

Western Asset Income Fund  
Form N-Q  
November 25, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number **811-02351**

**Western Asset Income Fund**

(Exact name of registrant as specified in charter)

**620 Eighth Avenue, 49<sup>th</sup> Floor, New York, NY 10018**

(Address of principal executive offices) (Zip code)

**Robert I. Frenkel, Esq.**

**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: 1-888-777-0102

Date of fiscal year end: **December 31**

Date of reporting period: **September 30, 2014**

**ITEM 1. SCHEDULE OF INVESTMENTS.**

**WESTERN ASSET INCOME FUND**

FORM N-Q

SEPTEMBER 30, 2014

## WESTERN ASSET INCOME FUND

## Schedule of investments (unaudited)

September 30, 2014

| SECURITY  | RATE   | MATURITY DATE | FACE AMOUNT | VALUE                    |
|---|--------|---------------|-------------|--------------------------|
| <b>CORPORATE BONDS &amp; NOTES - 93.0%</b>  |        |               |             |                          |
| <b>CONSUMER DISCRETIONARY - 8.7%</b>  |        |               |             |                          |
| <b>Automobiles - 0.8%</b>   |        |               |             |                          |
| Ford Motor Credit Co., LLC, Senior Notes  | 7.000% | 4/15/15       | \$ 610,000  | \$ 630,984               |
| Ford Motor Credit Co., LLC, Senior Notes  | 8.125% | 1/15/20       | 410,000     | 512,434                  |
| <i>Total Automobiles</i>  |        |               |             | <i>1,143,418</i>         |
| <b>Hotels, Restaurants &amp; Leisure - 0.6%</b>   |        |               |             |                          |
| Hilton Worldwide Finance LLC/Hilton Worldwide Finance Corp., Senior Notes                             | 5.625% | 10/15/21      | 100,000     | 103,000 <sup>(a)</sup>   |
| Paris Las Vegas Holding LLC/Harras Las Vegas LLC/Flamingo Las Vegas Holding LLC, Senior Secured Notes | 8.000% | 10/1/20       | 500,000     | 492,500 <sup>(a)</sup>   |
| Wynn Macau Ltd., Senior Notes   | 5.250% | 10/15/21      | 290,000     | 279,850 <sup>(a)</sup>   |
| <i>Total Hotels, Restaurants &amp; Leisure</i>  |        |               |             | <i>875,350</i>           |
| <b>Household Durables - 0.6%</b>  |        |               |             |                          |
| Toll Brothers Finance Corp., Senior Notes   | 4.000% | 12/31/18      | 690,000     | 689,138                  |
| Toll Brothers Finance Corp., Senior Notes   | 6.750% | 11/1/19       | 90,000      | 100,575                  |
| <i>Total Household Durables</i>   |        |               |             | <i>789,713</i>           |
| <b>Media - 6.0%</b>   |        |               |             |                          |
| 21st Century Fox America Inc., Senior Notes   | 6.550% | 3/15/33       | 545,000     | 674,308                  |
| 21st Century Fox America Inc., Senior Notes   | 7.750% | 12/1/45       | 130,000     | 185,760                  |
| Comcast Corp., Bonds  | 6.400% | 5/15/38       | 950,000     | 1,211,775                |
| Comcast Corp., Notes  | 6.450% | 3/15/37       | 220,000     | 281,169                  |
| Comcast Corp., Senior Notes   | 6.950% | 8/15/37       | 160,000     | 214,379                  |
| DISH DBS Corp., Senior Notes  | 5.875% | 7/15/22       | 500,000     | 510,000                  |
| TCI Communications Inc., Senior Debentures  | 8.750% | 8/1/15        | 160,000     | 170,890                  |
| Time Warner Cable Inc., Senior Notes  | 8.750% | 2/14/19       | 690,000     | 868,580                  |
| Time Warner Entertainment Co., LP, Senior Notes   | 8.375% | 7/15/33       | 410,000     | 605,623                  |
| Time Warner Inc., Senior Debentures   | 7.700% | 5/1/32        | 595,000     | 818,838                  |
| Time Warner Inc., Senior Notes  | 4.900% | 6/15/42       | 150,000     | 149,895                  |
| UBM PLC, Notes  | 5.750% | 11/3/20       | 570,000     | 616,299 <sup>(a)</sup>   |
| Virgin Media Finance PLC, Senior Notes  | 6.375% | 4/15/23       | 1,000,000   | 1,032,500 <sup>(a)</sup> |
| WPP Finance 2010, Senior Notes  | 4.750% | 11/21/21      | 840,000     | 916,388                  |
| WPP Finance 2010, Senior Notes  | 5.625% | 11/15/43      | 150,000     | 162,971                  |
| <i>Total Media</i>  |        |               |             | <i>8,419,375</i>         |
| <b>Specialty Retail - 0.7%</b>  |        |               |             |                          |
| American Greetings Corp., Senior Notes  | 7.375% | 12/1/21       | 160,000     | 166,800                  |
| Gap Inc., Senior Notes  | 5.950% | 4/12/21       | 730,000     | 830,201                  |
| <i>Total Specialty Retail</i>   |        |               |             | <i>997,001</i>           |
| <b>TOTAL CONSUMER DISCRETIONARY</b>   |        |               |             | <b>12,224,857</b>        |

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**CONSUMER STAPLES - 3.8%**

**Beverages - 1.1%**

|   |        |         |         |                        |
|---|--------|---------|---------|------------------------|
| Anheuser-Busch InBev Worldwide Inc., Senior Notes | 5.375% | 1/15/20 | 260,000 | 293,329                |
| Constellation Brands Inc., Senior Notes           | 4.250% | 5/1/23  | 80,000  | 78,100                 |
| Pernod-Ricard SA, Senior Bonds                    | 5.750% | 4/7/21  | 350,000 | 398,602 <sup>(a)</sup> |
| Pernod-Ricard SA, Senior Notes                    | 5.500% | 1/15/42 | 670,000 | 739,329 <sup>(a)</sup> |

*Total Beverages*

*1,509,360*

**Food Products - 0.1%**

|                                      |        |        |         |         |
|--------------------------------------|--------|--------|---------|---------|
| Kraft Foods Group Inc., Senior Notes | 5.000% | 6/4/42 | 200,000 | 209,091 |
|--------------------------------------|--------|--------|---------|---------|

**Tobacco - 2.6%**

|                                     |         |          |         |           |
|-------------------------------------|---------|----------|---------|-----------|
| Altria Group Inc., Senior Notes     | 9.950%  | 11/10/38 | 680,000 | 1,124,354 |
| Altria Group Inc., Senior Notes     | 10.200% | 2/6/39   | 230,000 | 387,539   |
| Lorillard Tobacco Co., Senior Notes | 8.125%  | 6/23/19  | 330,000 | 403,692   |
| Lorillard Tobacco Co., Senior Notes | 8.125%  | 5/1/40   | 270,000 | 366,947   |
| Lorillard Tobacco Co., Senior Notes | 7.000%  | 8/4/41   | 320,000 | 393,451   |

