prices to rise. At the same time, increased investor risk aversion caused other segments of the bond market to falter. As conditions in the credit market worsened in August 2007, central banks around the world took action by injecting approximately \$500 billion of liquidity into the financial system. Additionally, the Fed began lowering the discount rateⁱⁱ and the federal funds rateⁱⁱⁱ in August and September 2007, respectively. While this initially helped ease the credit crunch, continued subprime mortgage write-offs and weak economic data triggered additional flights to quality in November 2007 and the first quarter of 2008. At the end of the reporting period, two- and 10-year Treasury yields had fallen to 2.29% and 3.77%, respectively. While the Fed attempted to stimulate growth by cutting short-term interest rates from 5.25% to 2.00% during the reporting period, by the end of April 2008, it was generally assumed that the U.S. could be headed for a mild recession.

Given increased investor risk aversion, higher-quality securities outperformed their lower-rated counterparts over the fiscal year. During the 12-month period ended April 30, 2008, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index^{iv}, gained 6.87%. In contrast, the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index^v returned -0.80%.

Q. How did we respond to these changing market conditions?

A. We believe that the ability to integrate fundamental credit research with rigorous relative value analysis can drive performance in high-yield portfolios. This is the basis of each investment and does not change regardless of market conditions. We remained committed to a value approach. While the high-yield market suffered from significant technical dislocations which negatively impacted valuations, in our view, this has created significant opportunities for long-term investors.

Performance review

For the 12 months ended April 30, 2008, Western Asset High Income Fund II Inc. returned -5.19% based on its net asset value (NAV^{vi}) and -6.15% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index and the JPMorgan Emerging Markets Bond Index Global (EMBI Global)^{vii}, returned -0.80% and 4.60%, respectively, over the same time frame. Its former unmanaged benchmark, the Citigroup High Yield Market Index^{viii}, returned -0.67% for the same period. The Lipper High Current Yield (Leveraged) Closed-End Funds Category Average^{ix} returned -14.91% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the 12-month period, the Fund made distributions to shareholders totaling \$0.98 per share. The performance table shows the Fund's 12-month total return based on its NAV and market price as of April 30, 2008. **Past performance is no guarantee of future results.**

PERFORMANCE SNAPSHOT as of April 30, 2008 (unaudited)

PRICE PER SHARE	12-MONTH TOTAL RETURN*
\$ 10.76 (NAV)	-5.19%
\$ 9.90 (Market Price)	-6.15%

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 in additional shares in accordance with the Fund's Dividend Reinvestment Plan.**

Q. What were the leading contributors to performance?

A. Issue selection had no significant impact on the Fund's relative performance during the 12 months ended April 30, 2008. Over this period, the positive impact of eight of the Fund's 10 largest positions outperforming the benchmark was offset by eight of the Fund's 10 largest underweights also outperforming the benchmark.

In terms of sector and sub-sector allocations, the Fund was rewarded for its underweights to poor-performing areas such as Media - Cable, which returned -4.81% and Consumer Cyclicals¹, which returned -4.55%, as well as its overweight to Utilities², which returned 6.00%. However, these positives were negated by the Fund's underweight to Consumer Non-Cyclicals³, which returned 5.26%, and an overweight to Financials, which returned -11.46%.

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

Consumer Cyclical consists of the following industries: Automotive, Entertainment, Gaming, Home Construction, Lodging, Retailers, Restaurants, Services and Textile.

²Utilities consists of the following industries: Electric, Natural Gas and Other Utility.

³Consumer Non-Cyclical consists of the following industries: Consumer Products, Food/Beverage, Health Care, Pharmaceuticals, Supermarkets and Tobacco.

Fund overview *continued*

Q. What were the leading detractors from performance?

A. Although emerging markets exposure aided performance relative to the Fund's high-yield peer group, relative to the EMBI Global, an underweight to emerging market debt was a major detractor from performance. The Fund's underweight to emerging market debt relative to the EMBI Global was more a reflection of our view that high-yield valuations in general were extremely attractive as opposed to a negative view on emerging markets debt valuations.

The Fund's credit quality positioning also had a negative impact on its performance relative to the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index. This was largely due to an overweight to issues rated CCC, which returned -5.99% for the 12 months ended April 30, 2008, and an underweight to BB- rated issues, which returned 0.34% for the same period.^x The positioning reflected our view that the lower credit valuations were even more attractive than the valuations of BB- and higher-rated issues.

The Fund added leverage during the reporting period to purchase additional high-yield securities at what appeared to be attractive yields. Unfortunately, the additional leverage hurt the Fund's performance during the reporting period. However, maintaining a lower level of leverage than allowed helped performance versus the Fund's peer group.

Q. Were there any significant changes to the Fund during the reporting period?

A. There were no significant changes to the Fund during the reporting period.

Looking for additional information?

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

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 6:00 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

Thank you for your investment in Western Asset High Income Fund II Inc. 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,

Western Asset Management Team

May 20, 2008

4 Western Asset High Income Fund II Inc. 2008 Annual Report

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.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund's top five sector holdings (as a percentage of net assets) as of April 30, 2008 were: Corporate Bonds & Notes (121.7%), Sovereign Bonds (6.8%), Collateralized Senior Loans (3.6%), Convertible Preferred Stocks (1.0%) and Convertible Bonds & Notes (0.8%). The Fund's portfolio composition is subject to change at any time.

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

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

- i 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.
- ii The discount rate is the interest rate charged by the U.S. Federal Reserve Bank on short-term loans (usually overnight or weekend) to banks.
- iii 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.
- iv The Lehman Brothers U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- v The Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Lehman Brothers U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- vi 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 at the Fund's market price as determined by supply of and demand for the Fund's shares.
- vii The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds, and local market instruments. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d'Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.
- viii The Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.
- ix Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the 12-month period ended April 30, 2008, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 36 funds in the Fund's Lipper category.
- x Source: Based on the returns within the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index.

Fund at a glance (unaudited)

INVESTMENT BREAKDOWN (%) As a percent of total investments April 30, 2008

6 Western Asset High Income Fund II Inc. 2008 Annual Report

Schedule of investments

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
CORPORATE BONDS & NOTES 88.2%		
	Aerospace & Defense 1.7%	
	DRS Technologies Inc., Senior Subordinated Notes:	
1,535,000	6.625% due 2/1/16	\$ 1,527,325
3,320,000	7.625% due 2/1/18	3,403,000
	Hawker Beechcraft Acquisition Co.:	
6,455,000	8.875% due 4/1/15(a)(b)	6,793,887
2,550,000	9.750% due 4/1/17	2,703,000
106,119	Kac Acquisition Co., Subordinated Notes, 1.000% due 4/26/26(c)(d)(g)	0
	L-3 Communications Corp., Senior Subordinated Notes:	
2,935,000	7.625% due 6/15/12	3,023,050
2,600,000	6.125% due 1/15/14	2,580,500
	<i>Total Aerospace & Defense</i>	<i>20,030,762</i>
	Airlines 1.9%	
	Continental Airlines Inc., Pass-Through Certificates:	
95,329	6.541% due 9/15/08	95,329
1,147,795	8.312% due 10/2/12	1,073,188
1,765,000	7.339% due 4/19/14(d)	1,553,200
7,870,000	DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15(a)(e)	8,037,237
	Delta Air Lines Inc.:	
1,644,136	8.954% due 8/10/14	1,463,281
	Pass-Through Certificates:	
1,773,817	6.619% due 3/18/11	1,739,856
6,135,000	7.111% due 9/18/11	6,005,803
2,135,000	7.711% due 9/18/11	1,964,200
	<i>Total Airlines</i>	<i>21,932,094</i>
	Auto Components 1.6%	
	Allison Transmission Inc.:	
2,120,000	11.000% due 11/1/15(e)	2,093,500
4,190,000	Senior Notes, 11.250% due 11/1/15(b)(e)	4,011,925
3,620,000	Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13	2,081,500
12,180,000	Visteon Corp., Senior Notes, 8.250% due 8/1/10(a)	10,779,300
	<i>Total Auto Components</i>	<i>18,966,225</i>
	Automobiles 2.0%	
	Ford Motor Co., Debentures:	
1,880,000	8.875% due 1/15/22	1,532,200
3,425,000	8.900% due 1/15/32	2,594,437

