

Western Asset Mortgage Defined Opportunity Fund Inc.
Form N-CSRS
August 24, 2015
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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 811-22369

Western Asset Mortgage Defined Opportunity Fund Inc.
(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th 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: (888)777-0102

Date of fiscal year end: December 31

Date of reporting period: June 30, 2015

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ITEM 1. REPORT TO STOCKHOLDERS.

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

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Semi-Annual Report

June 30, 2015

WESTERN ASSET

MORTGAGE DEFINED OPPORTUNITY FUND
INC. (DMO)

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

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Fund objectives

The Fund's primary investment objective is to provide current income. As a secondary investment objective, the Fund will seek capital appreciation.

The Fund seeks to achieve its investment objectives by investing primarily in a diverse portfolio of mortgage-backed securities, consisting primarily of non-agency residential mortgage-backed securities and commercial mortgage-backed securities.

Letter from the chairman

Dear Shareholder,

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

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

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

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

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A host of educational resources.
We look forward to helping you meet your financial goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

August 3, 2015

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Investment commentary

Economic review

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

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

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

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Investment commentary (cont d)

Market review

Q. How did the Federal Reserve Board (Fedⁱⁱ) respond to the economic environment?

A. The Fed took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As it has since December 2008, the Fed maintained the federal funds rate^{iv} at a historically low range between zero and 0.25%. However, in October 2014 the Fed ended its asset purchase program that was announced in December 2012. In December 2014, the Fed said that it can be patient in beginning to normalize the stance of monetary policy. At its meeting that ended on April 29, 2015, the Fed said, economic growth slowed during the winter months, in part reflecting transitory factors. Finally, at its meeting that ended on July 29, 2015, after the reporting period ended, the Fed said,

The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run.

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

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

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

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

Q. How did the commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (RMBS) perform during the reporting period?

A. Both CMBS and RMBS generated modest gains during the six months ended June 30, 2015. Demand was solid overall as investors looked to generate incremental yield in the low interest rate environment. Over the six-month reporting period, CMBS, as measured by the Barclays CMBS Index^{vi}, gained 0.72%. The overall agency mortgage-backed securities market, as measured by the Barclays U.S. Mortgage-Backed Securities Index^{vii}, returned 0.31%. Elsewhere, RMBS, as measured by the BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index^{viii}, returned 0.67%.

Performance review

For the six months ended June 30, 2015, Western Asset Mortgage Defined Opportunity Fund Inc. returned 5.31% based on its net asset value (NAV^x) and 5.00% based on its New York Stock Exchange (NYSE)

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market price per share. The Fund's unmanaged benchmark, the BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index, returned 0.67% for the same period. The Lipper U.S. Mortgage Closed-End Funds Category Average^x returned 2.46% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During this six-month period, the Fund made distributions to shareholders totaling \$1.07 per share. As of June 30, 2015, the Fund estimates that all of the distributions were sourced from net investment income.* The performance table shows the Fund's six-month total return based on its NAV and market price as of June 30, 2015. **Past performance is no guarantee of future results.**

Performance Snapshot as of June 30, 2015
(unaudited)

Price Per Share	6-Month Total Return**
\$24.98 (NAV)	5.31%
\$23.96 (Market Price)	5.00%

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

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

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

Total return assumes the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

Looking for additional information?

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

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

Thank you for your investment in Western Asset Mortgage Defined Opportunity Fund Inc. As always, we appreciate that you have

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

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Investment commentary (cont d)

chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

August 3, 2015

***RISKS:** The Fund's investments are subject to liquidity risk, credit risk, inflation risk and interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund's fixed-income holdings. The Fund may invest in lower-rated high-yield bonds which are subject to greater credit risk (risk of default) than higher-rated obligations. Mortgage-backed securities are subject to additional risks, including prepayment risk, which can limit the potential gains in a declining interest rate environment. The Fund may invest in securities backed by subprime or distressed mortgages which involve a higher degree of risk and chance of loss. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss. The Fund may make significant investments in derivative instruments. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. The Fund is not guaranteed by the U.S. government, the U.S. Treasury or any government agency.*

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

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- ⁱ Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ⁱⁱ The Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the U.S. manufacturing sector.
- ⁱⁱⁱ The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- ^{iv} The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- ^v The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- ^{vi} The Barclays CMBS Index measures the performance of the commercial mortgage-backed securities market.
- ^{vii} The Barclays U.S. Mortgage-Backed Securities Index is an unmanaged index composed of agency mortgage-backed pass-through securities, both fixed-rate and hybrid adjustable rate mortgages, issued by the Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.
- ^{viii} The BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index tracks the performance of U.S. dollar-denominated investment grade floating-rate asset-backed securities collateralized by home equity loans publicly issued in the U.S. domestic market. Qualifying securities must have an investment grade rating, at least one year remaining to final stated maturity, a floating-rate coupon, and an original deal size for the collateral group of at least \$250 million.
- ^{ix} Net asset value (NAV) is calculated by subtracting total liabilities, including liabilities associated with financial leverage (if any), from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- ^x Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended June 30, 2015, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 10 funds in the Fund's Lipper category.

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Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund's investments as of June 30, 2015 and December 31, 2014. This bar graph does not include derivatives, such as futures contracts and forward foreign currency contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

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Spread duration (unaudited)

Economic exposure June 30, 2015

Total Spread Duration

DMO 4.50 years

Benchmark 4.12 years

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

ABS	Asset-Backed Securities
Benchmark	BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index
DMO	Western Asset Mortgage Defined Opportunity Fund Inc.
EM	Emerging Markets
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities

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Effective duration (unaudited)

Interest rate exposure June 30, 2015

Total Effective Duration

DMO 4.14 years

Benchmark 0.05 years

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

ABS	Asset-Backed Securities
Benchmark	BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index
DMO	Western Asset Mortgage Defined Opportunity Fund Inc.
EM	Emerging Markets
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities

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June 30, 2015

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities 99.1%				
ABFS Mortgage Loan Trust, 2002-3 M1	5.902%	9/15/33	1,259,513	\$ 1,014,558
Accredited Mortgage Loan Trust, 2003-3 A1	5.210%	1/25/34	1,174,525	1,146,901
Adjustable Rate Mortgage Trust, 2005-05 1A1	2.523%	9/25/35	319,068	248,838 (a)(b)
Adjustable Rate Mortgage Trust, 2005-07 2A21	2.641%	10/25/35	1,040,000	954,596 (a)(b)
Adjustable Rate Mortgage Trust, 2005-10 1A21	2.656%	1/25/36	382,786	332,748 (a)(b)
Adjustable Rate Mortgage Trust, 2005-12 5A1	0.437%	3/25/36	416,552	259,371 (a)(b)
AFC Home Equity Loan Trust, 2003-3 1A	0.937%	10/25/30	1,919,949	1,732,808 (a)(c)
American Home Mortgage Assets, 2005-2 2A1A	2.749%	1/25/36	1,491,973	1,017,156 (a)(b)
American Home Mortgage Assets, 2006-4 1A12	0.397%	10/25/46	2,651,768	1,852,777 (a)(b)
American Home Mortgage Investment Trust, 2005-1 6A	2.423%	6/25/45	114,261	112,541 (a)(b)
American Home Mortgage Investment Trust, 2005-SD1 1A1	0.637%	9/25/35	313,032	242,936 (a)(b)(c)
American Home Mortgage Investment Trust, 2007-2 11A1	0.417%	3/25/47	1,313,319	795,582 (a)(b)
American Home Mortgage Investment Trust, 2007-2 2A	0.987%	3/25/47	13,178,913	1,638,264 (a)
American Home Mortgage Investment Trust, 2007-A 4A	1.081%	7/25/46	2,364,035	859,797 (a)(b)(c)
Ameriquest Mortgage Securities Inc., 2002-4 M3	5.437%	2/25/33	1,950,388	1,643,144 (a)
Ameriquest Mortgage Securities Inc., 2002-D M1	3.935%	2/25/33	2,220,000	1,876,915 (a)
Argent Securities Inc., 2005-W5 A2D	0.507%	1/25/36	4,373,250	3,401,256 (a)
Argent Securities Inc., 2006-M2 A2B	0.297%	9/25/36	3,705,347	1,500,628 (a)
Argent Securities Inc., 2006-M2 A2C	0.337%	9/25/36	2,557,313	1,041,156 (a)
Argent Securities Inc., 2006-M2 A2D	0.427%	9/25/36	674,951	277,798 (a)
Argent Securities Inc., 2006-M3 A2C	0.347%	10/25/36	4,154,434	1,813,062 (a)
Asset-Backed Funding Certificates, 2005-HE1 M2	0.847%	3/25/35	2,730,567	2,180,344 (a)
Banc of America Alternative Loan Trust, 2005-9 1CB5, IO	4.913%	10/25/35	6,362,495	899,256 (a)
Banc of America Funding Corp., 2004-B 6A1	2.222%	12/20/34	561,105	398,318 (a)(b)
Banc of America Funding Corp., 2004-C 3A1	2.861%	12/20/34	829,217	772,175 (a)(b)
Banc of America Funding Corp., 2006-D 2A1	2.870%	5/20/36	148,653	110,086 (a)(b)
Banc of America Funding Corp., 2006-D 6A1	5.052%	5/20/36	1,566,184	1,277,153 (a)(b)
Banc of America Funding Corp., 2006-F 1A1	2.702%	7/20/36	725,768	712,943 (a)(b)
Banc of America Funding Corp., 2006-H 3A1	2.828%	9/20/46	159,976	129,393 (a)(b)
Banc of America Funding Corp., 2014-R5 1A2	1.829%	9/26/45	3,750,000	2,277,871 (a)(b)(c)
Banc of America Funding Corp., 2015-R4 4A3	21.172%	1/1/30	6,208,747	3,713,712 (a)(c)
Bayview Financial Acquisition Trust, 2007-A 2A	0.536%	5/28/37	1,653,650	1,290,193 (a)(b)
Bayview Financial Asset Trust, 2007-SR1A M1	0.987%	3/25/37	4,036,092	3,550,550 (a)(c)
Bayview Financial Asset Trust, 2007-SR1A M2	1.087%	3/25/37	4,913,782	4,201,775 (a)(c)
Bayview Financial Asset Trust, 2007-SR1A M3	1.337%	3/25/37	2,226,257	1,788,353 (a)(c)
Bayview Financial Asset Trust, 2007-SR1A M4	1.687%	3/25/37	480,487	362,384 (a)(c)
BCAP LLC Trust, 2009-RR4 8A2	2.776%	9/26/35	2,438,994	1,946,344 (a)(b)(c)
BCAP LLC Trust, 2010-RR06 4A13	2.793%	9/26/35	2,000,580	1,570,904 (a)(b)(c)

See Notes to Financial Statements.

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Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
BCAP LLC Trust, 2010-RR6 1212	5.500%	2/26/35	2,154,171	\$ 2,155,974 ^(c)
Bear Stearns Alt-A Trust, 2005-2 2A4	2.521%	4/25/35	191,906	184,086 ^{(a)(b)}
Bear Stearns Alt-A Trust, 2005-3 4A3	2.424%	4/25/35	376,030	364,761 ^{(a)(b)}
Bear Stearns Alt-A Trust, 2005-9 25A1	2.465%	11/25/35	496,257	391,555 ^{(a)(b)}
Bear Stearns Alt-A Trust, 2006-2 23A1	2.646%	3/25/36	1,784,317	1,381,099 ^{(a)(b)}
Bear Stearns Asset Backed Securities I Trust, 2004-BO1 M9B	4.187%	10/25/34	449,187	424,356 ^(a)
Bear Stearns Asset-Backed Securities I Trust, 2005-CL1 A1	0.634%	9/25/34	137,848	127,845 ^(a)
Bear Stearns Asset-Backed Securities Trust, 2003-SD2 1A	3.714%	6/25/43	80,225	79,246 ^(a)
Bear Stearns Mortgage Funding Trust, 2007-AR5 2A1	0.367%	6/25/37	2,191,370	1,878,228 ^{(a)(b)}
Centex Home Equity Loan Trust, 2004-D MV1	0.807%	9/25/34	1,354,017	1,230,208 ^(a)
Chase Mortgage Finance Corp., 2006-S3 2A1	5.500%	11/25/21	287,013	240,930 ^(b)
Chaseflex Trust, 2005-2 3A3, IO	5.313%	6/25/35	14,548,099	2,283,040 ^(a)
Chevy Chase Mortgage Funding Corp., 2006-2A A1	0.317%	4/25/47	257,911	200,699 ^{(a)(b)(c)}
Citicorp Mortgage Securities Inc., 2007-8 B1	5.944%	9/25/37	4,498,052	2,299,548 ^{(a)(b)}
Citigroup Mortgage Loan Trust Inc., 2003-HE4 A	0.597%	12/25/33	2,267	2,272 ^{(a)(c)}
Citigroup Mortgage Loan Trust Inc., 2004-HYB3 1A	2.634%	9/25/34	176,263	176,052 ^{(a)(b)}
Citigroup Mortgage Loan Trust Inc., 2004-UST1 A2	1.466%	8/25/34	85,524	83,867 ^{(a)(b)}
Citigroup Mortgage Loan Trust Inc., 2005-05	2.027%	8/25/35	288,126	237,422 ^{(a)(b)}
Citigroup Mortgage Loan Trust Inc., 2005-10 1A1A	2.714%	12/25/35	347,681	307,018 ^{(a)(b)}
Citigroup Mortgage Loan Trust Inc., 2006-AR5 2A1A	2.748%	7/25/36	508,624	332,313 ^{(a)(b)}
Citigroup Mortgage Loan Trust Inc., 2007-06 1A1A	2.212%	3/25/37	501,314	374,281 ^{(a)(b)}
Citigroup Mortgage Loan Trust Inc., 2007-AR8 1A1A	2.234%	8/25/47	527,005	459,102 ^{(a)(b)}
Citigroup Mortgage Loan Trust Inc., 2014-6 3A3	3.501%	11/25/35	3,795,004	2,304,706 ^{(a)(b)(c)}
Connecticut Avenue Securities, 2013-C01 M2	5.437%	10/25/23	1,260,000	1,371,194 ^{(a)(b)}
Connecticut Avenue Securities, 2014-C03 1M2	3.187%	7/25/24	3,750,000	3,485,874 ^{(a)(b)}
Countrywide Alternative Loan Trust, 2003-20CB M	5.585%	10/25/33	3,006,962	2,235,081 ^(a)
Countrywide Alternative Loan Trust, 2005-03CB 1A6, IO	6.963%	3/25/35	682,359	102,332 ^(a)
Countrywide Alternative Loan Trust, 2005-07CB 1A3, IO	6.413%	4/25/35	1,513,767	96,983 ^(a)
Countrywide Alternative Loan Trust, 2005-11CB 3A3, IO	4.813%	6/25/35	3,993,902	481,738 ^(a)
Countrywide Alternative Loan Trust, 2005-14 3A1	2.305%	5/25/35	409,169	295,755 ^{(a)(b)}
Countrywide Alternative Loan Trust, 2005-36 4A1	2.425%	8/25/35	1,023,742	935,277 ^{(a)(b)}
Countrywide Alternative Loan Trust, 2005-50CB 1A1	5.500%	11/25/35	562,115	545,112 ^(b)
Countrywide Alternative Loan Trust, 2005-J10 1A1	0.687%	10/25/35	231,014	182,584 ^{(a)(b)}
Countrywide Alternative Loan Trust, 2006-39CB 1A7, IO	5.213%	1/25/37	20,495,724	3,396,141 ^(a)
Countrywide Alternative Loan Trust, 2006-HY10 1A1	2.087%	5/25/36	762,427	606,145 ^{(a)(b)}
Countrywide Alternative Loan Trust, 2006-J8 A5	6.000%	2/25/37	163,639	128,514 ^(b)
Countrywide Alternative Loan Trust, 2007-23CB A4, IO	6.313%	9/25/37	11,097,087	3,074,609 ^(a)
Countrywide Alternative Loan Trust, 2007-3T1 2A1	6.000%	3/25/27	506,131	497,865 ^(b)