**See Notes to Schedule of Investments.**

## WESTERN ASSET INCOME FUND

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

September 30, 2014

| SECURITY  | RATE   | MATURITY DATE | FACE AMOUNT | VALUE                  |
|---|--------|---------------|-------------|------------------------|
| <b>Tobacco - (continued)</b>                      |        |               |             |                        |
| Philip Morris International Inc., Senior Notes    | 4.500% | 3/20/42       | \$ 260,000  | \$ 261,052             |
| Reynolds American Inc., Senior Notes              | 4.750% | 11/1/42       | 720,000     | 684,723                |
| <i>Total Tobacco</i>                              |        |               |             | 3,621,758              |
| <b>TOTAL CONSUMER STAPLES</b>                     |        |               |             |                        |
|   |        |               |             | 5,340,209              |
| <b>ENERGY - 16.3%</b>                             |        |               |             |                        |
| <b>Energy Equipment &amp; Services - 0.3%</b>     |        |               |             |                        |
| Baker Hughes Inc., Senior Notes                   | 7.500% | 11/15/18      | 370,000     | 448,982                |
| <b>Oil, Gas &amp; Consumable Fuels - 16.0%</b>    |        |               |             |                        |
| Anadarko Finance Co., Senior Notes                | 7.500% | 5/1/31        | 465,000     | 629,761                |
| Apache Corp., Senior Notes                        | 6.900% | 9/15/18       | 100,000     | 117,612                |
| Apache Corp., Senior Notes                        | 6.000% | 1/15/37       | 190,000     | 224,043                |
| Apache Corp., Senior Notes                        | 5.100% | 9/1/40        | 80,000      | 84,710                 |
| Apache Corp., Senior Notes                        | 5.250% | 2/1/42        | 90,000      | 96,206                 |
| ConocoPhillips, Notes                             | 6.500% | 2/1/39        | 810,000     | 1,060,371              |
| ConocoPhillips, Senior Notes                      | 6.000% | 1/15/20       | 310,000     | 364,714                |
| Devon Energy Corp., Senior Notes                  | 5.600% | 7/15/41       | 310,000     | 345,588                |
| Devon Financing Corp. LLC, Debentures             | 7.875% | 9/30/31       | 380,000     | 530,965                |
| Ecopetrol SA, Senior Notes                        | 5.875% | 5/28/45       | 176,000     | 178,200                |
| El Paso Corp., Medium-Term Notes                  | 7.800% | 8/1/31        | 2,000,000   | 2,420,000              |
| Enbridge Energy Partners LP, Senior Notes         | 9.875% | 3/1/19        | 120,000     | 155,470                |
| Energy Transfer Equity LP, Senior Notes           | 7.500% | 10/15/20      | 250,000     | 278,125                |
| Enterprise Products Operating LLC, Senior Notes   | 6.125% | 10/15/39      | 320,000     | 385,932                |
| EOG Resources Inc., Senior Notes                  | 5.875% | 9/15/17       | 540,000     | 606,569                |
| Hess Corp., Notes                                 | 7.875% | 10/1/29       | 1,180,000   | 1,601,865              |
| Hess Corp., Senior Bonds                          | 6.000% | 1/15/40       | 300,000     | 357,109                |
| Kerr-McGee Corp., Notes                           | 6.950% | 7/1/24        | 1,080,000   | 1,359,056              |
| LUKOIL International Finance BV, Bonds            | 6.356% | 6/7/17        | 310,000     | 323,659 <sup>(b)</sup> |
| LUKOIL International Finance BV, Senior Notes     | 3.416% | 4/24/18       | 300,000     | 280,875 <sup>(a)</sup> |
| LUKOIL International Finance BV, Senior Notes     | 4.563% | 4/24/23       | 200,000     | 179,500 <sup>(a)</sup> |
| Marathon Petroleum Corp., Senior Notes            | 3.625% | 9/15/24       | 340,000     | 332,812                |
| MEG Energy Corp., Senior Notes                    | 6.375% | 1/30/23       | 600,000     | 605,250 <sup>(a)</sup> |
| Murray Energy Corp., Senior Secured Notes         | 8.625% | 6/15/21       | 350,000     | 362,250 <sup>(a)</sup> |
| Noble Energy Inc., Senior Notes                   | 6.000% | 3/1/41        | 390,000     | 449,703                |
| Noble Energy Inc., Senior Notes                   | 5.250% | 11/15/43      | 150,000     | 158,229                |
| Pemex Project Funding Master Trust, Senior Bonds  | 6.625% | 6/15/35       | 2,635,000   | 3,057,918              |
| Petrobras Global Finance BV, Senior Notes         | 4.875% | 3/17/20       | 140,000     | 141,849                |
| Petrobras Global Finance BV, Senior Notes         | 7.250% | 3/17/44       | 280,000     | 302,579                |
| Petrobras International Finance Co., Global Notes | 5.875% | 3/1/18        | 879,000     | 948,881                |
| Petrobras International Finance Co., Senior Notes | 6.750% | 1/27/41       | 525,000     | 539,175                |
| Petroleos Mexicanos, Notes                        | 6.375% | 1/23/45       | 380,000     | 429,704 <sup>(a)</sup> |
| Phillips 66, Senior Notes                         | 5.875% | 5/1/42        | 160,000     | 189,603                |
| Plains Exploration & Production Co., Senior Notes | 6.875% | 2/15/23       | 267,000     | 303,045                |
| Shell International Finance BV, Senior Notes      | 6.375% | 12/15/38      | 250,000     | 327,796                |

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|   |        |         |         |                        |
|---|--------|---------|---------|------------------------|
| Sinopec Group Overseas Development Ltd., Senior Notes | 4.375% | 4/10/24 | 490,000 | 502,948 <sup>(a)</sup> |
| Transcontinental Gas Pipe Line Co. LLC, Senior Notes  | 5.400% | 8/15/41 | 310,000 | 339,178                |
| Transcontinental Gas Pipe Line Co. LLC, Senior Notes  | 4.450% | 8/1/42  | 450,000 | 435,721                |
| Williams Cos. Inc., Debentures                        | 7.500% | 1/15/31 | 47,000  | 54,502                 |
| Williams Cos. Inc., Senior Notes                      | 4.550% | 6/24/24 | 680,000 | 672,705                |
| Williams Cos. Inc., Senior Notes                      | 7.750% | 6/15/31 | 37,000  | 44,539                 |
| Williams Cos. Inc., Senior Notes                      | 8.750% | 3/15/32 | 610,000 | 774,086                |
| <i>Total Oil, Gas &amp; Consumable Fuels</i>          |        |         |         | 22,552,803             |
| <b>TOTAL ENERGY</b>                                   |        |         |         | 23,001,785             |

See Notes to Schedule of Investments.