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Automobiles 2.0% <i>continued</i>	
4,590,000	General Motors Corp.: Notes, 7.200% due 1/15/11	\$ 4,073,625
2,375,000	Senior Debentures: 8.250% due 7/15/23	1,787,188
16,625,000	8.375% due 7/15/33(a)	12,738,906
	<i>Total Automobiles</i>	<i>22,726,356</i>
	Building Products 1.8%	
9,640,000	Associated Materials Inc.: Senior Discount Notes, step bond to yield 14.485% due 3/1/14(a)	6,940,800
3,005,000	Senior Subordinated Notes, 9.750% due 4/15/12	3,005,000
2,360,000	GTL Trade Finance Inc.: 7.250% due 10/20/17(e)**	2,432,719
2,302,000	7.250% due 10/20/17(e)**	2,375,565
2,345,000	Nortek Inc., Senior Subordinated Notes, 8.500% due 9/1/14	1,729,437
8,825,000	NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.589% due 3/1/14	3,838,875
	<i>Total Building Products</i>	<i>20,322,396</i>
	Chemicals 1.3%	
1,310,000	Georgia Gulf Corp., Senior Notes: 9.500% due 10/15/14	1,113,500
6,440,000	10.750% due 10/15/16	4,701,200
2,390,000	Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/15/14	2,533,400
3,075,000	Methanex Corp., Senior Notes, 8.750% due 8/15/12	3,313,312
4,475,000	Montell Finance Co. BV, Debentures, 8.100% due 3/15/27(e)	2,998,250
1,015,000	Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16	898,275
	<i>Total Chemicals</i>	<i>15,557,937</i>
	Commercial Banks 1.8%	
5,260,000	ATF Capital BV, Senior Notes, 9.250% due 2/21/14(e)**	5,338,900
4,490,000	HSBK Europe BV, 7.250% due 5/3/17(e)**	3,951,200
	ICICI Bank Ltd., Subordinated Bonds:	
1,174,000	6.375% due 4/30/22(e)(f)**	1,048,791
1,170,000	6.375% due 4/30/22(e)(f)**	1,045,245
76,695,000RUB	JPMorgan Chase Bank, Credit Linked Notes (Russian Agricultural Bank), 9.500%, due 2/11/11(d)	3,149,648
	Russian Agricultural Bank, Loan Participation Notes:	
1,654,000	7.175% due 5/16/13(e)**	1,697,418
1,055,000	6.299% due 5/15/17(e)**	985,106

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Commercial Banks 1.8% <i>continued</i>	
	TuranAlem Finance BV, Bonds:	
2,785,000	8.250% due 1/22/37(e)**	\$ 2,276,737
1,059,000	8.250% due 1/22/37(e)**	864,409
	<i>Total Commercial Banks</i>	<i>20,357,454</i>
	Commercial Services & Supplies 2.6%	
6,675,000	Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11	5,773,875
3,690,000	Allied Waste North America Inc., Senior Notes, 7.375% due 4/15/14	3,736,125
1,285,000	Ashtead Holdings PLC, Secured Notes, 8.625% due 8/1/15(e)	1,117,950
7,693,000	DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13(a)	7,933,406
	Interface Inc.:	
2,875,000	Senior Notes, 10.375% due 2/1/10	3,025,938
1,500,000	Senior Subordinated Notes, 9.500% due 2/1/14	1,552,500
5,305,000	Rental Services Corp., Senior Notes, 9.500% due 12/1/14	4,774,500
2,380,000	US Investigations Services Inc., 11.750% due 5/1/16(e)	1,939,700
	<i>Total Commercial Services & Supplies</i>	<i>29,853,994</i>
	Communications Equipment 0.4%	
6,100,000	Lucent Technologies Inc., Debentures, 6.450% due 3/15/29	4,605,500
	Construction & Engineering 0.3%	
3,740,000	Odebrecht Finance Ltd., 7.500% due 10/18/17(e)**	3,786,750
	Consumer Finance 3.9%	
4,090,000	AmeriCredit Corp., 8.500% due 7/1/15	3,190,200
	Ford Motor Credit Co.:	
	Notes:	
3,075,000	7.875% due 6/15/10	2,928,273
3,320,000	7.000% due 10/1/13	2,867,527
	Senior Notes:	
4,248,000	8.050% due 6/15/11(f)	3,896,236
1,950,000	9.875% due 8/10/11	1,888,136
1,210,000	5.460% due 1/13/12(f)	1,018,316
13,970,000	12.000% due 5/15/15	14,367,572
190,000	8.000% due 12/15/16	166,534
	General Motors Acceptance Corp.:	
14,270,000	Bonds, 8.000% due 11/1/31(a)	10,820,299
4,370,000	Notes, 6.875% due 8/28/12	3,469,933
	<i>Total Consumer Finance</i>	<i>44,613,026</i>

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Containers & Packaging 1.0%	
2,000,000	Berry Plastics Holding Corp., 8.875% due 9/15/14	\$ 1,880,000
1,295,000	Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14	1,223,775
4,725,000	Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13	4,725,000
1,490,000	Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15(e)	1,404,325
1,975,000	Radnor Holdings Corp., Senior Notes, 11.000% due 3/15/10(c)(d)(g)	0
1,700,000	Rock-Tenn Co., Senior Notes, 9.250% due 3/15/16(e)	1,793,500
660,000	Smurfit-Stone Container Enterprises Inc., Senior Notes, 8.375% due 7/1/12	607,200
	<i>Total Containers & Packaging</i>	<i>11,633,800</i>
	Diversified Consumer Services 0.5%	
4,970,000	Education Management LLC/Education Management Finance Corp., Senior Subordinated Notes, 10.250% due 6/1/16	4,199,650
	Service Corp. International, Senior Notes:	
1,200,000	7.625% due 10/1/18	1,261,500
1,010,000	7.500% due 4/1/27	888,800
	<i>Total Diversified Consumer Services</i>	<i>6,349,950</i>
	Diversified Financial Services 3.7%	
4,060,000	Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15(e)	2,963,800
2,110,000	CCM Merger Inc., Notes, 8.000% due 8/1/13(e)	1,825,150
4,190,000	Citigroup Inc., Junior Subordinated Notes, 8.400% due 10/30/49(f)	4,245,853
135,000	El Paso Performance-Linked Trust Certificates, Senior Notes, 7.750% due 7/15/11(e)	140,359
5,800,000	Elyria Foundry Co./EH Acquisition Inc., 13.000% due 3/1/13(e)	5,684,000
4,400,000	Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC, 7.565% due 11/15/14(f)	4,147,000
3,460,000	Leucadia National Corp., Senior Notes, 8.125% due 9/15/15	3,546,500
	LVB Acquisition Merger:	
1,745,000	Senior Subordinated Bonds, 11.625% due 10/15/17(e)	1,862,788
1,040,000	Subordinated Inc., 10.375% due 10/15/17(b)(e)	1,107,600
	Residential Capital LLC:	
3,957,000	6.546% due 4/17/09(e)(f)	1,805,381
1,520,000	8.875% due 6/30/15(f)	767,600
4,290,000	Notes, 8.375% due 6/30/10(f)	2,348,775
5,125,000	Senior Notes, 8.000% due 2/22/11(f)	2,665,000
700,000	Smurfit Kappa Funding PLC, Senior Subordinated Notes, 7.750% due 4/1/15	638,750
	TNK-BP Finance SA:	
1,360,000	7.500% due 7/18/16(e)**	1,320,900
1,070,000	Senior Notes, 7.875% due 3/13/18(e)	1,064,650