See Notes to Financial Statements.

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June 30, 2015

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
Countrywide Asset-Backed Certificates, 2006-S3 A2	6.085%	6/25/21	53,545	\$ 143,280 (b)
Countrywide Asset-Backed Certificates, 2006-S7 A3	5.712%	11/25/35	532,687	521,732 (a)(b)
Countrywide Asset-Backed Certificates, 2006-S9 A3	5.728%	8/25/36	195,902	196,596 (a)(b)
Countrywide Asset-Backed Certificates, 2006-SD3 A1	0.517%	7/25/36	1,695,349	1,409,874 (a)(c)
Countrywide Asset-Backed Certificates, 2007-8 M1	0.457%	11/25/37	5,144,577	1,299,687 (a)
Countrywide Asset-Backed Certificates, 2007-SE1 1A1	0.737%	5/25/47	1,096,878	731,594 (a)(c)
Countrywide Home Equity Loan Trust, 2004-B 1A	0.406%	2/15/29	921,029	805,742 (a)(b)
Countrywide Home Equity Loan Trust, 2004-E 2A	0.446%	6/15/29	7,074	6,848 (a)
Countrywide Home Equity Loan Trust, 2004-L 2A	0.466%	2/15/34	103,149	87,526 (a)(b)
Countrywide Home Equity Loan Trust, 2005-E 2A	0.406%	11/15/35	186,681	162,674 (a)(b)
Countrywide Home Loans, 2004-16 1A3A	0.947%	9/25/34	1,339,849	1,223,566 (a)(b)
Countrywide Home Loans, 2005-11 3A3	2.450%	4/25/35	857,146	636,901 (a)(b)
Countrywide Home Loans, 2005-11 6A1	0.787%	3/25/35	77,967	70,497 (a)(b)
Countrywide Home Loans, 2005-18 A7	19.011%	10/25/35	40,073	53,987 (a)(b)
Countrywide Home Loans, 2005-HYB7 1A1	2.890%	11/20/35	1,059,538	902,732 (a)(b)
Countrywide Home Loans, 2005-HYB9 1A1	2.319%	2/20/36	285,606	244,253 (a)(b)
Countrywide Home Loans, 2005-R2 1AF2	0.527%	6/25/35	1,163,539	924,156 (a)(c)
Countrywide Home Loans, 2006-HYB4 3B	2.665%	6/20/36	1,454,763	1,241,294 (a)(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2004-23 A	2.420%	11/25/34	291,177	252,302 (a)(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-02 2A1	0.507%	3/25/35	178,744	171,961 (a)(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-09 1A1	0.487%	5/25/35	184,663	159,250 (a)(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-HY10 1A1	2.942%	2/20/36	325,245	277,873 (a)(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-HYB6 1A1	2.458%	10/20/35	1,237,959	1,040,424 (a)(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-R1 1AF1	0.547%	3/25/35	631,566	566,513 (a)(c)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-R2 2A3	8.000%	6/25/35	140,078	158,639 (c)
Countrywide Home Loans Mortgage Pass-Through Trust, 2006-3 2A1	0.437%	3/25/36	666,299	571,717 (a)(b)
Credit Suisse First Boston Mortgage Securities Corp., 2005-10 03A3	5.500%	11/25/35	668,889	605,861 (b)
Credit Suisse Mortgage Capital Certificates, 2006-8 2A1	5.500%	10/25/21	938,075	908,350 (b)
Credit Suisse Mortgage Capital Certificates, 2009-05R 2A3	2.285%	7/26/49	3,894,872	3,096,065 (a)(b)(c)
Credit Suisse Mortgage Capital Certificates, 2009-15R 2A2	5.534%	10/26/36	4,748,792	3,494,788 (a)(b)(c)

See Notes to Financial Statements.