## WESTERN ASSET INCOME FUND

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

September 30, 2014

| SECURITY  | RATE    | MATURITY DATE | FACE AMOUNT | VALUE                        |
|---|---------|---------------|-------------|------------------------------|
| <b>FINANCIALS - 38.2%</b>   |         |               |             |                              |
| <b>Banks - 19.6%</b>  |         |               |             |                              |
| Bank of America Corp., Junior Subordinated                                    | 6.250%  | 9/5/24        | \$ 590,000  | \$ 586,128 <sup>(c)(d)</sup> |
| Bank of America Corp., Senior Notes   | 6.500%  | 8/1/16        | 70,000      | 76,401                       |
| Bank of America Corp., Senior Notes   | 7.625%  | 6/1/19        | 70,000      | 84,564                       |
| Bank of America Corp., Senior Notes   | 5.625%  | 7/1/20        | 30,000      | 33,876                       |
| Bank of America Corp., Senior Notes   | 5.875%  | 2/7/42        | 320,000     | 383,427                      |
| Bank of America Corp., Senior Notes   | 4.875%  | 4/1/44        | 840,000     | 870,971                      |
| Barclays Bank PLC, Subordinated Notes   | 10.179% | 6/12/21       | 240,000     | 326,357 <sup>(a)</sup>       |
| BPCE SA, Subordinated Notes   | 5.150%  | 7/21/24       | 410,000     | 422,510 <sup>(a)</sup>       |
| CIT Group Inc., Senior Notes  | 5.000%  | 8/1/23        | 200,000     | 198,500                      |
| Citigroup Inc., Junior Subordinated Bonds                                     | 6.300%  | 5/15/24       | 280,000     | 276,528 <sup>(c)(d)</sup>    |
| Citigroup Inc., Junior Subordinated Notes                                     | 5.950%  | 1/30/23       | 200,000     | 199,938 <sup>(c)(d)</sup>    |
| Citigroup Inc., Senior Notes  | 5.500%  | 10/15/14      | 120,000     | 120,223                      |
| Citigroup Inc., Senior Notes  | 6.010%  | 1/15/15       | 142,000     | 144,238                      |
| Citigroup Inc., Senior Notes  | 8.500%  | 5/22/19       | 1,280,000   | 1,599,958                    |
| Citigroup Inc., Senior Notes  | 8.125%  | 7/15/39       | 450,000     | 666,825                      |
| Citigroup Inc., Senior Notes  | 5.875%  | 1/30/42       | 240,000     | 289,253                      |
| Citigroup Inc., Subordinated Notes  | 5.500%  | 9/13/25       | 750,000     | 816,757                      |
| Citigroup Inc., Subordinated Notes  | 6.125%  | 8/25/36       | 550,000     | 630,611                      |
| Citigroup Inc., Subordinated Notes  | 6.675%  | 9/13/43       | 370,000     | 453,487                      |
| Cooperatieve Centrale Raiffeisen-Boerenleenbank BA, Junior Subordinated Notes | 11.000% | 6/30/19       | 708,000     | 936,330 <sup>(a)(c)(d)</sup> |
| Cooperatieve Centrale Raiffeisen-Boerenleenbank BA, Senior Notes              | 5.250%  | 5/24/41       | 570,000     | 639,358                      |
| Cooperatieve Centrale Raiffeisen-Boerenleenbank BA, Subordinated Notes        | 5.750%  | 12/1/43       | 450,000     | 510,973                      |
| Credit Agricole SA, Subordinated Notes  | 8.375%  | 10/13/19      | 560,000     | 648,200 <sup>(a)(c)(d)</sup> |
| HSBC Finance Capital Trust IX, Junior Subordinated Notes                      | 5.911%  | 11/30/35      | 1,350,000   | 1,388,812 <sup>(c)</sup>     |
| HSBC Holdings PLC, Junior Subordinated Bonds                                  | 6.375%  | 9/17/24       | 1,430,000   | 1,428,212 <sup>(c)(d)</sup>  |
| HSBC Holdings PLC, Subordinated Notes   | 5.250%  | 3/14/44       | 410,000     | 435,279                      |
| ING Bank NV, Subordinated Notes   | 5.800%  | 9/25/23       | 600,000     | 660,909 <sup>(a)</sup>       |
| Intesa Sanpaolo SpA, Senior Notes   | 3.625%  | 8/12/15       | 1,240,000   | 1,266,874 <sup>(a)</sup>     |
| Intesa Sanpaolo SpA, Subordinated Bonds                                       | 5.017%  | 6/26/24       | 250,000     | 243,584 <sup>(a)</sup>       |
| JPMorgan Chase & Co., Junior Subordinated Bonds                               | 5.150%  | 5/1/23        | 410,000     | 390,525 <sup>(c)(d)</sup>    |
| JPMorgan Chase & Co., Junior Subordinated Bonds                               | 6.000%  | 8/1/23        | 260,000     | 255,775 <sup>(c)(d)</sup>    |
| JPMorgan Chase & Co., Junior Subordinated Bonds                               | 6.125%  | 4/30/24       | 290,000     | 286,955 <sup>(c)(d)</sup>    |
| JPMorgan Chase & Co., Subordinated Notes                                      | 6.125%  | 6/27/17       | 720,000     | 802,591                      |
| JPMorgan Chase & Co., Subordinated Notes                                      | 5.625%  | 8/16/43       | 440,000     | 487,583                      |
| M&T Bank Corp., Junior Subordinated Bonds                                     | 6.875%  | 6/15/16       | 880,000     | 896,121 <sup>(d)</sup>       |
| Royal Bank of Scotland Group PLC, Junior Subordinated Bonds                   | 7.648%  | 9/30/31       | 1,360,000   | 1,591,200 <sup>(c)(d)</sup>  |
| Royal Bank of Scotland Group PLC, Subordinated Notes                          | 5.000%  | 10/1/14       | 580,000     | 580,000                      |
| Royal Bank of Scotland Group PLC, Subordinated Notes                          | 5.050%  | 1/8/15        | 170,000     | 171,615                      |
| Royal Bank of Scotland Group PLC, Subordinated Notes                          | 6.125%  | 12/15/22      | 310,000     | 328,116                      |
| Royal Bank of Scotland Group PLC, Subordinated Notes                          | 6.100%  | 6/10/23       | 1,010,000   | 1,066,453                    |
| Royal Bank of Scotland Group PLC, Subordinated Notes                          | 6.000%  | 12/19/23      | 350,000     | 366,919                      |
| Royal Bank of Scotland NV, Subordinated Notes                                 | 7.750%  | 5/15/23       | 480,000     | 551,455                      |
| Societe Generale SA, Junior Subordinated Notes                                | 6.000%  | 1/27/20       | 960,000     | 878,400 <sup>(a)(c)(d)</sup> |
| Standard Chartered PLC, Subordinated Notes                                    | 5.700%  | 3/26/44       | 410,000     | 433,280 <sup>(a)</sup>       |
| Wachovia Capital Trust III, Junior Subordinated Bonds                         | 5.570%  | 11/21/14      | 1,190,000   | 1,152,812 <sup>(c)(d)</sup>  |
| Wells Fargo & Co., Junior Subordinated Bonds                                  | 5.900%  | 6/15/24       | 370,000     | 376,937 <sup>(c)(d)</sup>    |
| Wells Fargo & Co., Subordinated Notes   | 5.375%  | 11/2/43       | 430,000     | 469,658                      |



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|   |        |          |         |                   |
|---|--------|----------|---------|-------------------|
| Wells Fargo Capital X, Capital Securities | 5.950% | 12/15/36 | 130,000 | 133,575           |
| <i>Total Banks</i>                        |        |          |         | <i>27,559,053</i> |