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Diversified Financial Services 3.7% <i>continued</i>	
	Vanguard Health Holdings Co.:	
4,000,000	I LLC, Senior Discount Notes, step bond to yield 10.653% due 10/1/15	\$ 3,380,000
3,135,000	II LLC, Senior Subordinated Notes, 9.000% due 10/1/14	3,205,537
	<i>Total Diversified Financial Services</i>	<i>42,719,643</i>
	Diversified Telecommunication Services 5.4%	
	Axtel SAB de CV:	
370,000	7.625% due 2/1/17(e)**	376,475
4,740,000	Senior Notes, 7.625% due 2/1/17(e)**	4,811,100
1,260,000	Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28	1,071,000
	Citizens Communications Co.:	
315,000	7.050% due 10/1/46	226,800
4,220,000	Senior Notes, 7.875% due 1/15/27	3,766,350
	Hawaiian Telcom Communications Inc.:	
855,000	Senior Notes, 9.750% due 5/1/13	380,475
5,211,000	Senior Subordinated Notes, 12.500% due 5/1/15	1,354,860
3,600,000	Intelsat Bermuda Ltd., Senior Notes, 11.250% due 6/15/16	3,667,500
1,355,000	Intelsat Corp., Senior Notes, 9.000% due 8/15/14	1,373,631
150,000	L-3 Communications Corp., Senior Subordinated Notes, 6.375% due 10/15/15	149,063
	Level 3 Financing Inc.:	
3,000,000	6.704% due 2/15/15(f)	2,415,000
4,915,000	Senior Notes, 9.250% due 11/1/14	4,497,225
4,525,000	Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16(e)	4,649,438
	Qwest Communications International Inc., Senior Notes:	
1,250,000	6.565% due 2/15/09(f)	1,256,250
8,095,000	7.500% due 2/15/14(a)	7,993,812
2,378,000	Qwest Corp., Debentures, 6.875% due 9/15/33	2,033,190
4,770,000	Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13(a)(e)	3,601,350
700,000	Vimpel Communications, 8.375% due 4/30/13(e)	700,545
9,400,000	Virgin Media Finance PLC, Senior Notes, 9.125% due 8/15/16(a)	9,118,000
1,010,000	Wind Acquisition Finance SA, Senior Bonds, 10.750% due 12/1/15(e)	1,093,325
7,110,000	Windstream Corp., Senior Notes, 8.625% due 8/1/16(a)	7,483,275
	<i>Total Diversified Telecommunication Services</i>	<i>62,018,664</i>
	Electric Utilities 1.8%	
2,880,000	EEB International Ltd., Senior Bonds, 8.750% due 10/31/14(e)**	3,067,200
202,000	Enersis SA, Notes, 7.375% due 1/15/14	217,664
1,665,000	IPALCO Enterprises Inc., Secured Notes, 8.625% due 11/14/11	1,802,363

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Electric Utilities 1.8% <i>continued</i>	
221,222	Midwest Generation LLC, Pass-Through Certificates, 8.560% due 1/2/16	\$ 238,920
3,999,000	Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10	4,428,892
7,620,000	Texas Competitive Electric Holding Co. LLC, Senior Notes, 10.500% due 11/1/16 (b)(e)	7,839,075
4,165,000	VeraSun Energy Corp., Senior Notes, 9.375% due 6/1/17(e)	2,769,725
	<i>Total Electric Utilities</i>	20,363,839
	Electronic Equipment & Instruments 0.3%	
	NXP BV/NXP Funding LLC:	
2,795,000	Senior Notes, 9.500% due 10/15/15	2,711,150
	Senior Secured Notes:	
1,120,000	5.463% due 10/15/13(f)	1,034,600
155,000	7.875% due 10/15/14	153,838
	<i>Total Electronic Equipment & Instruments</i>	3,899,588
	Energy Equipment & Services 0.7%	
3,270,000	Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16	3,294,525
1,145,000	GulfMark Offshore Inc., Senior Subordinated Notes, 7.750% due 7/15/14	1,190,800
1,600,000	Key Energy Services Inc., Senior Notes, 8.375% due 12/1/14(e)	1,664,000
1,210,000	Pride International Inc., Senior Notes, 7.375% due 7/15/14	1,268,988
400,000	Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32	446,436
	<i>Total Energy Equipment & Service</i>	7,864,749
	Food & Staples Retailing 0.2%	
1,751,000	Delhaize America Inc., Debentures, 9.000% due 4/15/31	2,172,583
	Food Products 0.4%	
	Dole Food Co. Inc.:	
1,600,000	Debentures, 8.750% due 7/15/13	1,368,000
	Senior Notes:	
780,000	8.625% due 5/1/09	758,550
2,065,000	7.250% due 6/15/10	1,858,500
1,050,000	8.875% due 3/15/11	945,000
	<i>Total Food Products</i>	4,930,050
	Gas Utilities 0.6%	
7,425,000	Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13(a)	7,350,750
	Health Care Equipment & Supplies 0.2%	
2,670,000	Advanced Medical Optics Inc., 7.500% due 5/1/17	2,429,700
	Health Care Providers & Services 5.1%	
1,680,000	Community Health Systems Inc., Senior Notes, 8.875% due 7/15/15	1,755,600

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Health Care Providers & Services 5.1% <i>continued</i>	
	DaVita Inc.:	
2,190,000	Senior Notes, 6.625% due 3/15/13	\$ 2,190,000
3,045,000	Senior Subordinated Notes, 7.250% due 3/15/15	3,067,837
	HCA Inc.:	
950,000	Debentures, 7.500% due 11/15/95	740,738
1,500,000	Notes, 6.375% due 1/15/15	1,342,500
6,115,000	Senior Notes, 6.500% due 2/15/16	5,503,500
	Senior Secured Notes:	
3,580,000	9.250% due 11/15/16	3,857,450
9,560,000	9.625% due 11/15/16 ^{(a)(b)}	10,288,950
4,800,000	IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14	4,944,000
	Tenet Healthcare Corp., Senior Notes:	
3,555,000	6.375% due 12/1/11	3,359,475
2,240,000	6.500% due 6/1/12	2,088,800
6,000,000	7.375% due 2/1/13	5,595,000
985,000	9.875% due 7/1/14	1,012,088
1,470,000	6.875% due 11/15/31	1,098,825
	Universal Hospital Services Inc.:	
910,000	8.288% due 6/1/15 ^(f)	864,500
4,505,000	8.500% due 6/1/15 ^(b)	4,617,625
7,869,000	US Oncology Holdings Inc., Senior Notes, 7.949% due 3/15/12 ^{(b)(f)}	6,373,890
	<i>Total Health Care Providers & Service</i>	<i>58,700,778</i>
	Hotels, Restaurants & Leisure 3.6%	
1,000,000	Boyd Gaming Corp., Senior Subordinated Notes, 6.750% due 4/15/14	837,500
3,820,000	Buffets Inc., Senior Notes, 12.500% due 11/1/14 ^(g)	114,600
2,725,000	Carrols Corp., Senior Subordinated Notes, 9.000% due 1/15/13	2,520,625
484,000	Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19 ^(e)	428,340
4,515,000	Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12	4,328,756
1,740,000	Downstream Development Quapaw, Senior Notes, 12.000% due 10/15/15 ^(e)	1,331,100
2,360,000	El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13	2,301,000
915,000	Firekeepers Development Authority, Senior Secured Notes, 13.875% due 5/15/15 ^(e)	933,300
975,000	Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., 10.250% due 6/15/15 ^(e)	704,438
2,350,000	Harrah's Operating Co., Inc., 10.750% due 2/1/16	2,032,750
3,455,000	Indianapolis Downs LLC & Capital Corp., 11.000% due 11/1/12 ^(e)	3,126,775