Table of Contents**Western Asset Mortgage Defined Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
Credit-Based Asset Servicing and Securitization LLC, 2003-RP1 M1	1.737%	3/25/33	2,257,189	\$ 2,164,371 (a)(c)
Credit-Based Asset Servicing and Securitization LLC, 2006-SL1 A3	0.625%	9/25/36	4,648,826	943,502 (a)(c)
Deutsche ALT-A Securities Inc. Mortgage Loan Trust, 2006-AR1 2A1	2.875%	2/25/36	357,699	292,326 (a)(b)
Deutsche Mortgage Securities Inc., 2006-PR1 2PO, PO	0.000%	4/15/36	76,719	68,704 (b)(c)
Deutsche Mortgage Securities Inc., 2006-PR1 4AS1, IO	8.819%	4/15/36	482,924	129,335 (a)(c)
Deutsche Mortgage Securities Inc., 2006-PR1 4AS2, IO	15.263%	4/15/36	461,543	209,515 (a)(c)
Deutsche Mortgage Securities Inc., 2006-PR1 5AS1, IO	10.752%	4/15/36	109,555	47,650 (a)(c)
Deutsche Mortgage Securities Inc., 2006-PR1 5AS3, IO	7.255%	4/15/36	402,601	133,003 (a)(c)
Downey Savings & Loan Association Mortgage Loan Trust, 2005-AR1 2A1B	0.508%	3/19/45	1,792,216	1,050,796 (a)(b)
Downey Savings & Loan Association Mortgage Loan Trust, 2005-AR2 2A1A	0.398%	3/19/45	476,821	430,974 (a)(b)
EMC Mortgage Loan Trust, 2002-AA A1	1.127%	5/25/39	134,018	128,846 (a)(c)
EMC Mortgage Loan Trust, 2006-A A1	0.635%	12/25/42	1,029,589	981,407 (a)(c)
Federal National Mortgage Association (FNMA), 2012-134, IO	5.963%	12/25/42	6,219,309	1,559,454 (a)(d)
First Horizon Alternative Mortgage Securities, 2005-AA6 3A1	2.271%	8/25/35	1,449,725	1,273,724 (a)(b)
First Horizon Alternative Mortgage Securities, 2006-FA6 2A1, PAC-11	6.250%	11/25/36	200,489	161,947 (b)
First Horizon Alternative Mortgage Securities, 2006-FA8 1A8	0.557%	2/25/37	436,591	260,146 (a)(b)
First Horizon Mortgage Pass-Through Trust, 2005-AR4 2A1	2.564%	10/25/35	796,210	702,501 (a)(b)
First Republic Mortgage Loan Trust, 2000-FRB2 A1	0.686%	11/15/30	267,428	241,015 (a)(b)
Government National Mortgage Association (GNMA), 2013-010 AI, IO	3.500%	1/20/43	3,553,470	646,561 (d)
Greenpoint Mortgage Funding Trust, 2006-AR3 4A1	0.397%	4/25/36	3,996,637	3,204,236 (a)(b)
GS Mortgage Securities Corp. II, 2000-1A A	0.887%	3/20/23	95,815	95,845 (a)(b)(c)
GSAA Home Equity Trust, 2005-11 2A2	0.507%	10/25/35	3,940,070	2,912,346 (a)(b)
GSAA Home Equity Trust, 2005-R1 1A2, IO	4.815%	4/25/35	4,235,220	506,956 (a)(c)
GSAMP Trust, 2004-SEA2 M2	1.437%	3/25/34	3,100,000	2,537,245 (a)
GSMPS Mortgage Loan Trust, 2001-2 A	7.500%	6/19/32	680,781	710,244 (a)(c)
GSMPS Mortgage Loan Trust, 2004-4 2A1	3.338%	6/25/34	273,604	259,016 (a)(c)
GSMPS Mortgage Loan Trust, 2005-LT1 A1	0.647%	2/25/35	173,009	163,225 (a)(b)(c)
GSMPS Mortgage Loan Trust, 2005-RP1 1A3	8.000%	1/25/35	163,532	174,298 (c)
GSMPS Mortgage Loan Trust, 2005-RP1 1A4	8.500%	1/25/35	110,100	119,956 (c)
GSMPS Mortgage Loan Trust, 2005-RP1 1AF	0.537%	1/25/35	328,049	277,560 (a)(b)(c)
GSMPS Mortgage Loan Trust, 2006-RP1 1A2	7.500%	1/25/36	619,768	661,456 (c)
GSMPS Mortgage Loan Trust, 2006-RP1 1A3	8.000%	1/25/36	110,072	118,541 (c)
GSR Mortgage Loan Trust, 2005-AR4 2A1	2.778%	7/25/35	461,830	422,766 (a)(b)

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Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
GSR Mortgage Loan Trust, 2005-AR5 1A1	2.822%	10/25/35	178,070	\$ 156,482 (a)(b)
GSR Mortgage Loan Trust, 2006-09F 5A2, IO	6.363%	10/25/36	801,730	134,897 (a)
GSR Mortgage Loan Trust, 2006-10F 4A2, IO	6.463%	1/25/37	1,666,526	457,745 (a)
GSRPM Mortgage Loan Trust, 2007-1 A	0.587%	10/25/46	2,225,175	1,866,950 (a)(c)
HarborView Mortgage Loan Trust, 2005-9 B5	1.187%	6/20/35	2,958,549	2,302,302 (a)
HarborView Mortgage Loan Trust, 2006-02	2.690%	2/25/36	60,892	51,145 (a)(b)
Home Equity Mortgage Trust, 2006-1 A3	0.685%	5/25/36	3,500,000	336,212 (a)
Homestar Mortgage Acceptance Corp., 2004-3 M3	1.787%	7/25/34	683,956	557,173 (a)(b)
Homestar Mortgage Acceptance Corp., 2004-6 M7	2.137%	1/25/35	1,132,859	920,869 (a)(b)
HSI Asset Loan Obligation Trust, 2007-AR1 4A1	4.852%	1/25/37	330,418	256,573 (a)(b)
Impac CMB Trust, 2004-8 1A	0.907%	10/25/34	596,506	509,613 (a)(b)
IMPAC Secured Assets Corp., 2007-1 A2	0.347%	3/25/37	726,019	581,938 (a)(b)
Indymac Home Equity Loan Asset-Backed Trust, 2001-A	0.705%	3/25/31	113,585	93,253 (a)
Indymac INDA Mortgage Loan Trust, 2005-AR2 1A1	2.683%	1/25/36	171,793	158,985 (a)(b)
Indymac INDB Mortgage Loan Trust, 2005-1 A1	0.487%	11/25/35	1,835,354	1,112,232 (a)
Indymac Index Mortgage Loan Trust, 2004-AR13 1A1	2.531%	1/25/35	130,117	122,408 (a)(b)
Indymac Index Mortgage Loan Trust, 2004-AR15 1A1	2.910%	2/25/35	197,196	172,994 (a)(b)
Indymac Index Mortgage Loan Trust, 2005-AR15 A2	4.534%	9/25/35	143,019	122,954 (a)(b)
Indymac Index Mortgage Loan Trust, 2006-AR07 5A1	2.719%	5/25/36	600,141	492,836 (a)(b)
Indymac Index Mortgage Loan Trust, 2006-AR09 3A3	4.274%	6/25/36	829,065	774,075 (a)(b)
Indymac Index Mortgage Loan Trust, 2006-AR11 1A1	2.872%	6/25/36	599,290	458,273 (a)(b)
Indymac Index Mortgage Loan Trust, 2006-AR25 4A3	2.609%	9/25/36	2,610,802	1,559,085 (a)(b)
Indymac Index Mortgage Loan Trust, 2007-AR05 2A1	2.751%	5/25/37	2,802,683	2,218,887 (a)(b)
Indymac Index Mortgage Loan Trust, 2007-AR07 2A1	2.223%	6/25/37	317,187	252,102 (a)(b)
Irwin Home Equity, 2005-C 1M4	6.750%	4/25/30	608,152	616,638
Jefferies & Co., 2009-R6 6A2	2.681%	10/26/35	2,981,788	2,619,656 (a)(b)(c)
JPMorgan Alternative Loan Trust, 2006-A4 A7	3.640%	9/25/36	1,033,662	703,865 (a)(b)
JPMorgan Alternative Loan Trust, 2006-S1 3A4	6.180%	3/25/36	1,284,106	926,808 (a)(b)
JPMorgan Alternative Loan Trust, 2007-A1 3A1	2.525%	3/25/37	785,961	618,698 (a)
JPMorgan Mortgage Trust, 2005-S3 1A1	6.500%	1/25/36	1,406,530	1,265,699 (b)
JPMorgan Mortgage Trust, 2007-S2 3A2	6.000%	6/25/37	193,325	184,806 (b)
JPMorgan Mortgage Trust, 2007-S2 3A3	6.500%	6/25/37	56,780	55,955 (b)
Lehman ABS Corp. Home Equity Loan Trust, 2004-2 A	0.627%	6/25/34	104,678	99,699 (a)
Lehman Mortgage Trust, 2006-3 1A7, IO	5.213%	7/25/36	10,590,853	2,423,833 (a)
Lehman Mortgage Trust, 2006-3 2A1	0.547%	7/25/36	4,187,811	1,414,594 (a)
Lehman Mortgage Trust, 2006-3 2A2, IO	6.953%	7/25/36	4,728,672	1,525,510 (a)
Lehman Mortgage Trust, 2006-7 1A3, IO	5.163%	11/25/36	10,253,410	1,976,663 (a)
Lehman Mortgage Trust, 2006-7 3A2, IO	6.963%	11/25/36	7,852,885	2,787,460 (a)