**See Notes to Schedule of Investments.**

## WESTERN ASSET INCOME FUND

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

September 30, 2014

| SECURITY  | RATE   | MATURITY DATE | FACE AMOUNT  | VALUE                             |
|---|--------|---------------|--------------|-----------------------------------|
| <b>Capital Markets - 5.7%</b>                             |        |               |              |                                   |
| Credit Suisse Group AG, Junior Subordinated Notes         | 6.250% | 12/18/24      | \$ 1,170,000 | \$ 1,131,975 <sup>(a)(c)(d)</sup> |
| Goldman Sachs Group Inc., Senior Notes                    | 5.375% | 3/15/20       | 270,000      | 300,610                           |
| Goldman Sachs Group Inc., Senior Notes                    | 5.250% | 7/27/21       | 510,000      | 565,387                           |
| Goldman Sachs Group Inc., Senior Notes                    | 6.250% | 2/1/41        | 570,000      | 690,397                           |
| Goldman Sachs Group Inc., Subordinated Notes              | 6.750% | 10/1/37       | 640,000      | 764,024                           |
| KKR Group Finance Co. III LLC, Senior Bonds               | 5.125% | 6/1/44        | 620,000      | 644,030 <sup>(a)</sup>            |
| Merrill Lynch & Co. Inc., Senior Notes                    | 6.400% | 8/28/17       | 300,000      | 337,469                           |
| Merrill Lynch & Co. Inc., Subordinated Notes              | 5.700% | 5/2/17        | 1,000,000    | 1,096,463                         |
| Merrill Lynch & Co. Inc., Subordinated Notes              | 6.110% | 1/29/37       | 320,000      | 366,286                           |
| Merrill Lynch & Co. Inc., Subordinated Notes              | 7.750% | 5/14/38       | 900,000      | 1,216,142                         |
| Morgan Stanley, Medium-Term Notes                         | 6.625% | 4/1/18        | 100,000      | 114,522                           |
| Morgan Stanley, Senior Notes                              | 5.500% | 7/24/20       | 100,000      | 112,505                           |
| Morgan Stanley, Senior Notes                              | 6.375% | 7/24/42       | 90,000       | 112,368                           |
| Morgan Stanley, Subordinated Notes                        | 5.000% | 11/24/25      | 230,000      | 240,536                           |
| UBS AG Stamford CT, Subordinated Notes                    | 7.625% | 8/17/22       | 340,000      | 394,997                           |
| <i>Total Capital Markets</i>                              |        |               |              | 8,087,711                         |
| <b>Consumer Finance - 2.5%</b>                            |        |               |              |                                   |
| Ally Financial Inc., Subordinated Notes                   | 8.000% | 12/31/18      | 201,000      | 228,135                           |
| American Express Co., Subordinated Debentures             | 6.800% | 9/1/66        | 370,000      | 394,975 <sup>(c)</sup>            |
| Capital One Financial Corp., Senior Notes                 | 6.750% | 9/15/17       | 230,000      | 262,537                           |
| HSBC Finance Corp., Senior Notes                          | 6.676% | 1/15/21       | 1,300,000    | 1,523,963                         |
| SLM Corp., Senior Notes                                   | 7.250% | 1/25/22       | 830,000      | 900,550                           |
| SLM Corp., Senior Notes                                   | 6.125% | 3/25/24       | 290,000      | 282,750                           |
| <i>Total Consumer Finance</i>                             |        |               |              | 3,592,910                         |
| <b>Diversified Financial Services - 6.3%</b>              |        |               |              |                                   |
| Beaver Valley Funding Corp., Senior Secured Bonds         | 9.000% | 6/1/17        | 20,000       | 21,196                            |
| Carlyle Holdings II Finance LLC, Senior Secured Notes     | 5.625% | 3/30/43       | 220,000      | 247,499 <sup>(a)</sup>            |
| CME Group Inc., Senior Notes                              | 5.300% | 9/15/43       | 440,000      | 503,573                           |
| General Electric Capital Corp., Junior Subordinated Bonds | 6.250% | 12/15/22      | 600,000      | 646,500 <sup>(c)(d)</sup>         |
| General Electric Capital Corp., Notes                     | 5.300% | 2/11/21       | 480,000      | 540,982                           |
| General Electric Capital Corp., Senior Notes              | 6.875% | 1/10/39       | 440,000      | 592,190                           |
| General Electric Capital Corp., Subordinated Debentures   | 6.375% | 11/15/67      | 750,000      | 811,875 <sup>(c)</sup>            |
| ILFC E-Capital Trust I, Junior Subordinated Notes         | 4.840% | 12/21/65      | 470,000      | 442,975 <sup>(a)(c)</sup>         |
| ILFC E-Capital Trust II, Bonds                            | 6.250% | 12/21/65      | 790,000      | 774,200 <sup>(a)(c)</sup>         |
| International Lease Finance Corp., Senior Notes           | 8.750% | 3/15/17       | 190,000      | 211,850                           |
| International Lease Finance Corp., Senior Notes           | 8.875% | 9/1/17        | 470,000      | 533,450                           |
| International Lease Finance Corp., Senior Notes           | 6.250% | 5/15/19       | 130,000      | 139,295                           |
| International Lease Finance Corp., Senior Notes           | 8.250% | 12/15/20      | 190,000      | 224,437                           |
| International Lease Finance Corp., Senior Secured Notes   | 7.125% | 9/1/18        | 700,000      | 787,500 <sup>(a)</sup>            |
| Voya Financial Inc., Senior Notes                         | 5.500% | 7/15/22       | 760,000      | 856,788                           |
| ZFS Finance USA Trust II, Bonds                           | 6.450% | 12/15/65      | 1,440,000    | 1,540,800 <sup>(a)(c)</sup>       |
| <i>Total Diversified Financial Services</i>               |        |               |              | 8,875,110                         |
| <b>Insurance - 3.7%</b>                                   |        |               |              |                                   |

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|   |        |          |           |                        |
|---|--------|----------|-----------|------------------------|
| AIA Group Ltd., Senior Notes                                      | 4.875% | 3/11/44  | 400,000   | 420,015 <sup>(a)</sup> |
| Allstate Corp., Junior Subordinated Debentures                    | 6.500% | 5/15/57  | 480,000   | 526,800 <sup>(c)</sup> |
| American Equity Investment Life Holding Co., Senior Notes         | 6.625% | 7/15/21  | 60,000    | 63,000                 |
| American International Group Inc., Junior Subordinated Debentures | 6.250% | 3/15/37  | 80,000    | 89,589                 |
| American International Group Inc., Senior Notes                   | 6.400% | 12/15/20 | 90,000    | 107,074                |
| AXA SA, Subordinated Bonds  | 8.600% | 12/15/30 | 200,000   | 269,000                |
| Delphi Financial Group Inc., Senior Notes                         | 7.875% | 1/31/20  | 170,000   | 203,502                |
| Fidelity & Guaranty Life Holdings Inc., Senior Notes              | 6.375% | 4/1/21   | 190,000   | 199,025 <sup>(a)</sup> |
| Liberty Mutual Group Inc., Junior Subordinated Bonds              | 7.800% | 3/15/37  | 190,000   | 223,487 <sup>(a)</sup> |
| Liberty Mutual Insurance Co., Subordinated Notes                  | 7.875% | 10/15/26 | 490,000   | 604,764 <sup>(a)</sup> |
| MetLife Inc., Junior Subordinated Debentures                      | 6.400% | 12/15/36 | 1,150,000 | 1,282,250              |

See Notes to Schedule of Investments.

## WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

September 30, 2014

| SECURITY  | RATE   | MATURITY DATE | FACE AMOUNT | VALUE                     |
|---|--------|---------------|-------------|---------------------------|
| <b>Insurance - (continued)</b>  |        |               |             |                           |
| Prudential Financial Inc., Junior Subordinated Debentures                                   | 8.875% | 6/15/38       | \$ 340,000  | \$ 410,125 <sup>(c)</sup> |
| Prudential Holdings LLC, Bonds, AGM-Insured   | 7.245% | 12/18/23      | 260,000     | 319,452 <sup>(a)</sup>    |
| Teachers Insurance & Annuity Association of America - College Retirement Equity Fund, Notes | 6.850% | 12/16/39      | 400,000     | 515,322 <sup>(a)</sup>    |
| <i>Total Insurance</i>  |        |               |             | 5,233,405                 |
| <b>Real Estate Investment Trusts (REITs) - 0.1%</b>   |        |               |             |                           |
| Health Care REIT Inc., Senior Notes   | 5.875% | 5/15/15       | 130,000     | 134,225                   |
| <b>Real Estate Management &amp; Development - 0.3%</b>                                      |        |               |             |                           |
| Security Capital Group Inc., Senior Notes   | 7.700% | 6/15/28       | 280,000     | 368,218                   |
| <b>TOTAL FINANCIALS</b>   |        |               |             | 53,850,632                |
| <b>HEALTH CARE - 1.2%</b>   |        |               |             |                           |
| <b>Biotechnology - 0.4%</b>   |        |               |             |                           |
| Amgen Inc., Senior Notes  | 5.150% | 11/15/41      | 420,000     | 443,296                   |
| Gilead Sciences Inc., Senior Notes  | 5.650% | 12/1/41       | 60,000      | 70,294                    |
| <i>Total Biotechnology</i>  |        |               |             | 513,590                   |
| <b>Health Care Providers &amp; Services - 0.7%</b>  |        |               |             |                           |
| Aetna Inc., Senior Notes  | 6.500% | 9/15/18       | 240,000     | 279,735                   |
| Catholic Health Initiatives, Secured Bonds  | 4.350% | 11/1/42       | 30,000      | 29,280                    |
| Humana Inc., Senior Notes   | 6.450% | 6/1/16        | 220,000     | 239,481                   |
| Humana Inc., Senior Notes   | 8.150% | 6/15/38       | 80,000      | 115,852                   |
| UnitedHealth Group Inc., Senior Notes   | 6.000% | 11/15/17      | 31,000      | 34,804                    |
| WellPoint Inc., Notes   | 5.875% | 6/15/17       | 290,000     | 322,349                   |
| <i>Total Health Care Providers &amp; Services</i>   |        |               |             | 1,021,501                 |
| <b>Pharmaceuticals - 0.1%</b>   |        |               |             |                           |
| Zoetis Inc., Senior Notes   | 4.700% | 2/1/43        | 160,000     | 160,879                   |
| <b>TOTAL HEALTH CARE</b>  |        |               |             | 1,695,970                 |
| <b>INDUSTRIALS - 5.9%</b>   |        |               |             |                           |
| <b>Aerospace &amp; Defense - 1.1%</b>   |        |               |             |                           |
| Esterline Technologies Corp., Senior Notes  | 7.000% | 8/1/20        | 750,000     | 795,000                   |
| Exelis Inc., Senior Notes   | 5.550% | 10/1/21       | 520,000     | 553,485                   |
| Textron Inc., Senior Notes  | 4.300% | 3/1/24        | 250,000     | 257,881                   |
| <i>Total Aerospace &amp; Defense</i>  |        |               |             | 1,606,366                 |

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**Airlines - 1.7%**

|   |        |          |         |                        |
|---|--------|----------|---------|------------------------|
| Air Canada, Pass-Through Trust, Secured Notes                         | 6.625% | 5/15/18  | 280,000 | 291,802 <sup>(a)</sup> |
| American Airlines, Pass-Through Trust, Senior Secured Bonds           | 5.600% | 7/15/20  | 300,252 | 309,259 <sup>(a)</sup> |
| Delta Air Lines Inc., Pass-Through Certificates, Secured Notes        | 8.021% | 8/10/22  | 85,199  | 99,470                 |
| Delta Air Lines Inc., Pass-Through Certificates, Senior Secured Notes | 7.750% | 12/17/19 | 190,103 | 222,421                |
| United Airlines Inc., Pass-Through Certificates                       | 6.545% | 2/2/19   | 106,288 | 117,853                |
| United Airlines Inc., Pass-Through Certificates, Secured Notes        | 9.750% | 1/15/17  | 75,549  | 85,370                 |
| United Airlines Inc., Pass-Through Certificates, Secured Notes        | 9.250% | 5/10/17  | 137,744 | 152,896                |
| United Airlines Inc., Pass-Through Certificates, Secured Notes        | 6.250% | 4/11/20  | 152,770 | 162,700                |
| United Airlines Inc., Pass-Through Certificates, Senior Secured Notes | 6.125% | 4/29/18  | 140,000 | 148,400                |
| United Airlines Inc., Pass-Through Certificates, Senior Secured Notes | 7.250% | 11/10/19 | 176,152 | 206,538                |
| United Airlines Inc., Pass-Through Certificates, Senior Secured Notes | 7.256% | 3/15/20  | 136,432 | 154,509                |
| US Airways, Pass-Through Trust, Senior Secured Bonds                  | 5.900% | 10/1/24  | 333,756 | 373,806                |

*Total Airlines*

2,325,024

**See Notes to Schedule of Investments.**

## WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

September 30, 2014

| SECURITY  | RATE    | MATURITY DATE | FACE AMOUNT | VALUE                  |
|---|---------|---------------|-------------|------------------------|
| <b>Commercial Services &amp; Supplies - 1.0%</b>  |         |               |             |                        |
| Republic Services Inc., Senior Notes  | 5.500%  | 9/15/19       | \$ 130,000  | \$ 147,951             |
| Republic Services Inc., Senior Notes  | 5.250%  | 11/15/21      | 330,000     | 373,912                |
| Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes                       | 5.250%  | 4/15/21       | 600,000     | 585,000 <sup>(a)</sup> |
| Waste Management Inc., Senior Notes   | 7.750%  | 5/15/32       | 250,000     | 356,384                |
| <i>Total Commercial Services &amp; Supplies</i>   |         |               |             | <i>1,463,247</i>       |
| <b>Industrial Conglomerates - 0.2%</b>  |         |               |             |                        |
| United Technologies Corp., Senior Notes   | 6.125%  | 2/1/19        | 200,000     | 232,863                |
| <b>Machinery - 0.8%</b>   |         |               |             |                        |
| Caterpillar Inc., Senior Notes  | 4.750%  | 5/15/64       | 220,000     | 228,413                |
| Valmont Industries Inc., Senior Notes   | 6.625%  | 4/20/20       | 790,000     | 930,709                |
| <i>Total Machinery</i>  |         |               |             | <i>1,159,122</i>       |
| <b>Marine - 0.2%</b>  |         |               |             |                        |
| Horizon Lines LLC, Senior Secured Notes   | 11.000% | 10/15/16      | 286,000     | 286,715                |
| <b>Road &amp; Rail - 0.4%</b>   |         |               |             |                        |
| Burlington Northern Santa Fe LLC, Senior Notes  | 4.900%  | 4/1/44        | 460,000     | 484,356                |
| <b>Trading Companies &amp; Distributors - 0.5%</b>  |         |               |             |                        |
| AerCap Ireland Capital Ltd./AerCap Global Aviation Trust, Senior Notes                        | 3.750%  | 5/15/19       | 760,000     | 737,200 <sup>(a)</sup> |
| <b>TOTAL INDUSTRIALS</b>  |         |               |             | <b>8,294,893</b>       |
| <b>INFORMATION TECHNOLOGY - 0.9%</b>  |         |               |             |                        |
| <b>Electronic Equipment, Instruments &amp; Components - 0.2%</b>                              |         |               |             |                        |
| Interface Security Systems Holdings Inc./Interface Security Systems LLC, Senior Secured Notes | 9.250%  | 1/15/18       | 290,000     | 297,250                |
| <b>IT Services - 0.4%</b>   |         |               |             |                        |
| Electronic Data Systems Corp., Notes  | 7.450%  | 10/15/29      | 420,000     | 519,834                |
| <b>Semiconductors &amp; Semiconductor Equipment - 0.1%</b>                                    |         |               |             |                        |
| National Semiconductor Corp., Senior Notes  | 6.600%  | 6/15/17       | 110,000     | 125,456                |
| <b>Technology Hardware, Storage &amp; Peripherals - 0.2%</b>                                  |         |               |             |                        |
| Hewlett-Packard Co., Senior Notes   | 4.650%  | 12/9/21       | 310,000     | 335,778                |
| <b>TOTAL INFORMATION TECHNOLOGY</b>   |         |               |             | <b>1,278,318</b>       |
| <b>MATERIALS - 5.9%</b>   |         |               |             |                        |

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**Chemicals - 0.9%**

|  |        |         |         |           |
|--|--------|---------|---------|-----------|
| Dow Chemical Co., Debentures               | 7.375% | 11/1/29 | 800,000 | 1,054,182 |
| Ecolab Inc., Senior Notes                  | 5.500% | 12/8/41 | 140,000 | 160,277   |
| LYB International Finance BV, Senior Bonds | 4.875% | 3/15/44 | 100,000 | 102,062   |