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Hotels, Restaurants & Leisure 3.6% <i>continued</i>	
4,555,000	Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10 MGM MIRAGE Inc.:	\$ 3,962,850
955,000	Notes, 6.750% due 9/1/12	892,925
355,000	Senior Notes: 8.500% due 9/15/10	365,650
450,000	5.875% due 2/27/14	389,250
620,000	7.500% due 6/1/16	564,200
3,760,000	7.625% due 1/15/17	3,449,800
455,000	Senior Subordinated Notes, 8.375% due 2/1/11	455,000
380,000	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 6.875% due 2/15/15	323,950
3,664,000	Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14(e)	3,929,640
2,485,000	Sbarro Inc., Senior Notes, 10.375% due 2/1/15	2,248,925
1,670,000	Snoqualmie Entertainment Authority, Senior Secured Notes, 6.936% due 2/1/14(e)(f) Station Casinos Inc.:	1,319,300
	Senior Notes:	
40,000	6.000% due 4/1/12	33,950
4,150,000	7.750% due 8/15/16	3,475,625
1,635,000	Senior Subordinated Notes, 6.625% due 3/15/18	989,175
	<i>Total Hotels, Restaurants & Leisure</i>	<i>41,059,424</i>
	Household Durables 1.2%	
310,000	American Greetings Corp., Senior Notes, 7.375% due 6/1/16	314,650
4,000,000	Holt Group Inc., Senior Notes, 9.750% due 1/15/06(c)(d)(g)	0
3,355,000	Jarden Corp., Senior Subordinated Notes, 7.500% due 5/1/17 K Hovnanian Enterprises Inc.:	3,103,375
810,000	6.500% due 1/15/14	579,150
1,795,000	Senior Notes, 7.500% due 5/15/16	1,283,425
3,730,000	Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11	3,832,575
5,765,000	Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 9.952% due 9/1/12	5,332,625
	<i>Total Household Durables</i>	<i>14,445,800</i>
	Household Products 0.3%	
1,265,000	American Achievement Corp., Senior Subordinated Notes, 8.250% due 4/1/12	1,119,525
1,890,000	Visant Holding Corp., Senior Notes, 8.750% due 12/1/13	1,871,100
	<i>Total Household Products</i>	<i>2,990,625</i>

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Independent Power Producers & Energy Traders 7.9%	
2,019,000	AES China Generating Co., Ltd., 8.250% due 6/26/10	\$ 1,886,406
	AES Corp., Senior Notes:	
1,177,000	9.500% due 6/1/09	1,225,551
1,900,000	9.375% due 9/15/10	2,030,625
6,365,000	8.000% due 10/15/17(a)	6,667,337
	Dynegy Holdings Inc.:	
3,605,000	Senior Debentures, 7.625% due 10/15/26	3,325,613
3,770,000	Senior Notes, 7.750% due 6/1/19	3,770,000
4,000,000	Dynegy Inc., 7.670% due 11/8/16	4,006,504
	Edison Mission Energy, Senior Notes:	
2,600,000	7.750% due 6/15/16	2,736,500
2,500,000	7.200% due 5/15/19	2,531,250
4,275,000	7.625% due 5/15/27	4,184,156
34,380,000	Energy Future Holdings, Senior Notes, 11.250% due 11/1/17(a)(b)(e)	36,184,950
	Mirant Mid Atlantic LLC, Pass-Through Certificates:	
1,923,235	9.125% due 6/30/17	2,129,983
584,577	10.060% due 12/30/28	672,263
4,065,000	Mirant North America LLC, Senior Notes, 7.375% due 12/31/13	4,237,763
	NRG Energy Inc., Senior Notes:	
890,000	7.250% due 2/1/14	916,700
11,570,000	7.375% due 2/1/16(a)	11,946,025
1,800,000	7.375% due 1/15/17	1,858,500
890,000	TXU Corp., Senior Notes, 6.500% due 11/15/24	681,154
	<i>Total Independent Power Producers & Energy Traders</i>	<i>90,991,280</i>
	Industrial Conglomerates 0.1%	
680,000	Koppers Inc., Senior Notes, 9.875% due 10/15/13	724,200
2,750,000	Moll Industries Inc., Senior Subordinated Notes, 10.500% due 7/1/08(c)(d)(g)	0
	<i>Total Industrial Conglomerates</i>	<i>724,200</i>
	IT Services 1.6%	
3,045,000	Ceridian Corp., Senior Notes, 12.250% due 11/15/15(b)(e)	2,862,300
	First Data Corp.:	
2,600,000	5.625% due 11/1/11	1,991,584
5,040,000	9.875% due 9/24/15(e)	4,592,700
	SunGard Data Systems Inc.:	
2,900,000	Senior Notes, 9.125% due 8/15/13	3,045,000
5,390,000	Senior Subordinated Notes, 10.250% due 8/15/15(a)	5,753,825
	<i>Total IT Services</i>	<i>18,245,409</i>

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Machinery 0.2%	
1,260,000	American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14	\$ 1,140,300
1,610,000	Terex Corp., Senior Subordinated Notes, 7.375% due 1/15/14	1,650,250
	<i>Total Machinery</i>	<i>2,790,550</i>
	Media 6.1%	
	Affinion Group Inc.:	
4,465,000	Senior Notes, 10.125% due 10/15/13	4,531,975
4,030,000	Senior Subordinated Notes, 11.500% due 10/15/15	3,974,587
1,340,000	CCH I Holdings LLC/CCH I Holdings Capital Corp., Senior Notes, 11.750% due 5/15/14	757,100
16,741,000	CCH I LLC/CCH I Capital Corp., Senior Secured Notes, 11.000% due 10/1/15(a)	13,099,832
	CCH II LLC/CCH II Capital Corp., Senior Notes:	
2,330,000	10.250% due 9/15/10	2,254,275
293,000	10.250% due 10/1/13	268,095
1,500,000	Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12	913,125
1,325,000	Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11	829,781
6,180,000	Charter Communications Inc., Senior Secured Notes, 10.875% due 9/15/14(e)	6,566,250
2,950,000	CMP Susquehanna Corp., 9.875% due 5/15/14	2,124,000
	CSC Holdings Inc.:	
4,210,000	Senior Debentures, 8.125% due 8/15/09	4,304,725
	Senior Notes:	
280,000	8.125% due 7/15/09	286,300
885,000	7.625% due 4/1/11	896,063
3,350,000	Dex Media Inc., Discount Notes, step bond to yield 8.367% due 11/15/13	2,537,625
2,344,000	Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, 9.875% due 8/15/13	2,215,080
4,010,000	DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13	4,140,325
443,000	EchoStar DBS Corp., Senior Notes, 7.000% due 10/1/13	444,108
2,419,000	Globo Comunicacoes e Participacoes SA, Bonds, 7.250% due 4/26/22(e)**	2,455,285
9,455,000	Idearc Inc., Senior Notes, 8.000% due 11/15/16	6,193,025
	R.H. Donnelley Corp.:	
3,200,000	Senior Discount Notes, 6.875% due 1/15/13	2,064,000
1,560,000	Senior Notes, 8.875% due 1/15/16	1,021,800
2,345,000	Sun Media Corp., 7.625% due 2/15/13	2,286,375