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Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
Lehman Mortgage Trust, 2007-1 2A3, IO	6.443%	2/25/37	13,021,777	\$ 4,528,206 ^(a)
Lehman XS Trust, 2005-9N 1A1	0.457%	2/25/36	1,599,186	1,353,784 ^{(a)(b)}
Lehman XS Trust, 2006-14N 3A2	0.307%	8/25/36	2,892,721	2,251,405 ^{(a)(b)}
Lehman XS Trust, 2006-19 A4	0.357%	12/25/36	1,262,034	871,973 ^{(a)(b)}
Lehman XS Trust, 2007-4N 1A2A	0.347%	3/25/47	4,439,757	3,610,539 ^{(a)(b)}
Lehman XS Trust, 2007-8H A1	0.317%	6/25/37	81,325	71,893 ^{(a)(b)}
MASTR Adjustable Rate Mortgages Trust, 2004-12 5A1	2.567%	10/25/34	211,185	206,721 ^{(a)(b)}
MASTR Adjustable Rate Mortgages Trust, 2006-0A1 1A1	0.397%	4/25/46	399,714	303,767 ^{(a)(b)}
MASTR Adjustable Rate Mortgages Trust, 2006-2 4A1	2.648%	2/25/36	108,836	107,229 ^{(a)(b)}
MASTR Asset-Backed Securities Trust, 2005-AB1 A5A	5.712%	11/25/35	3,360,000	1,968,883
MASTR Reperforming Loan Trust, 2005-1 1A2	6.500%	8/25/34	938,265	946,932 ^(c)
MASTR Reperforming Loan Trust, 2005-1 1A3	7.000%	8/25/34	250,208	262,817 ^(c)
MASTR Reperforming Loan Trust, 2005-1 1A4	7.500%	8/25/34	103,370	108,726 ^(c)
MASTR Reperforming Loan Trust, 2005-2 1A3	7.500%	5/25/35	15,532	16,298 ^(c)
MASTR Reperforming Loan Trust, 2006-2 1A1	4.699%	5/25/36	1,875,800	1,773,158 ^{(a)(c)}
Merrill Lynch Mortgage Investors Trust, 2005-1 2A2	2.130%	4/25/35	138,072	134,550 ^{(a)(b)}
Merrill Lynch Mortgage Investors Trust, 2005-A2 A5	2.460%	2/25/35	470,680	474,311 ^{(a)(b)}
Merrill Lynch Mortgage Investors Trust, 2006-A1 2A1	2.731%	3/25/36	1,002,130	679,048 ^{(a)(b)}
Morgan Stanley Capital Inc., 2003-NC10 M2	2.887%	10/25/33	523,775	489,150 ^(a)
Morgan Stanley Mortgage Loan Trust, 2004-6AR 2A2	2.759%	8/25/34	510,820	506,879 ^{(a)(b)}
Morgan Stanley Mortgage Loan Trust, 2004-7AR B1	2.406%	9/25/34	602,008	292,794 ^(a)
Morgan Stanley Mortgage Loan Trust, 2005-5AR 4A1	4.940%	9/25/35	3,669,516	2,786,223 ^{(a)(b)}
Morgan Stanley Mortgage Loan Trust, 2006-1AR 1AX, IO	3.404%	2/25/36	5,703,458	548,653 ^(a)
Morgan Stanley Mortgage Loan Trust, 2006-3AR 1A3	0.447%	3/25/36	1,759,829	1,360,432 ^{(a)(b)}
Morgan Stanley Mortgage Loan Trust, 2006-8AR 1A2	0.257%	6/25/36	336,011	175,179 ^{(a)(b)}
Morgan Stanley Mortgage Loan Trust, 2007-05AX 2A3	0.417%	2/25/37	1,557,384	919,755 ^{(a)(b)}
Morgan Stanley Mortgage Loan Trust, 2007-15AR 4A1	4.859%	11/25/37	1,500,319	1,137,601 ^{(a)(b)}
Morgan Stanley Reremic Trust, 2015-R2 1B	0.838%	12/26/46	1,145,836	514,915 ^{(a)(c)}
New Century Home Equity Loan Trust, 2004-3 M3	1.252%	11/25/34	915,843	774,074 ^(a)
Nomura Asset Acceptance Corp., 2004-R3 B2	6.766%	2/25/35	344,256	3 ^{(c)(e)}
Nomura Resecuritization Trust, 2014-5R 1A9	12.542%	6/26/35	1,860,371	1,831,349 ^{(a)(b)(c)}
Popular ABS Mortgage Pass-Through Trust, 2004-4 M2	5.626%	9/25/34	1,442,820	1,303,719
Prime Mortgage Trust, 2006-DR1 2A1	5.500%	5/25/35	3,317,505	3,251,035 ^{(b)(c)}
Provident Bank Home Equity Loan Trust, 2000-2 A1	0.727%	8/25/31	1,463,665	1,122,354 ^(a)
RAAC Series, 2006-RP3 A	0.455%	5/25/36	671,729	611,715 ^{(a)(c)}
RAAC Series, 2007-RP2 A	0.887%	2/25/46	1,058,666	992,502 ^{(a)(c)}
Renaissance Home Equity Loan Trust, 2004-3 M1	5.157%	11/25/34	1,068,399	991,516
Renaissance Home Equity Loan Trust, 2006-1 AF5	6.166%	5/25/36	640,000	464,872

