

WESTERN ASSET HIGH INCOME FUND II INC.  
Form N-CSR  
July 06, 2009

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

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 April 30  
end:

Date of reporting period: April 30, 2009

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ITEM 1.

REPORT TO STOCKHOLDERS.

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

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**ANNUAL REPORT / APRIL 30, 2009**

**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.

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



**Letter from the chairman**

Dear Shareholder,

The U.S. economy weakened significantly during the twelve-month reporting period ended April 30, 2009. Looking back, U.S. gross domestic product (GDP) growth was 2.8% during the second quarter of 2008. Contributing to the economy's expansion were rising exports that were buoyed by a weakening U.S. dollar. In addition, consumer spending increased, aided by the government's tax rebate program. However, the dollar's rally and the end of the rebate program, combined with other strains on the economy, caused GDP to take a step backward during the second half of 2008. According to the U.S. Department of Commerce, third and fourth quarter 2008 GDP contracted 0.5% and 6.3%, respectively, the latter being the worst quarterly reading since 1982. Economic weakness continued in early 2009, as the preliminary estimate for first quarter 2009 GDP decline was 5.7%. This marked the first time in thirty-four years that the U.S. economy posted three consecutive quarters of negative GDP growth.

It may seem like ancient history, but when the reporting period began, speculation remained as to whether the U.S. would experience a recession. This ended in December 2008, when the National Bureau of Economic Research (NBER) which has the final say on when one begins and ends announced that a recession had begun in December 2007, making the current recession the lengthiest since the Great Depression. Contributing to the economy's troubles is the accelerating weakness in the labor market. Since December 2007, approximately 5.7 million jobs have been shed, with nearly 2.7 million being lost during the first four months of 2009. In addition, the unemployment rate continued to move steadily higher, rising from 8.5% in March to 8.9% in April 2009, to reach its highest rate since 1983.

Another strain on the economy, the housing market, appeared to finally be getting closer to reaching a bottom. According to the S&P/Case-Shiller Home Price Index<sup>ii</sup>, U.S. home prices continued to fall in February 2009, but they did end their sixteen-month streak of record declines. This led to hopes that prices could be nearing a period of stabilization. Other economic news also seemed to be less negative. Inflation remained low and, in March 2009, data were released showing increases in durable goods orders, manufacturing and consumer sentiment, albeit all from depressed levels.



**Letter from the chairman *continued***

Ongoing issues related to the housing and subprime mortgage markets and seizing credit markets prompted the Federal Reserve Board ( Fed )iii to take aggressive and, in some cases, unprecedented actions. When the reporting period began, the federal funds rateiv was 2.00%. After lowering rates from 2.25% to 2.00% at the end of April 2008, the Fed left rates on hold for several months due to growing inflationary pressures as a result of soaring oil and commodity prices, coupled with the sagging U.S. dollar. However, as inflation receded along with oil prices and the global financial crisis escalated, the Fed cut rates twice in October 2008 to 1.00%. Then, in December 2008, it reduced the federal funds rate to a range of zero to 0.25% a historic low and maintained this stance during its next meetings in January, March and April 2009. In conjunction with the April meeting, the Fed stated that it will employ all available tools to promote economic recovery and to preserve price stability. The Committee . . . anticipates that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

In addition to the interest rate cuts, the Fed took several actions to improve liquidity in the credit markets. In September 2008, it announced an \$85 billion rescue plan for ailing AIG and pumped \$70 billion into the financial system as Lehman Brothers' bankruptcy and mounting troubles at other financial firms roiled the markets. More recently, the Fed has taken additional measures to thaw the frozen credit markets, including the purchase of debt issued by Fannie Mae and Freddie Mac, as well as introducing the Term Asset-Backed Securities Loan Facility ( TALF ). In March 2009, the Fed continued to pursue aggressive measures as it announced its intentions to:

- Purchase up to an additional \$750 billion of agency mortgage-backed securities, bringing its total purchases of these securities to up to \$1.25 trillion in 2009.
- Increase its purchases of agency debt this year by up to \$100 billion to a total of up to \$200 billion.
- Buy up to \$300 billion of longer-term Treasury securities over the next six months.

The U.S. Department of the Treasury has also taken an active role in attempting to stabilize the financial system, as it orchestrated the government's takeover of mortgage giants Fannie Mae and Freddie Mac in September 2008. In October, the Treasury's \$700 billion Troubled Asset Relief Program ( TARP ) was approved by Congress and signed into law by former President Bush. Then, in March 2009, Treasury Secretary Geithner



introduced the Public-Private Partnership Investment Program ( PPIP ), which will be used to facilitate the purchase of \$500 billion to \$1 trillion of troubled mortgage assets from bank balance sheets. President Obama has also made reviving the economy a priority in his administration, the cornerstone thus far being the \$787 billion stimulus package that was signed into law in February 2009.

During the twelve-month reporting period ended April 30, 2009, both short- and long-term Treasury yields experienced periods of extreme volatility. While earlier in 2008 investors were focused on the subprime segment of the mortgage-backed market, these concerns broadened to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This unrest triggered several flights to quality, causing Treasury yields to move lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower). This was particularly true toward the end of 2008, as the turmoil in the financial markets and sharply falling stock prices caused investors to flee securities that were perceived to be risky, even high-quality corporate bonds and high-grade municipal bonds. On several occasions, the yield available from short-term Treasuries fell to nearly zero, as investors were essentially willing to forgo any return potential in order to access the relative safety of government-backed securities. During the twelve months ended April 30, 2009, two-year Treasury yields fell from 2.29% to 0.91%. Over the same time frame, ten-year Treasury yields moved from 3.77% to 3.16%. For the twelve-month period ended April 30, 2009, the Barclays Capital U.S. Aggregate Index<sup>v</sup> returned 3.84%.

Periods of increased investor risk aversion caused the high-yield bond market to produce poor results over the twelve months ended April 30, 2009. While the asset class posted strong returns during four of the last five months of the reporting period, it was not enough to overcome earlier flights to quality. In particular, seizing credit markets, coupled with fears of a global recession and rising corporate bond default rates, sent high-yield bond prices sharply lower in October and November 2008. All told, over the twelve months ended April 30, 2009, the Citigroup High Yield Market Index<sup>vi</sup> returned -13.95%.

Fears of a global recession, falling commodity prices and seizing credit markets sent emerging market debt prices lower during the twelve-month reporting period. While the asset class rallied on several occasions, it was not enough to offset its sharp loss in October 2008, as the JPMorgan Emerging Markets Bond Index Global ( EMBI Global )<sup>vii</sup> returned -14.89% for the month. Over the twelve months ended April 30, 2009, the EMBI Global returned -4.52%.

**Letter from the chairman *continued***

**Special shareholder notice**

The Board of Directors of the Fund has approved Western Asset Management Company Pte. Ltd. in Singapore ( *Western Singapore* ) as a subadviser to the Fund under an additional subadvisory agreement between Western Asset Management Company ( *Western Asset* ) and Western Singapore. Western Asset will supervise Western Singapore's provision of services to the Fund. The appointment was effective as of February 3, 2009.

Western Singapore was established in 2000 and has offices at 1 George Street #23-01, Singapore 049145. The Western Singapore office is responsible, generally, for managing Asian (excluding Japan) fixed-income mandates, including the related portions of Western Asset's broader portfolios, as well as servicing these relationships. It undertakes all investment-related activities including investment management, research and analysis, securities settlement and client services.

While Western Asset will remain ultimately responsible for investment decisions relating to the Fund's portfolio, Western Singapore will provide certain subadvisory services to the Fund relating to currency transactions and investments in non-U.S. dollar-denominated securities and related foreign currency instruments. The Fund's current management fee remains unchanged. Western Asset and Western Singapore are wholly-owned subsidiaries of Legg Mason, Inc.

**A special note regarding increased market volatility**

In recent months, we have experienced a series of events that have impacted the financial markets and created concerns among both novice and seasoned investors alike. In particular, we have witnessed the failure and consolidation of several storied financial institutions, periods of heightened market volatility, and aggressive actions by the U.S. federal government to steady the financial markets and restore investor confidence. While we hope that the worst is over in terms of the issues surrounding the credit and housing crises, it is likely that the fallout will continue to impact the financial markets and the U.S. economy well into 2009.

Like all asset management firms, Legg Mason has not been immune to these difficult and, in some ways, unprecedented times. However, today's challenges have only strengthened our resolve to do everything we can to help you reach your financial goals. Now, as always, we remain committed to providing you with excellent service and a full spectrum of investment choices. Rest assured, we will continue to work hard to ensure that our investment managers make every effort to deliver strong long-term results.