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Media 6.1% continued	
	TL Acquisitions Inc.:	
4,350,000	Senior Notes, 10.500% due 1/15/15(e)	\$ 3,958,500
3,380,000	Senior Subordinated Notes, step bond to yield 13.358% due 7/15/15(e)	2,585,700
	<i>Total Media</i>	70,707,931
	Metals & Mining 4.1%	
	Evrax Group SA, Notes:	
1,390,000	8.875% due 4/24/13(e)	1,414,325
680,000	9.500% due 4/24/18(e)	685,100
10,100,000	Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17(a)	11,185,750
2,545,000	Metals USA Holdings Corp., 8.698% due 7/1/12(b)(f)	2,099,625
6,105,000	Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15	6,318,675
3,875,000	Noranda Aluminum Holding Corp., Senior Notes, 10.488% due 11/15/14(b)(e)	3,119,375
5,140,000	Novelis Inc., Senior Notes, 7.250% due 2/15/15	4,728,800
7,465,000	Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15(a)(e)	7,427,675
1,720,000	Steel Dynamics Inc., Senior Notes, 7.375% due 11/1/12(e)	1,758,700
3,485,000	Tube City IMS Corp., Senior Subordinated Notes, 9.750% due 2/1/15	3,345,600
	Vale Overseas Ltd., Notes:	
1,284,000	8.250% due 1/17/34**	1,506,774
3,478,000	6.875% due 11/21/36**	3,528,779
	<i>Total Metals & Mining</i>	47,119,178
	Multiline Retail 1.3%	
5,900,000	Dollar General Corp., Senior Subordinated Notes, 11.875% due 7/15/17(a)(b)	5,457,500
	Neiman Marcus Group Inc.:	
1,040,000	7.125% due 6/1/28	936,000
7,710,000	Senior Subordinated Notes, 10.375% due 10/15/15(a)	8,134,050
	<i>Total Multiline Retail</i>	14,527,550
	Oil, Gas & Consumable Fuels 11.1%	
6,995,000	Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12(a)	7,204,850
	Chesapeake Energy Corp., Senior Notes:	
4,430,000	6.625% due 1/15/16	4,452,150
2,755,000	6.500% due 8/15/17	2,727,450
1,005,000	Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15	1,042,688
2,090,580	Corral Finans AB, 7.716% due 4/15/10(b)(e)	1,797,899

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Oil, Gas & Consumable Fuels 11.1% <i>continued</i>	
	El Paso Corp.:	
	Medium-Term Notes:	
5,025,000	7.800% due 8/1/31	\$ 5,310,395
6,385,000	7.750% due 1/15/32(a)	6,751,608
5,200,000	Notes, 7.875% due 6/15/12	5,568,306
	Enterprise Products Operating LP:	
4,740,000	7.034% due 1/15/68(f)	4,148,623
2,250,000	Junior Subordinated Notes, 8.375% due 8/1/66(f)	2,242,795
5,670,000	EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11	5,670,000
850,000	Forbes Energy Services, 11.000% due 2/15/15(e)	854,250
	Gazprom:	
	Bonds:	
104,590,000RUB	0.287% due 10/29/09	4,416,313
34,860,000RUB	0.296% due 10/27/11	1,471,964
	Loan Participation Notes:	
153,000	6.212% due 11/22/16(e)	144,968
1,770,000	Senior Notes, 6.510% due 3/7/22(e)**	1,623,975
50,960,000RUB	Gazprom OAO, 0.294% due 8/6/09	2,160,931
1,100,000	Inergy LP/Inergy Finance Corp., Senior Notes, 8.250% due 3/1/16(e)	1,133,000
3,705,000	International Coal Group Inc., Senior Notes, 10.250% due 7/15/14	3,760,575
1,720,000	LUKOIL International Finance BV, 6.356% due 6/7/17(e)**	1,601,750
	Mariner Energy Inc., Senior Notes:	
1,465,000	7.500% due 4/15/13	1,454,013
1,110,000	8.000% due 5/15/17	1,096,125
2,260,000	Mark West Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes, 8.750% due 4/15/18(e)	2,356,050
	OPTI Canada Inc., Senior Secured Notes:	
575,000	7.875% due 12/15/14	587,938
2,210,000	8.250% due 12/15/14	2,292,875
1,210,000	Parallel Petroleum Corp., 10.250% due 8/1/14	1,216,050
	Pemex Project Funding Master Trust:	
64,000	6.125% due 8/15/08	64,576
245,000	4.100% due 6/15/10(e)(f)	244,878
142,000	4.100% due 6/15/10(e)(f)	142,284
836,000	6.625% due 6/15/35(e)	875,096
230,000	6.625% due 6/15/35(e)	240,756
7,791,000	Senior Bonds, 6.625% due 6/15/35(a)**	8,155,354
908,000	Senior Notes, 3.676% due 12/3/12(e)(f)	871,907
2,275,000	Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13	2,417,187

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Oil, Gas & Consumable Fuels 11.1% <i>continued</i>	
	Petroplus Finance Ltd.:	
1,500,000	6.750% due 5/1/14(e)	\$ 1,417,500
2,250,000	Senior Note, 7.000% due 5/1/17(e)	2,103,750
	Petrozuata Finance Inc.:	
4,234,014	8.220% due 4/1/17(e)**	4,326,590
265,369	8.220% due 4/1/17(e)	274,656
5,665,000	SemGroup LP, Senior Notes, 8.750% due 11/15/15(a)(e)	5,395,912
2,560,000	Southwestern Energy Co., Senior Notes, 7.500% due 2/1/18(e)	2,726,397
3,370,000	Teekay Shipping Corp., Senior Notes, 8.875% due 7/15/11	3,597,475
230,000	TNK-BP Finance SA, 6.625% due 3/20/17(e)	209,588
2,275,000	W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14(e)	2,240,875
	Whiting Petroleum Corp., Senior Subordinated Notes:	
2,550,000	7.250% due 5/1/12	2,569,125
1,975,000	7.000% due 2/1/14	1,989,812
	Williams Cos. Inc.:	
	Notes:	
3,650,000	7.875% due 9/1/21	4,005,875
5,425,000	8.750% due 3/15/32	6,442,187
3,700,000	Senior Notes, 7.625% due 7/15/19	4,014,500
	<i>Total Oil, Gas & Consumable Fuels</i>	<i>127,413,821</i>
	Paper & Forest Products 2.8%	
	Abitibi-Consolidated Co. of Canada:	
7,295,000	15.500% due 7/15/10(e)	5,070,025
	Senior Notes:	
410,000	7.750% due 6/15/11	186,550
650,000	8.375% due 4/1/15	273,000
5,000,000	Senior Secured Notes, 13.750% due 4/1/11(e)	5,275,000
285,000	Abitibi-Consolidated Inc., Notes, 8.550% due 8/1/10	152,475
	Appleton Papers Inc.:	
3,895,000	Senior Notes, 8.125% due 6/15/11	3,817,100
4,685,000	Senior Subordinated Notes, 9.750% due 6/15/14	4,532,737
	NewPage Corp.:	
8,140,000	Senior Secured Notes, 9.489% due 5/1/12(a)(f)	8,526,650
830,000	Senior Subordinated Notes, 12.000% due 5/1/13	883,950
2,630,000	Newpage Holding Corp., 11.818% due 11/1/13(b)(f)	2,524,800
1,535,000	Smurfit Capital Funding PLC, Debentures, 7.500% due 11/20/25	1,381,500
	<i>Total Paper & Forest Products</i>	<i>32,623,787</i>
	Pharmaceuticals 0.0%	
10,855,000	Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12(c)(g)	40,706