*Total Chemicals*

*1,316,521*

**Containers & Packaging - 0.2%**

|                             |        |        |         |         |
|-----------------------------|--------|--------|---------|---------|
| Rock-Tenn Co., Senior Notes | 4.450% | 3/1/19 | 230,000 | 246,273 |
|-----------------------------|--------|--------|---------|---------|

**Metals & Mining - 4.4%**

|   |        |         |         |         |
|---|--------|---------|---------|---------|
| Alcoa Inc., Senior Notes                    | 5.125% | 10/1/24 | 320,000 | 320,416 |
| Barrick Gold Corp., Senior Notes            | 4.100% | 5/1/23  | 790,000 | 759,107 |
| BHP Billiton Finance USA Ltd., Senior Notes | 5.000% | 9/30/43 | 100,000 | 109,703 |
| Cliffs Natural Resources Inc., Senior Notes | 5.900% | 3/15/20 | 220,000 | 182,600 |
| Cliffs Natural Resources Inc., Senior Notes | 4.875% | 4/1/21  | 470,000 | 358,375 |
| Freeport-McMoRan Inc., Senior Notes         | 5.450% | 3/15/43 | 120,000 | 122,355 |
| Rio Tinto Finance USA Ltd., Senior Notes    | 9.000% | 5/1/19  | 660,000 | 845,184 |
| Southern Copper Corp., Senior Notes         | 5.375% | 4/16/20 | 150,000 | 164,261 |
| Southern Copper Corp., Senior Notes         | 5.250% | 11/8/42 | 470,000 | 444,084 |
| Steel Dynamics Inc., Senior Notes           | 6.125% | 8/15/19 | 140,000 | 147,875 |

**See Notes to Schedule of Investments.**

## WESTERN ASSET INCOME FUND

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

September 30, 2014

| SECURITY  | RATE   | MATURITY DATE | FACE AMOUNT  | VALUE                    |
|---|--------|---------------|--------------|--------------------------|
| <b>Metals &amp; Mining - (continued)</b>                |        |               |              |                          |
| Vale Overseas Ltd., Notes                               | 6.875% | 11/21/36      | \$ 1,148,000 | \$ 1,294,370             |
| Vedanta Resources PLC, Senior Notes                     | 6.750% | 6/7/16        | 310,000      | 323,594 <sup>(a)</sup>   |
| Vedanta Resources PLC, Senior Notes                     | 6.000% | 1/31/19       | 350,000      | 353,500 <sup>(a)</sup>   |
| Xstrata Finance Canada Ltd., Senior Notes               | 6.900% | 11/15/37      | 430,000      | 507,930 <sup>(a)</sup>   |
| Yamana Gold Inc., Senior Notes                          | 4.950% | 7/15/24       | 280,000      | 278,731 <sup>(a)</sup>   |
| <i>Total Metals &amp; Mining</i>                        |        |               |              | <i>6,212,085</i>         |
| <b>Paper &amp; Forest Products - 0.4%</b>               |        |               |              |                          |
| Fibria Overseas Finance Ltd., Senior Notes              | 5.250% | 5/12/24       | 200,000      | 197,250                  |
| Georgia-Pacific Corp., Senior Bonds                     | 7.375% | 12/1/25       | 250,000      | 324,875                  |
| <i>Total Paper &amp; Forest Products</i>                |        |               |              | <i>522,125</i>           |
| <b>TOTAL MATERIALS</b>                                  |        |               |              |                          |
|   |        |               |              | <b>8,297,004</b>         |
| <b>TELECOMMUNICATION SERVICES - 8.6%</b>                |        |               |              |                          |
| <b>Diversified Telecommunication Services - 7.2%</b>    |        |               |              |                          |
| AT&T Inc., Senior Notes                                 | 5.550% | 8/15/41       | 300,000      | 325,902                  |
| British Telecommunications PLC, Bonds                   | 9.625% | 12/15/30      | 330,000      | 518,191                  |
| Deutsche Telekom International Finance BV, Senior Notes | 5.750% | 3/23/16       | 160,000      | 170,952                  |
| Intelsat Jackson Holdings SA, Senior Bonds              | 5.500% | 8/1/23        | 750,000      | 716,250                  |
| Koninklijke KPN NV, Senior Notes                        | 8.375% | 10/1/30       | 200,000      | 275,920                  |
| Qwest Corp., Debentures                                 | 6.875% | 9/15/33       | 1,000,000    | 997,938                  |
| Telecom Italia Capital SA, Senior Notes                 | 7.175% | 6/18/19       | 360,000      | 406,800                  |
| Telecom Italia SpA, Senior Notes                        | 5.303% | 5/30/24       | 450,000      | 441,000 <sup>(a)</sup>   |
| Telefonica Emisiones SAU, Senior Notes                  | 3.729% | 4/27/15       | 230,000      | 233,882                  |
| Telefonica Emisiones SAU, Senior Notes                  | 7.045% | 6/20/36       | 60,000       | 76,004                   |
| Turk Telekomunikasyon AS, Senior Notes                  | 4.875% | 6/19/24       | 330,000      | 317,034 <sup>(a)</sup>   |
| TW Telecom Holdings Inc., Senior Notes                  | 5.375% | 10/1/22       | 750,000      | 806,250                  |
| Verizon Communications Inc., Senior Notes               | 5.150% | 9/15/23       | 1,790,000    | 1,982,190                |
| Verizon Communications Inc., Senior Notes               | 6.550% | 9/15/43       | 1,476,000    | 1,844,103                |
| Verizon Communications Inc., Senior Notes               | 5.012% | 8/21/54       | 1,059,000    | 1,064,027 <sup>(a)</sup> |
| <i>Total Diversified Telecommunication Services</i>     |        |               |              | <i>10,176,443</i>        |
| <b>Wireless Telecommunication Services - 1.4%</b>       |        |               |              |                          |
| America Movil SAB de CV, Senior Notes                   | 6.125% | 3/30/40       | 850,000      | 989,757                  |
| Sprint Capital Corp., Global Notes                      | 6.900% | 5/1/19        | 330,000      | 346,913                  |
| Sprint Corp., Senior Notes                              | 7.875% | 9/15/23       | 300,000      | 318,000 <sup>(a)</sup>   |
| Telefonica Europe BV, Senior Notes                      | 8.250% | 9/15/30       | 230,000      | 311,663                  |
| <i>Total Wireless Telecommunication Services</i>        |        |               |              | <i>1,966,333</i>         |
| <b>TOTAL TELECOMMUNICATION SERVICES</b>                 |        |               |              |                          |
|   |        |               |              | <b>12,142,776</b>        |



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**UTILITIES - 3.5%**

**Electric Utilities - 2.1%**

|   |        |          |         |         |
|---|--------|----------|---------|---------|
| CenterPoint Energy Houston Electric LLC, Senior Secured Bonds | 4.500% | 4/1/44   | 210,000 | 222,283 |
| Enersis SA, Notes   | 7.400% | 12/1/16  | 452,000 | 506,234 |
| FirstEnergy Corp., Notes                                      | 7.375% | 11/15/31 | 830,000 | 981,214 |
| Pacific Gas & Electric Co., First Mortgage Bonds              | 6.050% | 3/1/34   | 140,000 | 172,566 |
| PNPP II Funding Corp., Senior Bonds                           | 9.120% | 5/30/16  | 466,000 | 479,888 |
| Virginia Electric and Power Co., Senior Notes                 | 8.875% | 11/15/38 | 390,000 | 639,153 |