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

We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our enhanced website, [www.leggmason.com/cef](http://www.leggmason.com/cef). Here you can gain immediate access to many special features to help guide you through difficult times, including:

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

During periods of market unrest, it is especially important to work closely with your financial advisor and remember that reaching one's investment goals unfolds over time and through multiple market cycles. Time and again, history has shown that, over the long run, the markets have eventually recovered and grown.

#### **Information about your fund**

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.

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**

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Chairman, President and Chief Executive Officer

May 29, 2009

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

**Letter from the chairman *continued***

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 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.
- iii The Federal Reserve Board ( Fed ) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- v The Barclays Capital (formerly 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.

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

## 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 debt 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. The Fund may invest up to 35% of its total assets in debt securities of issuers located in emerging market countries. It may also invest up to 30% of its assets in zero coupon securities, pay-in-kind bonds and deferred payment securities, and up to 20% of its assets in equity securities. We employ an actively managed approach that is risk-controlled and assimilates top-down macroeconomic 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.

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize 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. fixed-income market experienced periods of extreme volatility. Changing perceptions regarding the economy, inflation, deflation and future Federal Reserve Board (Fed) monetary policy caused bond prices to fluctuate.

The yields on two- and ten-year Treasuries began the reporting period at 2.29% and 3.77%, respectively. Treasury yields moved higher from

**Fund overview *continued***

May through early June 2008, as the economy performed better than expected. In addition, inflationary pressures mounted as oil prices surged to record levels. Over this period, riskier fixed-income asset classes, such as high-yield bonds and emerging market debt, rallied. However, beginning in mid-June, seizing credit markets triggered an extreme flight to quality. Investors' risk aversion further intensified from September through November given the severe disruptions in the global financial markets. During this time, investors were drawn to the relative safety of Treasuries, while riskier portions of the bond market performed poorly.

Toward the end of the reporting period, Treasury yields moved higher, especially on the long end of the yield curve. This was due to concerns regarding the massive amount of new government issuance that would be needed to fund the economic stimulus package. At the conclusion of the fiscal year, two- and ten-year Treasury yields were 0.91% and 3.16%, respectively.

The high-yield bond market experienced periods of heightened volatility during the fiscal year. While high-yield bond fundamentals did not significantly deteriorate, extremely challenging market technicals dragged down the asset class during most of 2008. These included the fallout from the subprime mortgage market, turmoil in the financial markets, forced selling by leveraged investors, illiquidity and a rapidly weakening global economic environment. All this led to heightened risk aversion, causing investors to flock to the safety of short-term Treasuries and abandon riskier assets, including high-yield bonds.

After plunging nearly 30% from September through November 2008 alone, the high-yield market staged an impressive rally from December 2008 through April 2009. This was triggered by improving technicals, optimism regarding the government's initiatives to stabilize the financial system, some encouraging corporate earnings news, and tentative signs that the economic contraction may be decelerating. Collectively, investor risk appetite steadily returned and, despite rising default rates, demand for high-yield securities increased through the end of the reporting period. However, despite a strong rally during the last five months of the fiscal year, it was not enough to overcome the high-yield market's earlier weakness. All told, the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index<sup>iii</sup> (the Index) returned -12.55% during the twelve months ended April 30, 2009.

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

**A.** When the reporting period began, the Fund was aggressively positioned, with a lower average quality rating than the Index. This stance was based on our expectations that there was little chance of a deep or lengthy recession.

In hindsight, this proved to be the wrong decision, as the turmoil in the financial markets during the fall of 2008 contributed to a severe global downturn that few people could have predicted just a year ago.

Given the rapidly weakening economy, we proactively adjusted the portfolio, using our fundamental credit research and relative value analysis to drive our decision-making. In particular, we moved to a somewhat more defensive posture by emphasizing areas that generally hold up relatively well during economic declines. We also took a more defensive stance within industries. For example, in the Automobiles sector, we decreased our exposure to **General Motors Corp.** in favor of **GMAC LLC**.

### Performance review

For the twelve months ended April 30, 2009, Western Asset High Income Fund II Inc. returned -32.74% based on its net asset value (NAV) and -25.21% 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 2% Issuer Cap Index and the JPMorgan Emerging Markets Bond Index Global (EMBI Global), returned -12.55% and -4.52%, respectively, for the same period. The Lipper High Current Yield (Leveraged) Closed-End Funds Category Average returned -32.94% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling \$1.13 per share. The performance table shows the Fund's twelve-month total return based on its NAV and market price as of April 30, 2009. **Past performance is no guarantee of future results.**

### PERFORMANCE SNAPSHOT as of April 30, 2009 (unaudited)

PRICE PER SHARE	12-MONTH TOTAL RETURN*
\$6.13 (NAV)	-32.74%
\$6.22 (Market Price)	-25.21%

**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.**



**Fund overview *continued***

**Q. What were the leading contributors to performance?**

A. During the reporting period, eight of the Fund's ten largest high-yield overweights outperformed the Index. As mentioned, we increased our exposure to GMAC. Its bonds benefited as the Fed approved GMAC's request to change its status to be a bank holding company. In doing so, it has already received \$6 billion in federal government loans to help shore up its balance sheet. Investors welcomed this news and our holdings in GMAC posted a modest positive return despite the difficult environment.

In terms of sector and sub-sector allocations, our underweight, relative to the Index, to Media – Non-Cable and a slight underweight to Information Technology contributed to performance. A number of the Fund's defensive positions were also beneficial to performance. For example, in the Health Care sector, our holdings in **HCA Inc.** and **Tenet Healthcare Corp.** outperformed the Index. Elsewhere, our position in **Kansas City Southern Railway** and our overweight in **Sprint Capital Corp.** contributed to the Fund's performance versus the Index.

**Q. What were the leading detractors from performance?**

A. Our credit quality positioning had a negative impact on the Fund's performance. Given our expectations that any recession would be mild, the Fund overweighted CCC-rated securities and underweighted BB-rated issues. It was our belief that we would be more than compensated for the additional risks of investing in lower-quality securities given their incremental yields. This credit quality positioning was not rewarded, however, as CCC-rated bonds returned -30.4% and BB-rated issues returned -4.4% during the fiscal year.

Our sector positioning, as a whole, detracted from performance. Our overweights, relative to the Index, to the Energy and Automobiles sectors were the biggest drivers of sector underperformance. In addition, our exposure to Wireline<sup>1</sup> companies was a significant detractor from performance, as these companies lost customers and market share to their Wireless<sup>1</sup> counterparts. Our Gaming<sup>2</sup> positions also negatively impacted performance. While Gaming companies had been fairly resilient during previous recessions, this has not been the case during the current economic downturn. The Fund was also hurt by its holding in **Station Casinos Inc.**, which defaulted on its debt obligations. Other individual securities that detracted from performance were our holdings in **Charter Communications** and **Energy Future Holdings Corp.** Charter Communications' balance sheet troubles led to it filing for bankruptcy during the reporting period. Energy

<sup>1</sup> Wireline and Wireless are included in the Telecommunication Services sector.

<sup>2</sup> Gaming is included in the Consumer Discretionary sector.

All returns cited represent respective position and/or sector return within the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index.

Future Holdings, a 2007 leveraged buyout, performed poorly given its highly-leveraged balance sheet.

The Fund's minimal emerging market exposure detracted from relative performance. During the reporting period, the Fund's emerging market debt benchmark, the EMBI Global, returned -4.52%, outperforming the high-yield market on a relative basis. The Fund's continued underweight to emerging market debt was based on our belief that high-yield valuations were more attractive on a risk/reward basis.

The use of leverage by the Fund was a significant detractor from performance during the reporting period. Leverage magnifies returns on both the upside and on the downside. Given the high-yield market's overall weakness during the reporting period, leverage amplified the Fund's losses.

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

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 19, 2009

**Fund overview *continued***

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.

Portfolio holdings and breakdowns are as of April 30, 2009 and are subject to change and may not be representative of the portfolio managers' current or future investments. Please refer to pages 8 through 25 for a list and percentage breakdown of the Fund's holdings.

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 total investments) as of April 30, 2009 were: Consumer Discretionary (15.5%), Energy (14.1%), Financials (13.1%), Telecommunication Services (12.8%) and Industrials (12.1%). 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 yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- iii The Barclays Capital (formerly Lehman Brothers) U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays Capital U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- iv 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.
- v 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.
- vi Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended April 30, 2009, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 37 funds in the Fund's Lipper category.