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Real Estate Investment Trusts (REITs) 0.6%	
130,000	Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15	\$ 121,550
2,500,000	Host Marriott LP, Senior Notes, 7.125% due 11/1/13	2,503,125
	Ventas Realty LP/Ventas Capital Corp., Senior Notes:	
1,245,000	6.500% due 6/1/16	1,210,763
3,105,000	6.750% due 4/1/17	3,066,187
	<i>Total Real Estate Investment Trusts (REITs)</i>	<i>6,901,625</i>
	Real Estate Management & Development 0.6%	
2,180,000	Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15	1,209,900
	Realogy Corp.:	
710,000	10.500% due 4/15/14	525,400
4,300,000	11.000% due 4/15/14 ^(b)	2,838,000
4,355,000	Senior Subordinated Notes, 12.375% due 4/15/15	2,395,250
	<i>Total Real Estate Management & Development</i>	<i>6,968,550</i>
	Road & Rail 1.7%	
7,020,000	Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Notes, 9.375% due 5/1/12 ^{(a)**}	7,353,450
10,235,000	Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16 ^(a)	10,350,144
	Kansas City Southern de Mexico, Senior Notes:	
910,000	7.625% due 12/1/13	874,737
125,000	7.375% due 3/1/14 ^(e)	118,906
820,000	Kansas City Southern Railway, Senior Notes, 7.500% due 6/15/09	844,600
	<i>Total Road & Rail</i>	<i>19,541,837</i>
	Semiconductors & Semiconductor Equipment 0.1%	
1,210,000	Freescale Semiconductor Inc., Senior Notes, 8.875% due 12/15/14	1,070,850
	Software 0.2%	
2,960,000	Activant Solutions Inc., Senior Subordinated Notes, 9.500% due 5/1/16	2,501,200
	Specialty Retail 0.9%	
	AutoNation Inc., Senior Notes:	
850,000	4.713% due 4/15/13 ^(d)	738,438
830,000	7.000% due 4/15/14	782,275
3,040,000	Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12	2,485,200
1,995,000	Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15	2,062,331
	Michaels Stores Inc.:	
2,410,000	Senior Notes, 10.000% due 11/1/14	2,349,750
1,830,000	Senior Subordinated Bonds, 11.375% due 11/1/16	1,651,575
	<i>Total Specialty Retail</i>	<i>10,069,569</i>

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Textiles, Apparel & Luxury Goods 0.1%	
1,020,000	Simmons Co., Senior Discount Notes, step bond to yield 9.995% due 12/15/14	\$ 736,950
	Tobacco 0.4%	
875,000	Alliance One International Inc., Senior Notes: 8.500% due 5/15/12	835,625
3,780,000	11.000% due 5/15/12	3,912,300
	<i>Total Tobacco</i>	<i>4,747,925</i>
	Trading Companies & Distributors 1.1%	
2,955,000	Ashtead Capital Inc., Notes, 9.000% due 8/15/16 ^(e)	2,600,400
5,875,000	H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16	5,140,625
5,865,000	Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 ^(e)	4,516,050
	<i>Total Trading Companies & Distributors</i>	<i>12,257,075</i>
	Transportation Infrastructure 0.3%	
2,945,000	Saint Acquisition Corp.: Secured Notes, 12.500% due 5/15/17 ^(e)	1,052,838
7,090,000	Senior Secured Notes, 10.815% due 5/15/15 ^{(e)(f)}	2,375,150
	<i>Total Transportation Infrastructure</i>	<i>3,427,988</i>
	Wireless Telecommunication Services 2.7%	
2,900,000	ALLTEL Communications Inc., Senior Notes, 10.375% due 12/1/17 ^{(b)(e)}	2,305,500
1,825,000	American Tower Corp., Senior Notes, 7.500% due 5/1/12	1,875,188
4,860,000	MetroPCS Wireless Inc., Senior Notes, 9.250% due 11/1/14	4,799,250
4,180,000	Nextel Communications Inc., Senior Notes, 7.375% due 8/1/15	3,346,257
1,575,000	Rural Cellular Corp.: Senior Notes, 9.875% due 2/1/10	1,638,000
2,590,000	Senior Subordinated Notes, 6.076% due 6/1/13 ^(f)	2,628,850
13,510,000	True Move Co., Ltd., 10.750% due 12/16/13 ^{(e)**}	12,091,450
2,220,000	UBS Luxembourg SA for OJSC Vimpel Communications, Loan Participation Notes, 8.250% due 5/23/16 ^{(e)**}	2,181,039
	<i>Total Wireless Telecommunication Services</i>	<i>30,865,534</i>
	TOTAL CORPORATE BONDS & NOTES	
	(Cost \$1,083,975,756)	1,015,955,952
ASSET-BACKED SECURITY 0.0%		
1,975,400	Diversified Financial Services 0.0% Airplanes Pass-Through Trust, Subordinated Notes, 10.875% due 3/15/19 ^{(c)(d)(g)} (Cost \$1,990,851)	0
CONVERTIBLE BONDS & NOTES 0.6%		
565,265	Airlines 0.1% Delta Air Lines Inc., Pass-Through Certificates, 7.379% due 5/18/10	562,439

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
3,590,000	Marine 0.2% Horizon Lines Inc., 4.250% due 8/15/12	\$ 2,692,500
3,350,000	Media 0.3% Virgin Media Inc., 6.500% due 11/15/16 ^(e) TOTAL CONVERTIBLE BONDS & NOTES	3,379,312
	(Cost \$6,734,940)	6,634,251
COLLATERALIZED MORTGAGE OBLIGATION 0.2% 2,996,594	Countrywide Home Loan Mortgage Pass Through Trust, 5.215% due 4/20/35 ^(f) (Cost \$1,800,152)	1,947,786
SOVEREIGN BONDS 4.9%		
1,400,000EUR	Argentina 0.5% Republic of Argentina: 9.250% due 10/21/02 ^(g)	632,000
300,000EUR	9.000% due 6/20/03 ^(g)	140,098
250,000EUR	10.250% due 1/26/07 ^(g)	122,586
275,000EUR	8.000% due 2/26/08 ^(g)	130,564
3,875,894ARS	Bonds, 2.000% due 1/3/10 ^(f)	2,709,204
665,000	Bonds, 7.000% due 9/12/13**	520,159
97,000EUR	GDP Linked Securities, 1.262% due 12/15/35 ^(f)	13,967
1,175,000EUR	Medium-Term Notes: 7.000% due 3/18/04 ^(g)	553,292
600,000EUR	8.125% due 10/4/04 ^(g)	274,360
525,000EUR	9.000% due 5/24/05 ^{(e)(g)} <i>Total Argentina</i>	246,807 5,343,037
	Brazil 1.2% Brazil Nota do Tesouro Nacional:	
1,000BRL	9.762% due 1/1/10	557
18,729,000BRL	9.762% due 7/1/10 ^(a)	10,286,340
4,315,000BRL	9.762% due 1/1/12	2,269,275
2,177,000BRL	6.000% due 5/15/17 <i>Total Brazil</i>	2,002,136 14,558,308
2,055,000	Colombia 0.2% Republic of Colombia, 7.375% due 9/18/37**	2,286,188
2,100,000	Ecuador 0.2% Republic of Ecuador, 10.000% due 8/15/30 ^{(e)**}	2,128,875
	Indonesia 0.3% Republic of Indonesia:	
11,011,000,000IDR	10.250% due 7/15/22	967,945
8,077,000,000IDR	11.000% due 9/15/25	734,982
6,948,000,000IDR	10.250% due 7/15/27	589,127
8,327,000,000IDR	9.750% due 5/15/37 <i>Total Indonesia</i>	655,060 2,947,114