*Total Electric Utilities* 3,001,338

**Gas Utilities - 0.1%**

|  |        |        |         |                        |
|--|--------|--------|---------|------------------------|
| Southern Natural Gas Co., Senior Notes | 5.900% | 4/1/17 | 170,000 | 187,671 <sup>(a)</sup> |
|--|--------|--------|---------|------------------------|

**Multi-Utilities - 1.3%**

|                                       |        |         |           |           |
|---------------------------------------|--------|---------|-----------|-----------|
| CenterPoint Energy Inc., Senior Notes | 6.850% | 6/1/15  | 1,150,000 | 1,196,008 |
| Dominion Resources Inc., Senior Notes | 8.875% | 1/15/19 | 250,000   | 314,591   |

**See Notes to Schedule of Investments.**

## WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

September 30, 2014

| SECURITY  | RATE   | MATURITY DATE | FACE AMOUNT | VALUE                     |
|---|--------|---------------|-------------|---------------------------|
| <b>Multi-Utilities - (continued)</b>              |        |               |             |                           |
| DTE Energy Co., Senior Notes                      | 6.350% | 6/1/16        | \$ 260,000  | \$ 282,255                |
| <i>Total Multi-Utilities</i>                      |        |               |             | <i>1,792,854</i>          |
| <b>TOTAL UTILITIES</b>                            |        |               |             | <b>4,981,863</b>          |
| <b>TOTAL CORPORATE BONDS &amp; NOTES</b>          |        |               |             |                           |
| (Cost - \$118,053,373)                            |        |               |             | 131,108,307               |
| <b>ASSET-BACKED SECURITIES - 1.2%</b>             |        |               |             |                           |
| Countrywide Asset-Backed Certificates, 2004-6 1A1 | 0.695% | 12/25/34      | 514,490     | 487,656 <sup>(c)</sup>    |
| Dryden Senior Loan Fund, 2014-31A C               | 3.084% | 4/18/26       | 250,000     | 243,747 <sup>(a)(c)</sup> |
| Madison Park Funding Ltd., 2013-11A C             | 2.983% | 10/23/25      | 250,000     | 242,441 <sup>(a)(c)</sup> |
| Morgan Stanley Capital Inc., 2005-WMC2 M2         | 0.800% | 2/25/35       | 230,429     | 227,884 <sup>(c)</sup>    |
| SLM Student Loan Trust, 2011-A A3                 | 2.654% | 1/15/43       | 330,000     | 351,694 <sup>(a)(c)</sup> |
| Whitehorse Ltd., 2013-1A A3L                      | 3.235% | 11/24/25      | 200,000     | 195,866 <sup>(a)(c)</sup> |
| <b>TOTAL ASSET-BACKED SECURITIES</b>              |        |               |             | <b>1,749,288</b>          |
| (Cost - \$1,709,628)                              |        |               |             |                           |
| <b>COLLATERALIZED MORTGAGE OBLIGATIONS - 0.1%</b> |        |               |             |                           |
| Thornburg Mortgage Securities Trust, 2007-4 3A1   |        |               |             |                           |
| (Cost - \$99,295)                                 | 6.036% | 9/25/37       | 100,560     | 104,466 <sup>(c)</sup>    |
| <b>MUNICIPAL BONDS - 0.5%</b>                     |        |               |             |                           |
| <b>Alabama - 0.2%</b>                             |        |               |             |                           |
| Jefferson County, AL, Sewer Revenue               | 6.000% | 10/1/42       | 190,000     | 212,847                   |
| <b>California - 0.1%</b>                          |        |               |             |                           |
| University of California Revenue                  | 4.062% | 5/15/33       | 150,000     | 150,524                   |
| <b>Illinois - 0.2%</b>                            |        |               |             |                           |
| Chicago, IL, GO, Taxable Project                  | 7.781% | 1/1/35        | 10,000      | 11,951                    |
| Illinois State, GO, Build America Bonds-Taxable   | 6.725% | 4/1/35        | 310,000     | 338,337                   |
| <i>Total Illinois</i>                             |        |               |             | <i>350,288</i>            |
| <b>TOTAL MUNICIPAL BONDS</b>                      |        |               |             | <b>713,659</b>            |
| (Cost - \$696,974)                                |        |               |             |                           |
| <b>SOVEREIGN BONDS - 1.6%</b>                     |        |               |             |                           |
| <b>Canada - 0.7%</b>                              |        |               |             |                           |
| Quebec Province, Notes                            | 7.970% | 7/22/36       | 650,000     | 992,163                   |

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|   |        |         |         |                        |
|---|--------|---------|---------|------------------------|
| <b>Colombia - 0.4%</b>                        |        |         |         |                        |
| Republic of Colombia, Senior Bonds            | 5.625% | 2/26/44 | 490,000 | 539,000                |
| <b>Mexico - 0.0%</b>                          |        |         |         |                        |
| United Mexican States, Senior Notes           | 4.750% | 3/8/44  | 30,000  | 29,775                 |
| <b>Russia - 0.2%</b>                          |        |         |         |                        |
| Russian Foreign Bond - Eurobond, Senior Bonds | 7.500% | 3/31/30 | 36,990  | 41,438 <sup>(b)</sup>  |
| Russian Foreign Bond - Eurobond, Senior Bonds | 5.875% | 9/16/43 | 200,000 | 204,000 <sup>(a)</sup> |
| <i>Total Russia</i>                           |        |         |         | 245,438                |
| <b>Turkey - 0.3%</b>                          |        |         |         |                        |
| Republic of Turkey, Notes                     | 4.875% | 4/16/43 | 420,000 | 378,840                |
| <b>TOTAL SOVEREIGN BONDS</b>                  |        |         |         |                        |
| (Cost - \$1,851,513)                          |        |         |         | 2,185,216              |

See Notes to Schedule of Investments.

## WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

September 30, 2014

|  | SECURITY               | RATE   | SHARES | VALUE                    |
|--|------------------------|--------|--------|--------------------------|
| <b>PREFERRED STOCKS - 1.8%</b>               |                        |        |        |                          |
| <b>FINANCIALS - 1.8%</b>                     |                        |        |        |                          |
| <b>Banks - 0.0%</b>                          |                        |        |        |                          |
|  | U.S. Bancorp           | 5.150% | 2,117  | \$ 47,717                |
| <b>Capital Markets - 0.2%</b>                |                        |        |        |                          |
|  | State Street Corp.     | 5.900% | 10,107 | 259,244 <sup>(c)</sup>   |
| <b>Consumer Finance - 1.3%</b>               |                        |        |        |                          |
|  | GMAC Capital Trust I   | 8.125% | 67,500 | 1,796,175 <sup>(c)</sup> |
| <b>Diversified Financial Services - 0.3%</b> |                        |        |        |                          |
|  | Citigroup Capital XIII | 7.875% | 15,253 | 410,611 <sup>(c)</sup>   |
| <b>TOTAL PREFERRED STOCKS</b>                |                        |        |        |                          |
| (Cost - \$2,316,851)                         |                        |        |        | 2,513,747                |
| <b>TOTAL INVESTMENTS - 98.2%</b>             |                        |        |        |                          |
| (Cost - \$124,727,634#)                      |                        |        |        |                          |
| Other Assets in Excess of Liabilities - 1.8% |                        |        |        | 138,374,683              |
|  |                        |        |        | 2,539,337                |
| <b>TOTAL NET ASSETS - 100.0%</b>             |                        |        |        | \$ 140,914,020           |

- (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) Security is exempt from registration under Regulation S of the Securities Act of 1933. Regulation S applies to securities offerings that are made outside of the United States and do not involve direct selling efforts in the United States. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (c) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (d) Security has no maturity date. The date shown represents the next call date.