**Fund at a glance (unaudited)**

**INVESTMENT BREAKDOWN (%)** As a percent of total investments



## Schedule of investments

April 30, 2009

## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
CORPORATE BONDS & NOTES 91.4%		
CONSUMER DISCRETIONARY 13.9%		
6,998,000	<b>Auto Components 0.6%</b>	
	Allison Transmission Inc., Senior Notes, 11.250% due 11/1/15(a)(b)	\$ 3,603,970
1,031,000	Visteon Corp., Senior Notes:	
	8.250% due 8/1/10(j)	64,437
11,316,000	12.250% due 12/31/16(a)(j)	622,380
	<i>Total Auto Components</i>	<i>4,290,787</i>
	<b>Automobiles 0.3%</b>	
9,995,000	General Motors Corp.:	
	Notes, 7.200% due 1/15/11(j)	1,149,425
8,005,000	Senior Debentures, 8.375% due 7/15/33(j)	720,450
	<i>Total Automobiles</i>	<i>1,869,875</i>
	<b>Diversified Consumer Services 1.1%</b>	
5,940,000	Education Management LLC/Education Management Finance Corp., Senior Subordinated Notes, 10.250% due 6/1/16	5,732,100
	Service Corp. International, Senior Notes:	
1,200,000	7.625% due 10/1/18	1,101,000
1,090,000	7.500% due 4/1/27	847,475
	<i>Total Diversified Consumer Services</i>	<i>7,680,575</i>
	<b>Hotels, Restaurants &amp; Leisure 3.8%</b>	
1,000,000	Boyd Gaming Corp., Senior Subordinated Notes, 6.750% due 4/15/14	765,000
5,045,000	Caesars Entertainment Inc., Senior Subordinated Notes, 8.125% due 5/15/11	2,396,375
2,765,000	Carrols Corp., Senior Subordinated Notes, 9.000% due 1/15/13	2,571,450
468,000	Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19(a)	196,560
4,675,000	Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12	4,382,812
2,310,000	Downstream Development Quapaw, Senior Notes, 12.000% due 10/15/15(a)	912,450
2,550,000	El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13	1,976,250
975,000	Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., 10.250% due 6/15/15(a)(j)	39,000
	Harrah's Operating Co. Inc.:	
1,318,000	Senior Notes, 10.750% due 2/1/16	395,400
302,000	Senior Secured Notes, 10.000% due 12/15/18(a)	143,450
3,725,000	Indianapolis Downs LLC & Capital Corp., Senior Secured Notes, 11.000% due 11/1/12(a)	2,104,625
6,400,000	Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10(j)	1,376,000
160,000	MGM MIRAGE Inc., Senior Notes, 8.500% due 9/15/10	116,400

See Notes to Financial Statements.

8 Western Asset High Income Fund II Inc. 2009 Annual Report

## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Hotels, Restaurants &amp; Leisure 3.8%<i>continued</i></b>	
1,685,000	Mohegan Tribal Gaming Authority, Senior Subordinated Notes: 6.375% due 7/15/09	\$ 1,642,875
420,000	6.875% due 2/15/15	213,150
4,037,000	Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14(a)	3,754,410
1,800,000	Snoqualmie Entertainment Authority, Senior Secured Notes, 5.384% due 2/1/14(a)(c) Station Casinos Inc.:	603,000
7,305,000	Senior Notes, 6.000% due 4/1/12(d)(e)	2,575,013
1,450,000	Senior Subordinated Notes, 6.625% due 3/15/18(d)(e)	65,250
	<i>Total Hotels, Restaurants &amp; Leisure</i>	<i>26,229,470</i>
	<b>Household Durables 1.6%</b>	
5,760,000	K Hovnanian Enterprises Inc., Senior Notes, 11.500% due 5/1/13	4,982,400
4,055,000	Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11	3,710,325
2,245,000	Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, 9.750% due 9/1/12	1,829,675
295,000	Ryland Group Inc., Senior Notes, 8.400% due 5/15/17	289,118
	<i>Total Household Durables</i>	<i>10,811,518</i>
	<b>Internet &amp; Catalog Retail 0.2%</b>	
2,330,000	Ticketmaster, Senior Notes, 10.750% due 8/1/16(a)	1,601,875
	<b>Media 4.0%</b>	
	Affinion Group Inc.:	
755,000	Senior Notes, 10.125% due 10/15/13	649,300
6,800,000	Senior Subordinated Notes, 11.500% due 10/15/15	4,930,000
	CCH I LLC/CCH I Capital Corp.:	
1,980,000	Senior Notes, 11.000% due 10/1/15(d)(e)	158,400
14,774,000	Senior Secured Notes, 11.000% due 10/1/15(d)(e)	1,218,855
	Cengage Learning Acquisitions Inc.:	
3,435,000	Senior Notes, 10.500% due 1/15/15(a)	2,352,975
3,710,000	Senior Subordinated Notes, step bond to yield 13.355% due 7/15/15(a)	1,836,450
1,100,000	Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12 (d) (e) (f)	11,000
1,105,000	Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11(d)(e)	16,575
8,660,000	Charter Communications Inc., Senior Secured Notes, 10.875% due 9/15/14(a)(e)	8,660,000
254,273	CMP Susquehanna Corp., 4.774% due 5/15/14(c)(f)	108,066
1,215,000	DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13	1,239,300

See Notes to Financial Statements.



Schedule of investments *continued*

April 30, 2009

## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Media 4.0%<i>continued</i></b>	
1,940,000	DISH DBS Corp., Senior Notes: 6.625% due 10/1/14	\$ 1,809,050
200,000	7.750% due 5/31/15	191,000
2,419,000	Globo Comunicacoes e Participacoes SA, Bonds, 7.250% due 4/26/22(a)(i)	2,165,005
4,190,000	Idearc Inc., Senior Notes, 8.000% due 11/15/16(d)	89,038
1,695,000	R.H. Donnelley Corp., Senior Notes, 8.875% due 1/15/16(e)(j)	110,175
2,525,000	Sun Media Corp., Senior Notes, 7.625% due 2/15/13	1,401,375
975,000	Univision Communications Inc., Senior Notes, 7.850% due 7/15/11	797,062
	<i>Total Media</i>	27,743,626
	<b>Multiline Retail 1.2%</b>	
2,140,000	Dollar General Corp.: Senior Notes, 10.625% due 7/15/15	2,236,300
1,170,000	Senior Subordinated Notes, 11.875% due 7/15/17(b)	1,216,800
	Neiman Marcus Group Inc.: Senior Notes, 9.000% due 10/15/15(b)	4,342,937
7,825,113	Senior Secured Notes, 7.125% due 6/1/28	540,000
1,080,000	<i>Total Multiline Retail</i>	8,336,037
	<b>Specialty Retail 0.8%</b>	
3,980,000	Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12	2,089,500
2,350,000	Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15	2,197,250
1,505,000	Michaels Stores Inc., Senior Notes, 10.000% due 11/1/14	918,050
	<i>Total Specialty Retail</i>	5,204,800
	<b>Textiles, Apparel &amp; Luxury Goods 0.3%</b>	
2,210,000	Oxford Industries Inc., Senior Notes, 8.875% due 6/1/11	1,845,350
	<b>TOTAL CONSUMER DISCRETIONARY</b>	95,613,913
	<b>CONSUMER STAPLES 2.2%</b>	
	<b>Food &amp; Staples Retailing 0.3%</b>	
256,000	Delhaize America Inc., Debentures, 9.000% due 4/15/31	281,548
635,000	JBS USA LLC/JBS USA Finance Inc., Senior Notes, 11.625% due 5/1/14(a)	606,425
1,055,000	SUPERVALU Inc., Senior Notes, 8.000% due 5/1/16	1,023,350
	<i>Total Food &amp; Staples Retailing</i>	1,911,323
	<b>Food Products 0.8%</b>	
2,715,000	Dole Food Co. Inc., Senior Notes: 7.250% due 6/15/10	2,660,700
1,150,000	8.875% due 3/15/11	1,081,000
1,870,000	13.875% due 3/15/14(a)	1,977,525
	<i>Total Food Products</i>	5,719,225

See Notes to Financial Statements.