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Mexico 0.2%	
1,880,000	United Mexican States, Medium-Term Notes, 6.050% due 1/11/40**	\$ 1,880,000
	Panama 0.5%	
1,285,000	Republic of Panama:	
350,000	9.625% due 2/8/11**	1,458,475
4,130,000	7.250% due 3/15/15**	388,500
	6.700% due 1/26/36**	4,310,687
	<i>Total Panama</i>	<i>6,157,662</i>
	Peru 0.0%	
259,000	Republic of Peru:	
198,000	Bonds, 6.550% due 3/14/37	273,245
	Global Bonds, 7.350% due 7/21/25	231,858
	<i>Total Peru</i>	<i>505,103</i>
	Turkey 1.0%	
2,023,000TRY	Republic of Turkey:	
490,000	14.000% due 1/19/11	1,427,605
1,175,000	7.000% due 6/5/20**	493,503
594,000	11.875% due 1/15/30**	1,805,461
7,954,000	Bonds, 7.000% due 9/26/16**	609,964
	Notes, 6.875% due 3/17/36 ^(a) **	7,372,861
	<i>Total Turkey</i>	<i>11,709,394</i>
	Uruguay 0.1%	
1,026,307	Oriental Republic of Uruguay, Bonds, 7.625% due 3/21/36**	1,086,603
	Venezuela 0.7%	
273,000	Bolivarian Republic of Venezuela:	
8,258,000	8.500% due 10/8/14	256,961
241,000	5.750% due 2/26/16**	6,534,142
	7.650% due 4/21/25	187,679
	Collective Action Securities:	
1,164,000	9.375% due 1/13/34**	1,053,420
183,000	Notes, 10.750% due 9/19/13	189,863
	<i>Total Venezuela</i>	<i>8,222,065</i>
	TOTAL SOVEREIGN BONDS	
	(Cost \$57,094,810)	56,824,349
	Auto Components 0.4%	
4,975,000	Allison Transmission, Term Loan B, 5.480% due 8/7/14 ^(f)	4,676,057
	COLLATERALIZED SENIOR LOANS 2.6%	

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Containers & Packaging 0.4%	
5,356,794	Berry Plastics Corp., Senior Term Loan, 9.728% due 6/15/14 ^(f)	\$ 4,030,988
1,000,000	Graphic Packaging, Term Loan B, 4.734% due 5/3/14	954,306
	<i>Total Containers & Packaging</i>	<i>4,985,294</i>
	Media 0.4%	
5,000,000	Univision Communications Inc., Term Loan B, 5.494% due 9/15/14 ^(f)	4,223,440
	Oil, Gas & Consumable Fuels 1.1%	
	Ashmore Energy International:	
279,613	Synthetic Revolving Credit Facility, 5.098% due 3/30/14 ^(f)	247,458
2,062,001	Term Loan, 5.696% due 3/30/14 ^(f)	1,824,871
7,500,000	SandRidge Energy, Term Loan, 8.625% due 4/1/15 ^(f)	7,546,875
3,000,000	Stallion Oilfield Services, Term Loan, 7.611% due 7/31/12 ^(f)	2,670,000
	<i>Total Oil, Gas & Consumable Fuels</i>	<i>12,289,204</i>
	Paper & Forest Products 0.2%	
2,500,000	Verso Paper Holdings Term Loan, 9.489% due 2/1/12 ^(f)	2,335,417
	Trading Companies & Distributors 0.1%	
2,120,401	Penhall International Corp., Term Loan, 10.133% due 4/1/12 ^(f)	1,675,117
	TOTAL COLLATERALIZED SENIOR LOANS	
	(Cost \$33,027,329)	30,184,529
	SHARES	
COMMON STOCKS 0.0%		
CONSUMER DISCRETIONARY 0.0%		
10,685,938	Household Durables 0.0%	
52,472	Home Interiors & Gifts Inc. ^{(c)(d)*}	11
	Mattress Discounters Corp. ^{(c)(d)*}	0
	TOTAL COMMON STOCKS	
	(Cost \$7,763,106)	11
CONVERTIBLE PREFERRED STOCKS 0.7%		
4,500	FINANCIALS 0.7%	
69,700	Bank of America Corp., 7.250% due 12/31/49	4,941,000
	Citigroup Inc., 6.500% due 12/31/49	3,634,855
	TOTAL CONVERTIBLE PREFERRED STOCKS	
	(Cost \$7,996,392)	8,575,855
ESCROWED SHARES 0.0%		
2,025,000	Pillowtex Corp. ^{(c)(d)(g)*} (Cost \$0)	0
PREFERRED STOCKS 0.6%		
CONSUMER DISCRETIONARY 0.1%		
66,800	Automobiles 0.1%	
1,800	Ford Motor Co., 7.400%	1,077,334
	Ford Motor Co., 8.000%	31,122

Total Automobiles

1,108,456

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

SHARES	SECURITY	VALUE
8	Media 0.0% ION Media Networks Inc., Series B, 12.000%*	\$ 5,625
FINANCIALS 0.5%	<i>Total Consumer Discretionary</i>	<i>1,114,081</i>
1,970	Capital Markets 0.2% Lehman Brothers Holdings Inc., 7.250%	2,411,280
12,100	Diversified Financial Services 0.1% Preferred Plus, Trust Series FRD-1, 7.400%	188,760
8,200	Preferred Plus, Series FMC1 Trust, Senior Debentures, Series LMG-3, 8.250%	144,156
44,100	Saturns, Series F 2003-5, 8.125%	753,669
17,552	TCR Holdings Corp.:	
9,654	Class B Shares ^{(c)(d)*}	17
25,451	Class C Shares ^{(c)(d)*}	10
52,657	Class D Shares ^{(c)(d)*}	25
	Class E Shares ^{(c)(d)*}	53
		1,086,690
78,575	Thrifts & Mortgage Finance 0.2% Federal National Mortgage Association (FNMA), 8.250%	1,967,518
	TOTAL FINANCIALS	5,465,488
	TOTAL PREFERRED STOCKS	
	(Cost \$6,321,880)	6,579,569
WARRANTS		
WARRANTS 0.1%		
18,500	Bolivarian Republic of Venezuela, Oil-linked payment obligations, Expires 4/15/20*	666,000
5,800	Elyria Foundry Co. LLC, Expires 3/1/15 ^{(c)(d)*}	0
2,750	Leap Wireless International Inc., Expires 4/15/10 ^{(c)(d)*}	0
13,614	Pillowtex Corp., Expires 11/24/09 ^{(c)(d)*}	0
	TOTAL WARRANTS	
	(Cost \$10,070)	666,000
	TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS	
	(Cost \$1,206,715,286)	1,127,368,302
FACE AMOUNT		
SHORT-TERM INVESTMENTS 2.1%		
2,700,000MYR	Sovereign Bonds 1.7% Bank Negara Malaysia Islamic Notes, Zero coupon bond to yield 3.335% due 7/24/08	848,264
1,985,000MYR	Bank Negara Malaysia Monetary Notes: Zero coupon bond to yield 3.318% due 5/29/08	626,768

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Sovereign Bonds 1.7% <i>continued</i>	
4,444,000MYR	Zero coupon bond to yield 3.334% due 6/17/08	\$ 1,400,760
4,716,000MYR	Zero coupon bond to yield 3.333% due 7/17/08	1,482,538
	Egypt Treasury Bills:	
43,825,000EGP	Zero coupon bond to yield 7.470% due 10/28/08	7,892,581
42,275,000EGP	Zero coupon bond to yield 20.240% due 11/11/08	7,591,393
	TOTAL SOVEREIGN BONDS	
	(Cost \$19,346,076)	19,842,304
	Repurchase Agreement 0.4%	
4,099,000	Morgan Stanley tri-party repurchase agreement dated 4/30/08, 1.950% due 5/1/08; Proceeds at maturity \$4,099,222; (Fully collateralized by U.S. government agency obligation, 5.00% due 12/14/18; Market value \$4,264,653) (Cost \$4,099,000)	4,099,000
	TOTAL SHORT-TERM INVESTMENTS (Cost \$23,445,076)	23,941,304
	TOTAL INVESTMENTS 100.0% (Cost \$1,230,160,362#)	\$ 1,151,309,606

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

* Non-income producing security.

(a) All or a portion of this security is segregated for extended settlements, open forwards and foreign currency contracts.

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

(c) Illiquid security.

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

(e) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.

(f) Variable rate security. Interest rate disclosed is that which is in effect at April 30, 2008.

(g) Security is currently in default.