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Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
Renaissance Home Equity Loan Trust, 2006-2 AV3	0.427%	8/25/36	1,451,859	\$ 761,764 ^(a)
Renaissance Home Equity Loan Trust, 2007-1 AF3	5.612%	4/25/37	3,207,185	1,800,655
Renaissance Home Equity Loan Trust, 2007-2 AF1	5.893%	6/25/37	2,646,107	1,449,741
Renaissance Home Equity Loan Trust, 2007-2 AF2	5.675%	6/25/37	456,003	241,231
Renaissance Home Equity Loan Trust, 2007-2 AF5	6.203%	6/25/37	1,961,305	1,132,973
Renaissance Home Equity Loan Trust, 2007-2 AF6	5.879%	6/25/37	3,299,109	1,803,524
Renaissance Home Equity Loan Trust, 2007-3 AF3	7.238%	9/25/37	1,718,288	1,139,233
Residential Accredit Loans Inc., 2005-QA3 CB4	3.308%	3/25/35	2,957,702	2,001,429 ^{(a)(b)}
Residential Accredit Loans Inc., 2006-QA01 A11	3.241%	1/25/36	858,916	677,515 ^{(a)(b)}
Residential Accredit Loans Inc., 2006-QA01 A31	4.317%	1/25/36	2,028,930	1,586,877 ^{(a)(b)}
Residential Accredit Loans Inc., 2006-QA04 A	0.367%	5/25/36	551,313	450,685 ^{(a)(b)}
Residential Accredit Loans Inc., 2006-QA10 A2	0.367%	12/25/36	1,024,997	800,459 ^{(a)(b)}
Residential Accredit Loans Inc., 2006-QO1 3A1	0.457%	2/25/46	3,888,665	2,447,915 ^{(a)(b)}
Residential Accredit Loans Inc., 2006-QO2 A2	0.457%	2/25/46	5,043,244	2,431,994 ^{(a)(b)}
Residential Accredit Loans Inc., 2006-QS13 1A2, IO	6.973%	9/25/36	1,113,362	275,938 ^(a)
Residential Accredit Loans Inc., 2007-QA2 A1	0.317%	2/25/37	547,568	475,110 ^{(a)(b)}
Residential Asset Mortgage Products Inc., 2002-RS4 AII	0.827%	8/25/32	282,930	264,844 ^(a)
Residential Asset Mortgage Products Inc., 2004-RZ4 M7	2.687%	12/25/34	275,812	241,029 ^{(a)(b)}
Residential Asset Mortgage Products Inc., 2004-SL3 A3	7.500%	12/25/31	976,160	1,021,913
Residential Asset Mortgage Products Inc., 2004-SL3 A4	8.500%	12/25/31	124,227	114,322
Residential Asset Mortgage Products Inc., 2005-SL2 A5	8.000%	10/25/31	325,025	323,772
Residential Asset Securities Corp., 2003-KS9 A2B	0.825%	11/25/33	1,089,145	922,533 ^(a)
Residential Asset Securitization Trust, 2005-A13 1A3	0.657%	10/25/35	247,133	193,274 ^{(a)(b)}
Residential Asset Securitization Trust, 2005-A7 A2, IO	7.063%	6/25/35	3,197,141	626,346 ^(a)
Residential Asset Securitization Trust, 2006-A1 1A6	0.687%	4/25/36	2,460,142	1,533,217 ^{(a)(b)}
Residential Asset Securitization Trust, 2006-A1 1A7, IO	5.313%	4/25/36	5,098,740	989,000 ^(a)
Residential Asset Securitization Trust, 2007-A1 A6, IO	6.869%	3/25/37	5,970,088	1,730,233 ^(a)
Residential Asset Securitization Trust, 2007-A2 1A1	6.000%	4/25/37	441,646	369,885 ^(b)
Residential Funding Mortgage Securities I, 2005-SA3 1A	2.784%	8/25/35	2,016,493	1,601,980 ^{(a)(b)}
Residential Funding Mortgage Securities I, 2006-S8 A12, IO	5.213%	9/25/36	9,198,231	1,435,720 ^(a)
Residential Funding Mortgage Securities I, 2006-SA2 4A1	5.813%	8/25/36	523,519	469,452 ^{(a)(b)}
Residential Funding Mortgage Securities I, 2007-S6 1A13, IO	5.313%	6/25/37	4,598,686	712,757 ^(a)
Residential Funding Mortgage Securities II, 2005-HI2 M7	5.810%	5/25/35	482,316	484,806 ^(b)
Residential Funding Mortgage Securities II Inc., 2004-HS1 AI6	3.640%	3/25/34	38,926	38,983 ^{(a)(b)}
Saxon Asset Securities Trust, 2007-3 2A1	0.407%	9/25/47	707,141	691,956 ^(a)
Structured Agency Credit Risk Debt Notes, 2015-HQ1 B	10.937%	3/25/25	4,320,000	5,109,307 ^(a)
Structured ARM Loan Trust, 2004-07 A3	0.922%	6/25/34	197,806	186,128 ^{(a)(b)}
Structured ARM Loan Trust, 2004-18 1A2	2.599%	12/25/34	687,820	657,384 ^{(a)(b)}