**10** Western Asset High Income Fund II Inc. 2009 Annual Report

## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Household Products 0.4%</b>	
1,265,000	American Achievement Corp., Senior Subordinated Notes, 8.250% due 4/1/12(a)	\$ 1,005,675
2,100,000	Visant Holding Corp., Senior Notes, 8.750% due 12/1/13	1,942,500
	<i>Total Household Products</i>	<i>2,948,175</i>
	<b>Tobacco 0.7%</b>	
960,000	Alliance One International Inc., Senior Notes: 8.500% due 5/15/12	859,200
4,025,000	11.000% due 5/15/12	3,944,500
	<i>Total Tobacco</i>	<i>4,803,700</i>
	<b>TOTAL CONSUMER STAPLES</b>	<b>15,382,423</b>
<b>ENERGY 13.3%</b>		
	<b>Energy Equipment &amp; Services 0.9%</b>	
210,000	ANR Pipeline Co., Debentures, 9.625% due 11/1/21	247,677
2,645,000	Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16	1,970,525
1,145,000	GulfMark Offshore Inc., Senior Subordinated Notes, 7.750% due 7/15/14	967,525
3,045,000	Key Energy Services Inc., Senior Notes, 8.375% due 12/1/14	2,512,125
	<i>Total Energy Equipment &amp; Services</i>	<i>5,697,852</i>
	<b>Oil, Gas &amp; Consumable Fuels 12.4%</b>	
3,980,000	Atlas Pipeline Partners LP, Senior Notes, 8.750% due 6/15/18	2,447,700
7,595,000	Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12	5,886,125
	Chesapeake Energy Corp., Senior Notes:	
2,000,000	6.625% due 1/15/16	1,790,000
1,420,000	6.500% due 8/15/17	1,224,750
5,370,000	7.250% due 12/15/18	4,725,600
7,150,217	Corral Petroleum Holdings AB, Senior Secured Subordinated Bonds, 6.131% due 4/15/10 (a) (b) (c)	3,539,357
	El Paso Corp.:	
3,445,000	Medium-Term Notes, 7.800% due 8/1/31	2,596,197
5,200,000	Notes, 7.875% due 6/15/12	5,176,205
1,030,000	Senior Notes, 8.250% due 2/15/16	1,009,400
620,000	Encore Acquisition Co., Senior Notes, 9.500% due 5/1/16	599,850
285,000	Enterprise Products Operating LLP, Junior Subordinated Notes, 8.375% due 8/1/66(c)	196,887
2,565,000	Forest Oil Corp., Senior Notes, 8.500% due 2/15/14(a)	2,500,875
153,000	Gazprom, Loan Participation Notes, 6.212% due 11/22/16(a)	115,898
5,415,000	International Coal Group Inc., Senior Notes, 10.250% due 7/15/14	3,546,825
2,070,000	KazMunaiGaz Finance Sub B.V., Senior Notes, 8.375% due 7/2/13(a)(i)	1,852,650

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2009

## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Oil, Gas &amp; Consumable Fuels 12.4%<i>continued</i></b>	
1,720,000	LUKOIL International Finance BV, Notes, 6.356% due 6/7/17(a)(i) Mariner Energy Inc., Senior Notes:	\$ 1,367,400
1,630,000	7.500% due 4/15/13	1,328,450
1,215,000	8.000% due 5/15/17	886,950
2,440,000	MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes, 8.750% due 4/15/18	2,037,400
	OPTI Canada Inc., Senior Secured Notes:	
2,545,000	7.875% due 12/15/14	1,380,662
775,000	8.250% due 12/15/14	430,125
2,000,000	Parallel Petroleum Corp., Senior Notes, 10.250% due 8/1/14	1,300,000
6,067,000	Pemex Project Funding Master Trust, Senior Bonds, 6.625% due 6/15/35(i)	4,936,166
3,435,000	Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13	3,383,475
1,610,000	Petroplus Finance Ltd., Senior Notes, 6.750% due 5/1/14(a)	1,336,300
1,975,000	Plains Exploration & Production Co., Senior Notes, 10.000% due 3/1/16	1,935,500
2,740,000	Quicksilver Resources Inc., Senior Notes, 8.250% due 8/1/15	2,246,800
7,890,000	SandRidge Energy Inc., Senior Notes, 8.625% due 4/1/15(b)	6,430,350
7,887,000	SemGroup LP, Senior Notes, 8.750% due 11/15/15(a)(d)(e)	295,762
800,000	Targa Resources Partners LP, Senior Notes, 8.250% due 7/1/16(a)	636,000
3,725,000	Teekay Corp., Senior Notes, 8.875% due 7/15/11	3,650,500
790,000	Tennessee Gas Pipeline Co., Senior Notes, 8.000% due 2/1/16(a)	809,750
2,000,000	Tesoro Corp., Senior Notes, 6.250% due 11/1/12	1,830,000
2,910,000	VeraSun Energy Corp., Senior Notes, 9.375% due 6/1/17(d)	174,600
2,515,000	W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14(a)	1,861,100
	Whiting Petroleum Corp., Senior Subordinated Notes:	
1,350,000	7.250% due 5/1/12	1,235,250
2,205,000	7.000% due 2/1/14	1,907,325
	Williams Cos. Inc.:	
3,629,000	Notes, 8.750% due 3/15/32	3,419,342
3,475,000	Senior Notes, 7.625% due 7/15/19	3,428,849
	<i>Total Oil, Gas &amp; Consumable Fuels</i>	85,456,375
	<b>TOTAL ENERGY</b>	<b>91,154,227</b>
FINANCIALS 12.2%	<b>Commercial Banks 2.4%</b>	
5,360,000	ATF Capital BV, Senior Notes, 9.250% due 2/21/14(a)(i)	2,733,600
4,490,000	HSBK Europe BV, 7.250% due 5/3/17(a)(i)	2,289,900
	ICICI Bank Ltd., Subordinated Bonds:	
1,170,000	6.375% due 4/30/22(a)(c)(i)	748,580

See Notes to Financial Statements.



## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Commercial Banks 2.4%<i>continued</i></b>	
1,174,000	6.375% due 4/30/22(a)(c)(i)	\$ 748,497
76,695,000RUB	JPMorgan Chase Bank, Credit-Linked Notes (Russian Agricultural Bank), 9.500% due 2/11/11(f)	1,854,041
	RSHB Capital, Loan Participation Notes: Secured Notes:	
1,204,000	7.175% due 5/16/13(a)(i)	1,068,189
1,720,000	7.125% due 1/14/14(a)(i)	1,521,615
1,320,000	7.125% due 1/14/14(a)(i)	1,144,308
1,055,000	Senior Secured Notes, 6.299% due 5/15/17(a)(i)	819,841
	TuranAlem Finance BV, Bonds:	
3,025,000	8.250% due 1/22/37(a)	680,625
1,059,000	8.250% due 1/22/37(a)(i)	248,865
2,685,000	Wells Fargo Capital XIII, Medium-Term Notes, 7.700% due 3/26/13(c)(g)	1,719,678
1,420,000	Wells Fargo Capital XV, Junior Subordinated Notes, 9.750% due 9/26/13(c)(g)	1,208,015
	<i>Total Commercial Banks</i>	<i>16,785,754</i>
	<b>Consumer Finance 6.6%</b>	
5,510,000	FMG Finance Pty Ltd., Senior Secured Notes, 10.625% due 9/1/16(a)	4,848,800
	Ford Motor Credit Co.:	
3,325,000	Notes, 7.875% due 6/15/10	3,059,938
	Senior Notes:	
2,045,000	3.889% due 1/13/12(c)	1,464,731
20,430,000	12.000% due 5/15/15	17,284,311
	GMAC LLC:	
4,290,000	Debentures, zero coupon bond to yield 27.702% due 6/15/15	578,339
2,390,000	Senior Bonds, zero coupon bond to yield 37.540% due 12/1/12	479,714
	Senior Notes:	
6,550,000	6.500% due 10/15/09(a)	5,928,025
3,166,000	6.875% due 8/28/12(a)	2,502,875
6,140,000	6.750% due 12/1/14(a)	4,548,469
1,261,000	8.000% due 11/1/31(a)	884,530
259,000	Subordinated Notes, 8.000% due 12/31/18(a)	103,718
4,180,000	SLM Corp., Senior Notes, 1.252% due 7/26/10(c)	3,546,638
	<i>Total Consumer Finance</i>	<i>45,230,088</i>
	<b>Diversified Financial Services 2.2%</b>	
2,325,000	CCM Merger Inc., Notes, 8.000% due 8/1/13(a)(e)	1,046,250
	CIT Group Inc., Senior Notes:	
950,000	4.125% due 11/3/09	848,424
125,000	1.451% due 3/12/10(c)	99,171