# Aggregate cost for federal income tax purposes is substantially the same.  
Abbreviations used in this schedule:

AGM Assured Guaranty Municipal Corp.

GO      General Obligation  
REIT    Real Estate Investment Trust

**See Notes to Schedule of Investments.**

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**Notes to Schedule of Investments (unaudited)**

**1. Organization and significant accounting policies**

Western Asset Income Fund (the Fund) is registered under the Investment Company Act of 1940, as amended (1940 Act), as a closed-end diversified investment company.

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

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

**(a) Investment valuation.** The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment's fair value. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund's Board of Directors.

The Board of Directors is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North American Fund Valuation Committee (the Valuation Committee). The Valuation Committee, pursuant to the policies adopted by the Board of Directors, is responsible for making fair value determinations, evaluating the effectiveness of the Fund's pricing policies, and reporting to the Board of Directors. When determining the reliability of third party pricing information for investments owned by the Fund, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer's financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts' research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Directors, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Directors quarterly.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

GAAP establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are summarized in the three broad levels listed below:

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Level 1 quoted prices in active markets for identical investments

Notes to Schedule of Investments (unaudited) (continued)

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)  
The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used in valuing the Fund's assets and liabilities carried at fair value:

| DESCRIPTION                         | ASSETS                     |   |  | TOTAL          |
|-------------------------------------|----------------------------|---|--|----------------|
|                                     | QUOTED PRICES<br>(LEVEL 1) | OTHER SIGNIFICANT<br>OBSERVABLE INPUTS<br>(LEVEL 2) | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS<br>(LEVEL 3) |                |
| Long-term investments :             |                            |   |  |                |
| Corporate bonds & notes             |                            | \$ 131,108,307                                      |  | \$ 131,108,307 |
| Asset-backed securities             |                            | 1,749,288   |  | 1,749,288      |
| Collateralized mortgage obligations |                            | 104,466   |  | 104,466        |
| Municipal bonds                     |                            | 713,659   |  | 713,659        |
| Sovereign bonds                     |                            | 2,185,216   |  | 2,185,216      |
| Preferred stocks                    | \$ 2,513,747               |   |  | 2,513,747      |
| Total investments                   | \$ 2,513,747               | \$ 135,860,936                                      |  | \$ 138,374,683 |
| Other financial instruments:        |                            |   |  |                |
| Futures contracts                   | \$ 113,881                 |   |  | \$ 113,881     |
| Total                               | \$ 2,627,628               | \$ 135,860,936                                      |  | \$ 138,488,564 |
|                                     |                            |   |  |                |
| DESCRIPTION                         | LIABILITIES                |   |  | TOTAL          |
|                                     | QUOTED PRICES<br>(LEVEL 1) | OTHER SIGNIFICANT<br>OBSERVABLE INPUTS<br>(LEVEL 2) | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS<br>(LEVEL 3) |                |
| Other financial instruments:        |                            |   |  |                |
| Futures contracts                   | \$ 40,063                  |   |  | \$ 40,063      |

See Schedule of Investments for additional detailed categorizations.

**(b) Repurchase agreements.** The Fund may enter into repurchase agreements with institutions that its investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Under the terms of a typical repurchase agreement, the Fund acquires a debt security subject to an obligation of the seller to repurchase, and of the Fund to resell, the security at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian, acting on the Fund's behalf, take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction maturity exceeds one business day, the value of the collateral is marked-to-market and measured against the value of the agreement in an effort to ensure the adequacy of the collateral. If the counterparty defaults, the Fund generally has the right to use the collateral to satisfy the terms of the repurchase transaction. However, if the market value of the collateral declines during the period in which the Fund seeks to assert its rights or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or



limited.

**(c) Futures contracts.** The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments ( variation margin ) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded.

**Notes to Schedule of Investments (unaudited) (continued)**

Futures contracts involve, to varying degrees, risk of loss. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

**(d) Credit and market risk.** The Fund invests in high-yield instruments that are subject to certain credit and market risks. The yields of high-yield obligations reflect, among other things, perceived credit and market risks. The Fund's investments in securities rated below investment grade typically involve risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading.

Investments in securities that are collateralized by residential real estate mortgages are subject to certain credit and liquidity risks. When market conditions result in an increase in default rates of the underlying mortgages and the foreclosure values of underlying real estate properties are materially below the outstanding amount of these underlying mortgages, collection of the full amount of accrued interest and principal on these investments may be doubtful. Such market conditions may significantly impair the value and liquidity of these investments and may result in a lack of correlation between their credit ratings and values.

**(e) Security transactions.** Security transactions are accounted for on a trade date basis.

**2. Investments**

At September 30, 2014, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

|                               |               |
|-------------------------------|---------------|
| Gross unrealized appreciation | \$ 14,138,033 |
| Gross unrealized depreciation | (490,984)     |
| Net unrealized appreciation   | \$ 13,647,049 |

Notes to Schedule of Investments (unaudited) (continued)

At September 30, 2014, the Fund had the following open futures contracts:

|   | Number of<br>Contracts | Expiration<br>Date | Basis<br>Value | Market<br>Value | Unrealized<br>Appreciation<br>(Depreciation) |
|---|------------------------|--------------------|----------------|-----------------|--|
| <b>Contracts to Buy:</b>                              |                        |                    |                |                 |  |
| U.S. Treasury 2-Year Notes                            | 17                     | 12/14              | \$ 3,725,243   | \$ 3,720,344    | \$ (4,899)                                   |
| U.S. Treasury 5-Year Notes                            | 149                    | 12/14              | 17,655,578     | 17,620,414      | (35,164)                                     |
| U.S. Treasury Ultra Long-Term Bonds                   | 3                      | 12/14              | 457,260        | 457,500         | 240  |
|   |                        |                    |                |                 | (39,823)                                     |
| <b>Contracts to Sell:</b>                             |                        |                    |                |                 |  |
| U.S. Treasury 10-Year Notes                           | 32                     | 12/14              | 3,998,185      | 3,988,500       | 9,685  |
| U.S. Treasury Long-Term Bonds                         | 158                    | 12/14              | 21,893,144     | 21,789,188      | 103,956                                      |
|   |                        |                    |                |                 | 113,641                                      |
| Net unrealized appreciation on open futures contracts |                        |                    |                |                 | \$ 73,818                                    |

**3. Derivative instruments and hedging activities**

GAAP requires enhanced disclosure about an entity's derivative and hedging activities.

The following is a summary of the Fund's derivative instruments categorized by risk exposure at September 30, 2014.

| Primary Underlying Risk | Futures Contracts          |                            | Total     |
|-------------------------|----------------------------|----------------------------|-----------|
|                         | Unrealized<br>Appreciation | Unrealized<br>Depreciation |           |
| Interest Rate Risk      | \$ 113,881                 | \$ (40,063)                | \$ 73,818 |

During the period ended September 30, 2014, the volume of derivative activity for the Fund was as follows:

|                             | Average Market Value |
|-----------------------------|----------------------|
| Futures contracts (to buy)  | \$ 20,931,215        |
| Futures contracts (to sell) | 25,734,661           |

**ITEM 2. CONTROLS AND PROCEDURES.**

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.
  
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

**ITEM 3. EXHIBITS.**

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached hereto.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Western Asset Income Fund

By: /s/ **KENNETH D. FULLER**  
**Kenneth D. Fuller**  
**Chief Executive Officer**

Date: November 20, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ **KENNETH D. FULLER**  
**Kenneth D. Fuller**  
**Chief Executive Officer**

Date: November 20, 2014

By: /s/ **RICHARD F. SENNETT**  
**Richard F. Sennett**  
**Principal Financial Officer**

Date: November 20, 2014