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Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
Structured ARM Loan Trust, 2005-04 1A1	2.441%	3/25/35	311,165	\$ 280,687 (a)(b)
Structured ARM Loan Trust, 2005-04 5A	2.599%	3/25/35	261,820	239,967 (a)(b)
Structured ARM Loan Trust, 2005-07 1A3	2.494%	4/25/35	165,579	157,761 (a)(b)
Structured ARM Loan Trust, 2005-12 3A1	2.444%	6/25/35	192,440	180,413 (a)(b)
Structured ARM Loan Trust, 2005-20 4A2	5.322%	10/25/35	435,362	16,506 (a)
Structured ARM Loan Trust, 2006-4 4A1	4.503%	5/25/36	434,885	341,912 (a)(b)
Structured ARM Loan Trust, 2006-8 3A5	4.362%	9/25/36	2,240,098	1,780,432 (a)(b)
Structured ARM Loan Trust, 2007-5 2A2	2.600%	6/25/37	1,094,436	655,245 (a)(b)
Structured Asset Investment Loan Trust, 2004-8 M7	2.962%	9/25/34	80,192	71,899 (a)
Structured Asset Investment Loan Trust, 2004-8 M9	3.937%	9/25/34	318,981	111,403 (a)
Structured Asset Mortgage Investments Inc., 2006-AR5 4A1	0.407%	5/25/46	766,937	439,721 (a)(b)
Structured Asset Securities Corp., 2004-20 5A1	6.250%	11/25/34	251,235	259,282 (b)
Structured Asset Securities Corp., 2005-4XS 3M3	5.066%	3/25/35	658,010	18,265 (e)
Structured Asset Securities Corp., 2005-5 2A2	5.500%	4/25/35	259,341	257,415 (b)
Structured Asset Securities Corp., 2005-RF1 A	0.537%	3/25/35	94,197	78,870 (a)(b)(c)
Structured Asset Securities Corp., 2006-RF3 1A1, PAC-11	6.000%	10/25/36	1,318,328	1,323,990 (c)
Structured Asset Securities Corp., 2006-RF4 2A2	6.000%	10/25/36	2,157,431	875,974 (c)
Voyager Countywide Delaware Trust, 2009-1 3QB1, IO	0.436%	3/16/30	980,122	842,806 (a)(b)(c)
Wachovia Mortgage Loan Trust LLC, 2005-B 2A2	2.515%	10/20/35	77,900	71,006 (a)(b)
WaMu Mortgage Pass-Through Certificates, 2004-AR10 A3	0.737%	7/25/44	109,686	102,960 (a)(b)
WaMu Mortgage Pass-Through Certificates, 2005-09 5A4	34.562%	11/25/35	141,362	232,770 (a)(b)
WaMu Mortgage Pass-Through Certificates, 2005-10 2A3	1.087%	11/25/35	256,555	186,719 (a)(b)
WaMu Mortgage Pass-Through Certificates, 2005-AR18 2A1	2.430%	1/25/36	806,170	719,770 (a)(b)
WaMu Mortgage Pass-Through Certificates, 2006-AR10 A1	0.287%	12/25/36	673,931	452,956 (a)(b)
WaMu Mortgage Pass-Through Certificates, 2006-AR15 2A1B	2.187%	11/25/46	778,672	385,129 (a)(b)
WaMu Mortgage Pass-Through Certificates, 2006-AR16 2A2	2.021%	12/25/36	443,176	391,639 (a)(b)
WaMu Mortgage Pass-Through Certificates, 2006-AR18 1A1	1.797%	1/25/37	53,361	45,697 (a)(b)
WaMu Mortgage Pass-Through Certificates, 2007-HY3 4A1	2.411%	3/25/37	180,234	171,187 (a)(b)
WaMu Mortgage Pass-Through Certificates, 2007-HY7 1A1	2.428%	7/25/37	187,994	153,019 (a)(b)
WaMu Mortgage Pass-Through Certificates, 2007-HY7 3A1	2.289%	7/25/37	325,822	292,713 (a)(b)
WaMu Mortgage Pass-Through Certificates, 2007-OA2 2A	1.937%	3/25/47	2,206,558	1,780,119 (a)(b)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR13 A1C3	0.677%	10/25/45	477,438	405,790 (a)(b)
Wells Fargo Alternative Loan Trust, 2007-PA1 A12, IO	5.273%	3/25/37	7,029,071	1,146,459 (a)(e)
Wells Fargo Mortgage Backed Securities Trust, 2005-AR2 2A2	2.616%	3/25/35	169,771	173,171 (a)(b)
Total Residential Mortgage-Backed Securities (Cost				257,928,910
\$235,230,491)				

See Notes to Financial Statements.

Table of Contents**Schedule of investments (unaudited) (cont d)**

June 30, 2015

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount / Units	Value
Asset-Backed Securities 16.8%				
Access Group Inc., 2004-A B1	1.655%	7/1/39	1,400,000	\$ 1,190,000 (a)
American Money Management CDO Corp., 2015-16A E	5.874%	4/14/27	2,500,000	2,327,750 (a)(c)
Bombardier Capital Mortgage Securitization Corp Trust, 1999-A A4	6.475%	3/15/29	2,809,725	3,136,371 (a)
Bombardier Capital Mortgage Securitization Corp. Trust, 1998-B A	6.530%	10/15/28	946,666	990,197 (a)
Bombardier Capital Mortgage Securitization Corp. Trust, 1999-A A3	5.980%	3/15/29	524,710	578,078 (a)
Carlyle Global Market Strategies, 2015-2A D	5.574%	4/27/27	1,250,000	1,168,500 (a)(c)
Credit-Based Asset Servicing and Securitization LLC, 2006-MH1 M1	5.328%	10/25/36	500,000	538,032 (c)
Firstfed Corp. Manufactured Housing Contract, 1997-2 B	8.110%	5/15/24	520,707	475,283 (c)
GoldenTree Loan Opportunities Ltd.	5.484%	7/20/27	1,250,000	1,181,250 (a)(c)(f)
Greenpoint Manufactured Housing, 1999-3 1A7	7.270%	6/15/29	1,219,263	1,232,175 (b)
Greenpoint Manufactured Housing, 1999-3 2A2	3.549%	6/19/29	525,000	456,750 (a)(b)
Greenpoint Manufactured Housing, 1999-4 A2	3.687%	2/20/30	775,000	674,250 (a)(b)
Greenpoint Manufactured Housing, 2000-4 A3	2.185%	8/21/31	25,000	23,718 (a)(b)
Greenpoint Manufactured Housing, 2001-2 1A2	3.685%	2/20/32	500,000	462,607 (a)
Greenpoint Manufactured Housing, 2001-2 IIA2	3.686%	3/13/32	750,000	685,306 (a)
Magnus Relda Holding Vier GmbH, 1A JNR	7.000%	10/28/24	1,089,000 EUR	1,244,423 (c)(f)
Neuberger Berman CLO Ltd., 2015-19A D	5.538%	7/15/27	2,000,000	1,865,200 (a)(c)
Newcastle Mortgage Securities Trust, 2006-1 M4	0.637%	3/25/36	4,000,000	2,662,320 (a)
Oakwood Mortgage Investors Inc., 2001-E A2	5.050%	12/15/31	3,158,064	2,869,767
Origen Manufactured Housing Contract Trust, 2006-A A2	2.300%	10/15/37	2,268,971	2,079,323 (a)(b)
Origen Manufactured Housing Contract Trust, 2007-A A2	0.174%	4/15/37	2,359,103	2,148,900 (a)(b)
Park Place Securities Inc., 2004-WHQ2 M5	1.912%	2/25/35	3,070,364	2,200,551 (a)
SMB Private Education Loan Trust, 2014-A C	4.500%	9/15/45	2,880,000	2,482,272 (c)
SMB Private Education Loan Trust, 2014-A R	0.000%	9/15/45	6,875	3,093,750 (c)(f)
Social Professional Loan Program LLC, 2014-A RC	0.000%	7/14/24	700	3,088,235 (c)(e)
Treman Park CLO LLC, 2015-1A E	6.461%	4/20/27	2,800,000	2,800,840 (a)(c)
Voya CLO Ltd., 2015-1A D	5.875%	4/18/27	2,000,000	1,914,000 (a)(c)
Total Asset-Backed Securities (Cost \$41,652,752)				43,569,848
Commercial Mortgage-Backed Securities 24.1%				
Banc of America Commercial Mortgage Trust, 2007-2 AJ	5.793%	4/10/49	3,000,000	3,023,560 (a)(d)
Bank of America Merrill Lynch Large Loan Inc., 2014-INMZ MZB	8.665%	12/15/19	1,500,000	1,500,000 (a)(c)

See Notes to Financial Statements.