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2009

## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Diversified Financial Services 2.2%</b> <i>continued</i>	
330,000	JPMorgan Chase & Co., Junior Subordinated Notes, 7.900% due 4/30/18(c)(g)	\$ 251,654
	Leucadia National Corp., Senior Notes:	
3,670,000	8.125% due 9/15/15	3,101,150
80,000	7.125% due 3/15/17	59,800
3,360,000	Rio Tinto Finance USA Ltd., Senior Notes, 9.000% due 5/1/19	3,460,373
	TNK-BP Finance SA:	
230,000	6.625% due 3/20/17(a)	154,675
200,000	7.875% due 3/13/18(a)	143,500
	Senior Notes:	
1,540,000	7.500% due 7/18/16(a)(i)	1,139,600
1,390,000	7.875% due 3/13/18(a)(i)	993,850
4,000,000	Vanguard Health Holdings Co., I LLC, Senior Discount Notes, step bond to yield 10.653% due 10/1/15	3,580,000
	<i>Total Diversified Financial Services</i>	<i>14,878,447</i>
	<b>Insurance 0.1%</b>	
6,510,000	American International Group Inc., Junior Subordinated Debentures, 8.175% due 5/15/58(a)(c)	749,262
	<b>Real Estate Investment Trusts (REITs) 0.3%</b>	
2,500,000	Host Marriott LP, Senior Notes, 7.125% due 11/1/13	2,362,500
	<b>Real Estate Management &amp; Development 0.4%</b>	
1,297,400	Ashton Woods USA LLC, Ashton Woods Finance Co., Senior Subordinated Notes, step bond to yield 23.322% due 6/30/15(a)(e)(f) Realty Corp.:	486,525
4,100,000	Senior Notes, 10.500% due 4/15/14	1,373,500
4,695,000	Senior Subordinated Notes, 12.375% due 4/15/15	1,150,275
370,807	Senior Toggle Notes, 11.000% due 4/15/14(b)	69,526
	<i>Total Real Estate Management &amp; Development</i>	<i>3,079,826</i>
	<b>Thriffs &amp; Mortgage Finance 0.2%</b>	
1,370,000	Ocwen Capital Trust I, Junior Subordinated Capital Securities, 10.875% due 8/1/27	1,111,413
	<b>TOTAL FINANCIALS</b>	<b>84,197,290</b>
HEALTH CARE 7.4%		
	<b>Health Care Equipment &amp; Supplies 0.6%</b>	
4,420,000	Biomet Inc., Senior Notes, 10.375% due 10/15/17(b)	4,276,350
	<b>Health Care Providers &amp; Services 6.8%</b>	
6,175,000	CRC Health Corp., Senior Subordinated Notes, 10.750% due 2/1/16	4,229,875
2,350,000	DaVita Inc., Senior Notes, 6.625% due 3/15/13	2,320,625
	HCA Inc.:	
1,325,000	Debentures, 7.500% due 11/15/95	681,086

See Notes to Financial Statements.

14 Western Asset High Income Fund II Inc. 2009 Annual Report



## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Health Care Providers &amp; Services 6.8%<i>continued</i></b>	
17,535,000	Senior Secured Notes, 9.625% due 11/15/16(b) Tenet Healthcare Corp., Senior Notes:	\$ 16,307,550
775,000	9.875% due 7/1/14	724,625
3,100,000	9.000% due 5/1/15(a)	3,146,500
7,310,000	10.000% due 5/1/18(a)	7,638,950
1,470,000	6.875% due 11/15/31	904,050
	Universal Hospital Services Inc., Senior Secured Notes:	
1,010,000	5.943% due 6/1/15(c)	780,225
4,840,000	8.500% due 6/1/15(b)	4,525,400
9,009,000	US Oncology Holdings Inc., Senior Notes, 6.904% due 3/15/12(b)(c)	5,450,445
	<i>Total Health Care Providers &amp; Services</i>	<i>46,709,331</i>
	<b>Pharmaceuticals 0.0%</b>	
11,725,000	Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12(d)(e)	58,625
	<b>TOTAL HEALTH CARE</b>	<b>51,044,306</b>
<b>INDUSTRIALS 11.5%</b>		
	<b>Aerospace &amp; Defense 0.4%</b>	
	Hawker Beechcraft Acquisition Co., Senior Notes:	
1,310,000	8.500% due 4/1/15	448,675
11,350,000	8.875% due 4/1/15(b)	2,213,250
106,119	Kac Acquisition Co., Subordinated Notes, 8.000% due 4/26/26(d)(e)(f)	0
	<i>Total Aerospace &amp; Defense</i>	<i>2,661,925</i>
	<b>Air Freight &amp; Logistics 0.1%</b>	
500,000	TGI International Ltd., Senior Notes, 9.500% due 10/3/17(a)	452,500
	<b>Airlines 2.0%</b>	
	Continental Airlines Inc.:	
5,000,000	5.983% due 4/19/22	3,950,000
	Pass-Through Certificates:	
871,941	8.312% due 10/2/12(f)	684,474
1,930,000	7.339% due 4/19/14	1,206,250
9,280,000	DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15(a)	3,572,800
	Delta Air Lines Inc., Pass-Through Certificates:	
2,135,000	7.711% due 9/18/11	1,409,100
1,714,895	8.954% due 8/10/14(f)	1,011,788
1,542,853	6.821% due 8/10/22	1,095,426
	United Airlines Inc., Pass-Through Certificates:	
397,660	7.811% due 10/1/09(f)	414,560

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2009

## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
167,472	<b>Airlines 2.0%<i>continued</i></b> 8.030% due 7/1/11	\$ 155,749
	<i>Total Airlines</i>	<i>13,500,147</i>
	<b>Building Products 1.9%</b> Associated Materials Inc.:	
7,230,000	Senior Discount Notes, 11.250% due 3/1/14	2,638,950
3,195,000	Senior Subordinated Notes, 9.750% due 4/15/12	2,587,950
	GTL Trade Finance Inc., Senior Notes:	
2,360,000	7.250% due 10/20/17(a)(i)	2,183,000
2,302,000	7.250% due 10/20/17(a)(i)	2,129,350
3,870,000	Nortek Inc., Senior Secured Notes, 10.000% due 12/1/13	2,496,150
7,315,000	NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.600% due 3/1/14	804,650
	<i>Total Building Products</i>	<i>12,840,050</i>
	<b>Commercial Services &amp; Supplies 2.7%</b> DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13	9,328,800
9,568,000	Interface Inc., Senior Subordinated Notes, 9.500% due 2/1/14	1,102,500
1,500,000	Rental Services Corp., Senior Notes, 9.500% due 12/1/14	3,700,462
5,715,000	US Investigations Services Inc., Senior Subordinated Notes:	
1,060,000	10.500% due 11/1/15(a)	821,500
4,775,000	11.750% due 5/1/16(a)	3,294,750
	<i>Total Commercial Services &amp; Supplies</i>	<i>18,248,012</i>
	<b>Construction &amp; Engineering 0.9%</b> CSC Holdings Inc., Senior Notes, 8.500% due 6/15/15(a)	2,986,363
2,935,000	Odebrecht Finance Ltd., 7.500% due 10/18/17(a)(i)	3,487,550
3,740,000	<i>Total Construction &amp; Engineering</i>	<i>6,473,913</i>
	<b>Electrical Equipment 0.0%</b> Sensata Technologies B.V., Senior Notes, 8.000% due 5/1/14	340,425
890,000	<b>Machinery 0.3%</b> American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14	1,091,150
1,390,000	Terex Corp., Senior Subordinated Notes:	
220,000	7.375% due 1/15/14	195,800
1,205,000	8.000% due 11/15/17	994,125
	<i>Total Machinery</i>	<i>2,281,075</i>
	<b>Road &amp; Rail 1.9%</b> Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16	4,081,935
5,709,000	Kansas City Southern de Mexico, Senior Notes:	
7,415,000	9.375% due 5/1/12	6,821,800
1,100,000	7.625% due 12/1/13	907,500
1,355,000	12.500% due 4/1/16(a)	1,314,350

See Notes to Financial Statements.



## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Road &amp; Rail 1.9%</b> <i>continued</i>	
280,000	Kansas City Southern Railway, Senior Notes, 13.000% due 12/15/13	\$ 298,200
	<i>Total Road &amp; Rail</i>	<i>13,423,785</i>
	<b>Trading Companies &amp; Distributors 0.9%</b>	
2,300,000	Ashtead Capital Inc., Notes, 9.000% due 8/15/16(a)	1,495,000
770,000	Ashtead Holdings PLC, Senior Secured Notes, 8.625% due 8/1/15(a)	500,500
3,045,000	H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16	2,085,825
6,680,000	Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14(a)(e)	2,404,800
	<i>Total Trading Companies &amp; Distributors</i>	<i>6,486,125</i>
	<b>Transportation Infrastructure 0.4%</b>	
4,295,000	Swift Transportation Co., Senior Secured Notes: 8.984% due 5/15/15(a)(c)	1,352,925
3,980,000	12.500% due 5/15/17(a)	1,273,600
	<i>Total Transportation Infrastructure</i>	<i>2,626,525</i>
	<b>TOTAL INDUSTRIALS</b>	<b>79,334,482</b>
	<b>INFORMATION TECHNOLOGY 1.7%</b>	
6,100,000	<b>Communications Equipment 0.5%</b> Lucent Technologies Inc., Debentures, 6.450% due 3/15/29	3,050,000
3,285,000	<b>IT Services 0.6%</b> Ceridian Corp., Senior Notes, 12.250% due 11/15/15(b)	1,724,625
3,100,000	First Data Corp.: 5.625% due 11/1/11	1,658,500
550,000	Senior Notes: 9.875% due 9/24/15(a)	382,937
440,000	9.875% due 9/24/15	306,350
	<i>Total IT Services</i>	<i>4,072,412</i>
	<b>Semiconductors &amp; Semiconductor Equipment 0.2%</b>	
2,180,000	Freescale Semiconductor Inc.: Senior Notes: 8.875% due 12/15/14	752,100
1,210,000	9.125% due 12/15/14(b)	211,750
2,370,000	Senior Subordinated Notes, 10.125% due 12/15/16	580,650
	<i>Total Semiconductors &amp; Semiconductor Equipment</i>	<i>1,544,500</i>
	<b>Software 0.4%</b>	
4,200,000	Activant Solutions Inc., Senior Subordinated Notes, 9.500% due 5/1/16	2,761,500
	<b>TOTAL INFORMATION TECHNOLOGY</b>	<b>11,428,412</b>

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2009

## WESTERN ASSET HIGH INCOME FUND II INC.

MATERIALS	FACE AMOUNT	SECURITY	VALUE
	7.7%		
		<b>Chemicals 0.6%</b>	
		Georgia Gulf Corp., Senior Notes:	
	2,000,000	9.500% due 10/15/14(d)(e)	\$ 445,000
	5,905,000	10.750% due 10/15/16(d)(e)	560,975
	2,335,000	Methanex Corp., Senior Notes, 8.750% due 8/15/12(f)	2,102,213
	1,215,000	Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16	941,625
		<i>Total Chemicals</i>	<i>4,049,813</i>
		<b>Containers &amp; Packaging 0.5%</b>	
	2,000,000	Berry Plastics Holding Corp., Second Priority Senior Secured Notes, 8.875% due 9/15/14	1,450,000
	1,235,000	BWAY Corp., Senior Notes, 10.000% due 4/15/14(a)	1,160,900
		Graham Packaging Co. Inc.:	
	315,000	Senior Notes, 8.500% due 10/15/12	272,475
	565,000	Senior Subordinated Notes, 9.875% due 10/15/14	459,769
	2,100,000	Radnor Holdings Inc., Senior Notes, 11.000% due 3/15/10(d)(e)(f)	0
		<i>Total Containers &amp; Packaging</i>	<i>3,343,144</i>
		<b>Metals &amp; Mining 3.6%</b>	
		Evraz Group SA, Notes:	
	1,590,000	8.875% due 4/24/13(a)(i)	1,097,100
	680,000	9.500% due 4/24/18(a)	423,300
	4,360,000	Freeport-McMoRan Copper & Gold Inc., Senior Notes, 6.875% due 2/1/14	4,320,699
	3,245,000	Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15	2,320,175
	8,265,000	Noranda Aluminium Acquisition Corp., Senior Notes, 6.595% due 5/15/15(b)(c)	2,934,075
	6,250,000	Novelis Inc., Senior Notes, 7.250% due 2/15/15	3,281,250
	7,620,000	Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15	4,648,200
		Vale Overseas Ltd., Notes:	
	1,284,000	8.250% due 1/17/34(i)	1,240,376
	3,268,000	6.875% due 11/21/36(i)	2,678,051
	2,070,000	Vedanta Resources PLC, Senior Notes, 8.750% due 1/15/14(a)(i)	1,759,500
		<i>Total Metals &amp; Mining</i>	<i>24,702,726</i>
		<b>Paper &amp; Forest Products 3.0%</b>	
		Abitibi-Consolidated Co. of Canada:	
	966,000	Senior Notes, 15.500% due 7/15/10(a)(d)	96,600
	9,600,000	Senior Secured Notes, 13.750% due 4/1/11(a)(d)	8,400,000
		Appleton Papers Inc.:	
	1,470,000	Senior Notes, 8.125% due 6/15/11	889,350
	4,900,000	Senior Subordinated Notes, 9.750% due 6/15/14	1,151,500
	3,910,000	Georgia-Pacific LLC, Senior Notes, 8.250% due 5/1/16(a)	3,929,550

See Notes to Financial Statements.



## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Paper &amp; Forest Products 3.0%<i>continued</i></b>	
9,190,000	NewPage Corp., Senior Secured Notes: 7.420% due 5/1/12(c)	\$ 3,997,650
1,340,000	10.000% due 5/1/12	636,500
3,141,020	Newpage Holding Corp., Senior Notes, 10.265% due 11/1/13(b)(c)	141,346
1,935,000	Smurfit Capital Funding PLC, Debentures, 7.500% due 11/20/25	1,107,787
840,000	Verso Paper Holdings LLC, 11.375% due 8/1/16	201,600
	<i>Total Paper &amp; Forest Products</i>	20,551,883
	<b>TOTAL MATERIALS</b>	<b>52,647,566</b>
<b>TELECOMMUNICATION SERVICES 12.8%</b>	<b>Diversified Telecommunication Services 7.8%</b>	
	Axtel SAB de CV, Senior Notes:	
4,740,000	7.625% due 2/1/17(a)(i)	3,543,150
370,000	7.625% due 2/1/17(a)(i)	277,500
2,880,000	CC Holdings GS V LLC, Senior Notes, 7.750% due 5/1/17(a)	2,923,200
1,305,000	Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28	939,600
5,441,000	Hawaiian Telcom Communications Inc., Senior Subordinated Notes, 12.500% due 5/1/15 (d) (e)	34,006
1,925,000	Intelsat Bermuda Ltd., Senior Notes, 11.250% due 6/15/16	1,977,938
3,140,000	Intelsat Intermediate Holding Co., Ltd., Senior Discount Notes, step bond to yield 11.901% due 2/1/15(a)	2,841,700
	Intelsat Jackson Holdings Ltd., Senior Notes:	
6,275,000	9.500% due 6/15/16(a)	6,212,250
5,755,000	11.500% due 6/15/16(a)	5,697,450
2,565,000	L-3 Communications Corp., Senior Subordinated Notes, 6.375% due 10/15/15	2,443,162
	Level 3 Financing Inc., Senior Notes:	
2,470,000	12.250% due 3/15/13	2,241,525
5,080,000	9.250% due 11/1/14	4,095,750
4,915,000	Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16(a)	4,767,550
5,495,000	Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13(a)	2,829,925
2,220,000	UBS Luxembourg SA for OJSC Vimpel Communications, Loan Participation Notes, 8.250% due 5/23/16(a)(i)	1,570,650
700,000	Vimpel Communications, Loan Participation Notes, 8.375% due 4/30/13(a)	565,250
2,540,000	Virgin Media Finance PLC, Senior Notes, 9.125% due 8/15/16	2,514,600
3,770,000	Wind Acquisition Finance SA, Senior Bonds, 10.750% due 12/1/15(a)	3,939,650