(f) Variable rate security. Interest rate disclosed is that which is in effect at April 30, 2008.

** All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.

Aggregate cost for federal income tax purposes is \$1,233,166,173.

Abbreviations used in this schedule:

ARS	Argentine Peso
BRL	Brazilian Real
EGP	Egyptian Pound
EUR	Euro
GDP	Gross Domestic Product
IDR	Indonesian Rupiah
MYR	Malaysian Ringgit
OJSC	Open Joint Stock Company
RUB	Russian Ruble
TRY	Turkish Lira

See Notes to Financial Statements.

Statement of assets and liabilities**April 30, 2008**

ASSETS:	
Investments, at value (Cost \$1,230,160,362)	\$1,151,309,606
Foreign currency, at value (Cost \$2,890,616)	2,933,796
Cash	29
Interest and dividends receivable	29,266,899
Receivable for securities sold	24,638,991
Prepaid expenses	60,840
<i>Total Assets</i>	<i>1,208,210,161</i>
LIABILITIES:	
Loan payable (Note 4)	250,000,000
Payable for open reverse repurchase agreement (Note 3)	97,372,913
Payable for securities purchased	24,159,233
Interest payable (Note 4)	896,300
Investment management fee payable	762,849
Directors' fees payable	24,484
Payable for open forward currency contracts	12,821
Accrued expenses	168,887
<i>Total Liabilities</i>	<i>373,397,487</i>
TOTAL NET ASSETS	\$ 834,812,674
NET ASSETS:	
Par value (\$0.001 par value; 77,614,787 shares issued and outstanding; 100,000,000 shares authorized)	\$ 77,615
Paid-in capital in excess of par value	1,041,434,075
Undistributed net investment income	13,745,015
Accumulated net realized loss on investments, futures contracts and foreign currency transactions	(141,971,575)
Net unrealized depreciation on investments and foreign currencies	(78,472,456)
TOTAL NET ASSETS	\$ 834,812,674
Shares Outstanding	77,614,787
Net Asset Value	\$10.76

See Notes to Financial Statements.

Statement of operations**For the Year Ended April 30, 2008**

INVESTMENT INCOME:	
Interest	\$106,861,428
Dividends	514,254
Less: Foreign taxes withheld	(30,058)
<i>Total Investment Income</i>	<i>107,345,624</i>
EXPENSES:	
Interest expense (Notes 3 and 4)	15,248,292
Investment management fee (Note 2)	9,495,950
Commitment fees (Note 4)	344,125
Directors' fees	213,021
Shareholder reports	175,502
Legal fees	119,633
Custody fees	117,773
Audit and tax	87,853
Stock exchange listing fees	57,462
Transfer agent fees	27,645
Insurance	17,088
Miscellaneous expenses	14,867
<i>Total Expenses</i>	<i>25,919,211</i>
Less: Fees paid indirectly (Note 1)	(2,157)
<i>Net Expenses</i>	<i>25,917,054</i>
NET INVESTMENT INCOME	81,428,570
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FUTURES CONTRACTS AND FOREIGN CURRENCY TRANSACTIONS (NOTES 1 AND 3):	
Net Realized Loss from:	
Investment transactions	(24,458,333)
Futures contracts	(177,648)
Foreign currency transactions	(30,803)
<i>Net Realized Loss</i>	<i>(24,666,784)</i>
Change in Net Unrealized Appreciation/Depreciation from:	
Investments	(107,199,093)
Foreign currencies	369,893
<i>Change in Net Unrealized Appreciation/Depreciation</i>	<i>(106,829,200)</i>
<i>Net Loss on Investments, Futures Contracts and Foreign Currency Transactions</i>	<i>(131,495,984)</i>
DECREASE IN NET ASSETS FROM OPERATIONS	\$ (50,067,414)

See Notes to Financial Statements.

Statements of changes in net assets

FOR THE YEARS ENDED APRIL 30, 2008	2008	2007
OPERATIONS:		
Net investment income	\$ 81,428,570	\$ 69,783,200
Net realized gain (loss)	(24,666,784)	25,847,494
Change in net unrealized appreciation/depreciation	(106,829,200)	22,252,936
Increase from payment by affiliate		21,963
<i>Increase (Decrease) in Net Assets from Operations</i>	<i>(50,067,414)</i>	<i>117,905,593</i>
DISTRIBUTIONS TO SHAREHOLDERS FROM (NOTE 1):		
Net investment income	(75,674,418)	(68,689,087)
<i>Decrease in Net Assets from Distributions to Shareholders</i>	<i>(75,674,418)</i>	<i>(68,689,087)</i>
INCREASE (DECREASE) IN NET ASSETS	(125,741,832)	49,216,506
NET ASSETS:		
Beginning of year	960,554,506	911,338,000
End of year*	\$ 834,812,674	\$ 960,554,506
* Includes undistributed net investment income of:	\$13,745,015	\$5,416,350

See Notes to Financial Statements.

Statement of cash flows**For the Year Ended April 30, 2008**

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:	
Interest and dividends received	\$ 93,929,276
Operating expenses paid	(10,589,931)
Net purchases of short-term investments	17,438,386
Realized loss on foreign currency transactions	(30,803)
Realized loss on futures contracts	(177,648)
Net change in unrealized appreciation on foreign currencies	369,893
Purchases of long-term investments	(727,706,997)
Proceeds from disposition of long-term investments	570,630,666
Change in payable for open forward currency contracts	12,821
Interest paid	(15,582,043)
<i>Net Cash Provided by Operating Activities</i>	<i>(71,706,380)</i>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:	
Cash distributions paid on Common Stock	(75,674,418)
Proceeds from loan	125,000,000
Proceeds from reverse repurchase agreements	24,261,899
<i>Net Cash Flows Used by Financing Activities</i>	<i>73,587,481</i>
NET INCREASE IN CASH	1,881,101
Cash, beginning of year	1,052,724
Cash, end of year	\$ 2,933,825
RECONCILIATION OF INCREASE IN NET ASSETS FROM OPERATIONS TO NET CASH FLOWS PROVIDED	
(USED) BY OPERATING ACTIVITIES:	
Decrease in Net Assets from Operations	\$ (50,067,414)
Accretion of discount on investments	(8,682,200)
Amortization of premium on investments	1,584,065
Decrease in investments, at value	5,560,276
Increase in payable for securities purchased	5,346,430
Increase in interest and dividends receivable	(6,318,213)
Increase in receivable for securities sold	(18,887,225)
Increase in payable for open forward currency contracts	12,821
Increase in prepaid expenses	(2,860)
Decrease in interest payable	(333,751)
Increase in accrued expenses	81,691
<i>Total Adjustments</i>	<i>(21,638,966)</i>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ (71,706,380)

See Notes to Financial Statements.

Financial highlights**FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH YEAR ENDED APRIL 30:**

	2008¹	2007¹	2006	2005¹	2004
NET ASSET VALUE, BEGINNING OF YEAR	\$12.38	\$11.74	\$11.10	\$11.03	\$10.42
INCOME (LOSS) FROM OPERATIONS:					
Net investment income	1.05	0.90	0.92	1.02	1.12
Net realized and unrealized gain (loss)	(1.69)	0.63	0.63	0.27	0.85
<i>Total income (loss) from operations</i>	<i>(0.64)</i>	<i>1.53</i>	<i>1.55</i>	<i>1.29</i>	<i>1.97</i>
LESS DISTRIBUTIONS FROM:					
Net investment income	(0.98)	(0.89)	(0.91)	(1.22)	(1.38)
<i>Total distributions</i>	<i>(0.98)</i>	<i>(0.89)</i>	<i>(0.91)</i>	<i>(1.22)</i>	<i>(1.38)</i>
<i>Increase in Net Asset Value due to shares issued on reinvestment of distributions</i>					