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2009

## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
4,370,000	<b>Diversified Telecommunication Services 7.8%<i>continued</i></b> Windstream Corp., Senior Notes, 8.625% due 8/1/16	\$ 4,370,000
	<i>Total Diversified Telecommunication Services</i>	53,784,856
3,130,000	<b>Wireless Telecommunication Services 5.0%</b> ALLTEL Communications Inc., Senior Notes, 10.375% due 12/1/17(a)(b)	3,739,076
210,000	iPCS Inc., Senior Secured Notes, 3.295% due 5/1/13(c)	171,150
4,995,000	MetroPCS Wireless Inc., Senior Notes, 9.250% due 11/1/14	5,026,219
4,020,000	Nextel Communications Inc., Senior Notes, 7.375% due 8/1/15	2,889,375
	Sprint Capital Corp., Senior Notes:	
3,450,000	7.625% due 1/30/11	3,342,188
5,330,000	8.375% due 3/15/12	5,136,787
985,000	6.875% due 11/15/28	669,800
6,105,000	8.750% due 3/15/32	4,670,325
14,185,000	True Move Co., Ltd., Notes, 10.750% due 12/16/13(a)(i)	8,581,925
	<i>Total Wireless Telecommunication Services</i>	34,226,845
	<b>TOTAL TELECOMMUNICATION SERVICES</b>	88,011,701
<b>UTILITIES 8.7%</b>		
2,880,000	<b>Electric Utilities 2.8%</b> EEB International Ltd., Senior Bonds, 8.750% due 10/31/14(a)(i)	2,858,400
202,000	Energis SA, Notes, 7.375% due 1/15/14	213,521
	Texas Competitive Electric Holdings Co. LLC, Senior Notes:	
24,650,000	10.250% due 11/1/15	14,112,125
4,630,000	10.500% due 11/1/16(b)	1,875,150
	<i>Total Electric Utilities</i>	19,059,196
1,887,000	<b>Gas Utilities 0.2%</b> Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13	1,844,543
	<b>Independent Power Producers &amp; Energy Traders 5.7%</b>	
	AES Corp., Senior Notes:	
1,900,000	9.375% due 9/15/10	1,919,000
7,290,000	8.000% due 10/15/17	6,706,800
	Dynegy Holdings Inc.:	
3,975,000	Senior Debentures, 7.625% due 10/15/26	2,285,625
1,985,000	Senior Notes, 7.750% due 6/1/19	1,468,900
4,100,000	Dynegy Inc., Bonds, 7.670% due 11/8/16	3,485,000
	Edison Mission Energy, Senior Notes:	
2,890,000	7.750% due 6/15/16	2,304,775
2,750,000	7.200% due 5/15/19	2,014,375
4,605,000	7.625% due 5/15/27	2,970,225

See Notes to Financial Statements.





## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Independent Power Producers &amp; Energy Traders 5.7%</b>	
	<i>continued</i>	
12,860,000	Energy Future Holdings Corp., Senior Notes, 11.250% due 11/1/17(b)	\$ 6,655,050
2,143,448	Mirant Mid Atlantic LLC, Pass-Through Certificates, 10.060% due 12/30/28	2,122,013
1,950,000	Mirant North America LLC, Senior Notes, 7.375% due 12/31/13	1,886,625
2,750,000	NRG Energy Inc., Senior Notes: 7.250% due 2/1/14	2,660,625
1,190,000	7.375% due 1/15/17	1,139,425
1,625,000	Reliant Energy Inc., Senior Notes, 7.875% due 6/15/17	1,458,438
	<i>Total Independent Power Producers &amp; Energy Traders</i>	39,076,876
	TOTAL UTILITIES	59,980,615
	TOTAL CORPORATE BONDS & NOTES (Cost \$854,144,280)	628,794,935
ASSET-BACKED SECURITY 0.0%		
FINANCIAL 0.0%		
	<b>Diversified Financial Services 0.0%</b>	
3,698,937	Airplanes Pass-Through Trust, Subordinated Notes, 10.875% due 3/15/19(d)(e)(f) (Cost - \$3,942,677)	0
COLLATERALIZED MORTGAGE OBLIGATION	0.2%	
2,536,520	Countrywide Home Loan Mortgage Pass-Through Trust, 2.378% due 4/20/35(c) (Cost - \$1,540,605)	1,217,530
COLLATERALIZED SENIOR LOANS 2.0%		
CONSUMER DISCRETIONARY 0.7%		
	<b>Media 0.7%</b>	
1,936,610	Idearc Inc., Term Loan B, 3.460% due 11/1/14(c)	762,002
4,000,000	Newsday LLC, Term Loan, 9.750% due 7/15/13(c)	3,900,000
	TOTAL CONSUMER DISCRETIONARY	4,662,002
ENERGY 0.8%		
	<b>Energy Equipment &amp; Services 0.5%</b>	
5,419,573	Turbo Beta Ltd., Term Loan, 14.500% due 3/15/18(c)(e)	3,929,191
	<b>Oil, Gas &amp; Consumable Fuels 0.3%</b>	
	Ashmore Energy International:	
279,613	Synthetic Revolving Credit Facility, 3.438% due 3/30/14(c)	181,749
1,970,821	Term Loan, 4.220% due 3/30/14(c)	1,281,033
3,000,000	Stallion Oilfield Services, Term Loan, 8.506% due 7/31/12(c)	615,000
	<i>Total Oil, Gas &amp; Consumable Fuels</i>	2,077,782
	TOTAL ENERGY	6,006,973
INDUSTRIALS 0.3%		
	<b>Airlines 0.2%</b>	
2,550,000	United Airlines Inc., Term Loan B, 2.563% due 1/12/14(c)	1,294,834

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2009

## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Trading Companies &amp; Distributors 0.1%</b>	
2,500,449	Penhall International Corp., Term Loan, 9.995% due 4/1/12(c)	\$ 625,112
	<b>TOTAL INDUSTRIALS</b>	<b>1,919,946</b>
<b>MATERIALS 0.2%</b>		
700,000	<b>Chemicals 0.0%</b> Lyondell Chemical Co., Term Loan, 5.750% due 12/20/14(c)	234,937
134,085	<b>Containers &amp; Packaging 0.2%</b> Berry Plastics Corp., Senior Term Loan, 11.334% due 6/15/14(c)	31,845
990,405	Graphic Packaging, Term Loan B, 3.435% due 5/3/14(c)	899,618
	<i>Total Containers &amp; Packaging</i>	<i>931,463</i>
1,171,169	<b>Paper &amp; Forest Products 0.0%</b> Verso Paper Holdings LLC, Term Loan, 9.033% due 2/1/13(c)	99,549
	<b>TOTAL MATERIALS</b>	<b>1,265,949</b>
	<b>TOTAL COLLATERALIZED SENIOR LOANS (Cost \$21,644,487)</b>	<b>13,854,870</b>
<b>CONVERTIBLE BONDS &amp; NOTES 1.1%</b>		
<b>CONSUMER DISCRETIONARY 0.8%</b>		
7,210,000	<b>Media 0.8%</b> Virgin Media Inc., Senior Notes, 6.500% due 11/15/16(a)	5,290,338
<b>INDUSTRIALS 0.3%</b>		
330,445	<b>Airlines 0.0%</b> Delta Air Lines Inc., Pass-Through Certificates, 7.379% due 5/18/10	310,618
3,895,000	<b>Marine 0.3%</b> Horizon Lines Inc., Senior Notes, 4.250% due 8/15/12	2,030,269
	<b>TOTAL INDUSTRIALS</b>	<b>2,340,887</b>
	<b>TOTAL CONVERTIBLE BONDS &amp; NOTES (Cost \$7,674,188)</b>	<b>7,631,225</b>
<b>SOVEREIGN BONDS 3.7%</b>		
	<b>Argentina 0.1%</b>	
1,400,000EUR	Republic of Argentina: 9.250% due 10/21/02(d)	208,593
300,000EUR	9.000% due 6/20/03(d)	44,698
250,000EUR	10.250% due 1/26/07(d)	37,249
275,000EUR	8.000% due 2/26/08(d)	40,974
665,000	Bonds, 7.000% due 9/12/13	247,509
97,000EUR	GDP Linked Securities, 1.262% due 12/15/35(c)	3,276
	Medium-Term Notes:	
1,175,000EUR	7.000% due 3/18/04(d)	175,069
600,000EUR	8.125% due 10/4/04(d)	89,397
525,000EUR	9.000% due 5/24/05(a)(d)	78,222
	<i>Total Argentina</i>	<i>924,987</i>

See Notes to Financial Statements.



## WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Brazil 1.3%</b>	
	Brazil Nota do Tesouro Nacional:	
1,000BRL	10.000% due 1/1/10	\$ 460
12,268,000BRL	10.000% due 7/1/10	5,629,679
7,743,000BRL	10.000% due 1/1/12	3,437,223
	<i>Total Brazil</i>	<i>9,067,362</i>
	<b>Indonesia 0.4%</b>	
	Republic of Indonesia:	
11,011,000,000IDR	10.250% due 7/15/22	909,867
7,031,000,000IDR	11.000% due 9/15/25	603,918
6,948,000,000IDR	10.250% due 7/15/27	559,251
8,327,000,000IDR	9.750% due 5/15/37	626,049
	<i>Total Indonesia</i>	<i>2,699,085</i>
	<b>Panama 0.7%</b>	
	Republic of Panama:	
1,097,000	9.375% due 4/1/29(i)	1,288,975
3,370,000	6.700% due 1/26/36(i)	3,268,900
	<i>Total Panama</i>	<i>4,557,875</i>
	<b>Russia 0.0%</b>	
336,960	Russian Federation, 7.500% due 3/31/30(a)	331,393
	<b>Turkey 0.8%</b>	
	Republic of Turkey:	
490,000	7.000% due 6/5/20(i)	467,950
1,175,000	11.875% due 1/15/30(i)	1,709,625
594,000	Bonds, 7.000% due 9/26/16(i)	602,910
2,784,000	Notes, 6.875% due 3/17/36(i)	2,408,160
	<i>Total Turkey</i>	<i>5,188,645</i>
	<b>United Arab Emirates 0.3%</b>	
1,960,000	MDC-GMTN B.V., Senior Notes, 5.750% due 5/6/14(a)	1,974,700
	<b>Venezuela 0.1%</b>	
1,164,000	Bolivarian Republic of Venezuela, Collective Action Securities, 9.375% due 1/13/34(i)	704,220
	TOTAL SOVEREIGN BONDS (Cost \$29,863,998)	25,448,267
SHARES		
COMMON STOCKS 0.0%		
CONSUMER DISCRETIONARY 0.0%		
	<b>Hotels, Restaurants &amp; Leisure 0.0%</b>	
7,895	Buffets Restaurant Holdings(f)*	0
	<b>Household Durables 0.0%</b>	
18,861	Mattress Holding Corp.(e)(f)*	0
	TOTAL CONSUMER DISCRETIONARY	0

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2009

## WESTERN ASSET HIGH INCOME FUND II INC.

SHARES	SECURITY	VALUE
CONSUMER STAPLES 0.0%		
6,729	<b>Food Products 0.0%</b>	
TELECOMMUNICATION SERVICES 0.0%	Aurora Foods Inc.(e)(f)*	\$ 0
870	<b>Diversified Telecommunication Services 0.0%</b>	
CONVERTIBLE PREFERRED STOCKS 0.6%	McLeodUSA Inc., Class A Shares(e)(f)*	0
FINANCIALS 0.6%	TOTAL COMMON STOCKS (Cost \$4,233,218)	0
6,812	<b>Diversified Financial Services 0.6%</b>	
ESCROWED SHARES 0.0%	Bank of America Corp., 7.250% due 12/31/49	
CONSUMER DISCRETIONARY 0.0%	(Cost \$6,579,053)	3,930,524
2,025,000	<b>Textiles, Apparel &amp; Luxury Goods 0.0%</b>	
PREFERRED STOCKS 0.4%	Pillowtex Corp., 9.000% due 12/15/49(d)(e)(f) (Cost \$0)	0
CONSUMER DISCRETIONARY 0.1%		
101,500	<b>Automobiles 0.1%</b>	
1,800	Corts-Ford Motor Co., 7.400%	977,445
2,700	Corts-Ford Motor Co., 8.000%	19,080
	Ford Motor Co., Series F, 7.550%	27,945
	<i>Total Automobiles</i>	<i>1,024,470</i>
	<b>Media 0.0%</b>	
59,329	CMP Susquehanna Radio Holdings Corp., 0.000%(a)(c)(f)*	25,215
7	ION Media Networks Inc., Series B, 12.000%(e)(f)*	0
	<i>Total Media</i>	<i>25,215</i>
FINANCIALS 0.3%	TOTAL CONSUMER DISCRETIONARY	1,049,685
2,521	<b>Consumer Finance 0.1%</b>	
	Preferred Blocker Inc., 7.000%(a)	756,458
8,200	<b>Diversified Financial Services 0.2%</b>	
12,600	Preferred Plus, Series FMC1 Trust, Senior Debentures, 8.250%	88,150
69,100	Preferred Plus, Trust, Series FRD-1, 7.400%	124,110
	Saturns, Series F 2003-5, 8.125%	735,915
	<i>Total Diversified Financial Services</i>	<i>948,175</i>
84,700	<b>Thrifts &amp; Mortgage Finance 0.0%</b>	
	Federal National Mortgage Association (FNMA), 8.250%(h)*	70,301
	TOTAL FINANCIALS	1,774,934
	TOTAL PREFERRED STOCKS (Cost \$6,263,477)	2,824,619

See Notes to Financial Statements.



## WESTERN ASSET HIGH INCOME FUND II INC.

WARRANTS	WARRANTS	SECURITY	VALUE
WARRANTS	0.1%		
	18,500	Bolivarian Republic of Venezuela, Oil-linked payment obligations, Expires 4/15/20	\$ 323,750
	3,488	Buffets Restaurant Holdings, Expires 4/28/14(f)*	0
	67,798	CNB Capital Trust, Expires 3/23/19(a)(f)*	1,864
	325	Cybernet Internet Services International Inc., Expires 7/1/09(a)(e)(f)*	0
	265	GT Group Telecom Inc., Class B Shares, Expires 2/1/10(a)(e)(f)*	0
	2,750	Leap Wireless International Inc., Expires 4/15/10(a)(e)(f)*	0
	335	Merrill Corp., Class B Shares, Expires 5/1/09(a)(e)(f)*	0
		TOTAL WARRANTS (Cost \$62,579)	325,614
		TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost \$935,948,562)	684,027,584
	FACE AMOUNT		
SHORT-TERM INVESTMENTS	0.5%		
\$	1,810,000	<b>Corporate Bond &amp; Note 0.2%</b> GMAC LLC, Senior Notes, 2.788% due 6/30/09(a)(c) (Cost - \$1,665,492)	1,694,612
	2,031,000	<b>Repurchase Agreement 0.3%</b> Morgan Stanley tri-party repurchase agreement dated 4/30/09, 0.110% due 5/1/09; Proceeds at maturity - \$2,031,006; (Fully collateralized by U.S. government agency obligations, 5.125% due 8/23/10; Market value - \$2,095,288) (Cost - \$2,031,000)	2,031,000
		TOTAL SHORT-TERM INVESTMENTS (Cost \$3,696,492)	3,725,612
		TOTAL INVESTMENTS 100.0% (Cost \$939,645,054#)	\$687,753,196

\* Non-income producing security.

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

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

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

(c) Variable rate security. Interest rate disclosed is that which is in effect at April 30, 2009.

(d) Security is currently in default.

(e) Illiquid security.

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

(g) Security has no maturity date. The date shown represents the next call date.

(h) On September 7, 2008, the Federal Housing Finance Agency placed Fannie Mae and Freddie Mac into conservatorship.

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

(j) Subsequent to April 30, 2009, this security is in default.

# Aggregate cost for federal income tax purposes is \$944,559,673.

Abbreviations used in this schedule:

BRL	Brazilian Real
EUR	Euro
GDP	Gross Domestic Product
GMAC	General Motors Acceptance Corp.
IDR	Indonesian Rupiah
OJSC	Open Joint Stock Company
RUB	Russian Ruble



See Notes to Financial Statements.

**Statement of assets and liabilities****April 30, 2009****ASSETS:**

Investments, at value (Cost \$939,645,054)	\$ 687,753,196
Foreign currency, at value (Cost \$29,052)	32,881
Cash	200,956
Interest and dividends receivable	25,188,104
Receivable for securities sold	11,977,491
Prepaid expenses	80,399
<i>Total Assets</i>	<i>725,233,027</i>

**LIABILITIES:**

Loan payable (Note 4)	161,500,000
Payable for open reverse repurchase agreement (Note 3)	42,651,320
Payable for securities purchased	14,803,100
Investment management fee payable	434,814
Interest payable (Notes 3 and 4)	337,264
Directors' fees payable	9,246
Accrued expenses	539,377
<i>Total Liabilities</i>	<i>220,275,121</i>
<b>TOTAL NET ASSETS</b>	<b>\$ 504,957,906</b>

**NET ASSETS:**

Par value (\$0.001 par value; 82,317,012 shares issued and outstanding; 100,000,000 shares authorized)	\$ 82,317
Paid-in capital in excess of par value	1,108,560,674
Undistributed net investment income	13,665,604
Accumulated net realized loss on investments and foreign currency transactions	(365,488,333)
Net unrealized depreciation on investments and foreign currencies	(251,862,356)
<b>TOTAL NET ASSETS</b>	<b>\$ 504,957,906</b>
<b>Shares Outstanding</b>	<b>82,317,012</b>
<b>Net Asset Value</b>	<b>\$6.13</b>

See Notes to Financial Statements.

**Statement of operations**

**For the Year Ended April 30, 2009**

INVESTMENT INCOME:

Interest	\$ 108,405,071
Dividends	1,268,139
Less: Foreign taxes withheld	