Table of Contents**Western Asset Mortgage Defined Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
Commercial Mortgage-Backed Securities continued				
BLCF Hotel Trust, 2014-CLMZ M	5.914%	8/15/29	1,500,000	\$ 1,498,174 ^{(a)(c)}
Carefree Portfolio Trust, 2014-CMZB MZB	7.908%	11/15/29	4,000,000	4,029,496 ^{(a)(c)}
CD Commercial Mortgage Trust, 2007-CD4 AJ	5.398%	12/11/49	900,000	761,909 ^(a)
Citigroup Commercial Mortgage Trust, 2015-GC29 E	4.295%	4/10/48	2,950,000	2,082,200 ^{(a)(c)}
Citigroup Commercial Mortgage Trust, 2015-GC29 F	4.295%	4/10/48	1,410,000	788,550 ^{(a)(c)}
Commercial Mortgage Pass-Through Certificates, 2006-C8 AJ	5.377%	12/10/46	1,550,000	1,562,139 ^(d)
Commercial Mortgage Trust, 2013-CR09 E	4.400%	7/10/45	3,500,000	2,782,915 ^{(a)(c)}
Commercial Mortgage Trust, 2013-CR12 E	5.254%	10/10/46	110,000	96,323 ^{(a)(c)}
Commercial Mortgage Trust, 2013-CR13 E	4.913%	12/10/23	222,000	190,447 ^{(a)(c)}
Credit Suisse Commercial Mortgage Trust, 2006-C5 AJ	5.373%	12/15/39	411,000	401,738
Credit Suisse European Mortgage Capital Trust, 2014-1MGN B	7.165%	7/20/22	1,492,484 ^{EUR}	1,663,895 ^{(a)(c)(f)}
Credit Suisse Mortgage Trust, 2014-USA F	4.373%	9/15/37	1,620,000	1,401,306 ^(c)
Credit Suisse Mortgage Trust, 2015-Town MZ	9.157%	3/1/28	4,000,000	3,970,000 ^(c)
DBUBS Mortgage Trust, 2011-LC3A G	3.750%	8/10/44	2,600,000	1,684,475 ^(c)
Federal Home Loan Mortgage Corp. (FHLMC), Multi-Family Structured Pass-Through Certificates, K008 X1, IO	1.798%	6/25/20	818,785	51,383 ^{(a)(b)}
Federal Home Loan Mortgage Corp. (FHLMC), Multi-Family Structured Pass-Through Certificates, K034 X3, IO	1.783%	9/25/41	10,200,000	1,166,192 ^{(a)(b)}
FREMF Mortgage Trust, 2014-KF04 B	2.535%	6/25/21	1,650,013	1,653,164 ^{(a)(c)}
FREMF Mortgage Trust, 2014-KF05 B	4.187%	9/25/22	2,123,293	2,128,331 ^{(a)(c)}
GE Business Loan Trust, 2005-1A D	2.906%	6/15/33	1,059,722	996,448 ^{(a)(c)}
GE Business Loan Trust, 2006-1A C	0.606%	5/15/34	294,867	266,391 ^{(a)(c)}
GMAC Commercial Mortgage Securities Inc., 2006-C1 AJ	5.349%	11/10/45	2,000,000	1,971,441 ^{(a)(d)}
GS Mortgage Securities Corp., 2010-C1 X, IO	1.614%	8/10/43	13,883,258	836,001 ^{(a)(b)(c)}
GS Mortgage Securities Trust, 2006-GG8 AJ	5.622%	11/10/39	190,000	193,122
GS Mortgage Securities Trust, 2013-GC14 F	4.930%	8/10/46	160,000	135,896 ^{(a)(c)}
Hyatt Hotel Portfolio Trust, 2014-HYMZ M	6.411%	11/15/16	1,750,000	1,756,400 ^{(a)(c)}
JPMorgan Chase Commercial Mortgage Securities Trust, 2006-CB16 AJ	5.623%	5/12/45	380,000	384,129
JPMorgan Chase Commercial Mortgage Securities Trust, 2006-LDP7 AJ	6.100%	4/15/45	940,000	940,257 ^(a)
JPMorgan Chase Commercial Mortgage Securities Trust, 2006-LDP9 AJ	5.411%	5/15/47	2,290,000	1,977,346
JPMorgan Chase Commercial Mortgage Securities Trust, 2006-LDP9 AJS	5.386%	5/15/47	420,000	358,667 ^(a)
JPMorgan Chase Commercial Mortgage Securities Trust, 2007-CB18 AJ	5.502%	6/12/47	660,000	655,150 ^(a)
JPMorgan Chase Commercial Mortgage Securities Trust, 2014-CBMZ M	6.411%	10/15/19	1,900,000	1,907,668 ^{(a)(c)}
ML-CFC Commercial Mortgage Trust, 2007-5 AJ	5.450%	8/12/48	412,000	402,822 ^(a)

See Notes to Financial Statements.

Table of Contents**Schedule of investments (unaudited) (cont d)**

June 30, 2015

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Commercial Mortgage-Backed Securities – continued				
ML-CFC Commercial Mortgage Trust, 2007-9 AJ	6.193%	9/12/49	1,422,000	\$ 1,388,192 (a)(d)
ML-CFC Commercial Mortgage Trust, 2007-9 AJA	6.222%	9/12/49	400,000	391,027 (a)
Morgan Stanley Bank of America Merrill Lynch Trust, 2015-C21 E	3.012%	3/15/48	750,000	455,625 (c)
Morgan Stanley Capital I Trust, 2007-IQ13 AJ	5.438%	3/15/44	1,290,000	1,304,101 (d)
Motel 6 Trust, 2015-MTL6 F	5.000%	2/5/30	3,000,000	2,906,827 (c)
UBS-Barclays Commercial Mortgage Trust, 2012-C2 G	4.889%	5/10/63	3,130,000	2,115,113 (a)(c)
UBS-Barclays Commercial Mortgage Trust, 2012-C2 H	4.889%	5/10/63	5,510,000	2,041,152 (a)(c)
Wells Fargo Commercial Mortgage Trust, 2013-LC12 E	3.500%	7/15/46	130,000	101,600 (c)
WF-RBS Commercial Mortgage Trust, 2011-C4 F	5.000%	6/15/44	3,870,000	3,640,494 (a)(c)
WF-RBS Commercial Mortgage Trust, 2012-C9 E	4.963%	11/15/45	3,500,000	3,156,345 (a)(c)
Total Commercial Mortgage-Backed Securities (Cost \$62,404,295)				62,718,411
Corporate Bonds & Notes 4.5%				
Consumer Discretionary 1.2%				
<i>Household Durables 1.2%</i>				
William Lyon Homes Inc., Senior Notes	8.500%	11/15/20	3,000,000	3,255,000 (d)
Consumer Staples 0.2%				
<i>Food & Staples Retailing 0.2%</i>				
CVS Corp., Pass-Through Trust	9.350%	1/10/23	480,000	564,812 (b)(c)
Industrials 0.5%				
<i>Airlines 0.5%</i>				
Air 2 US, Notes	8.027%	10/1/19	102,470	109,643 (b)(c)
American Airlines, Pass-Through Trust, Secured Bonds	5.625%	1/15/21	1,105,513	1,149,733 (b)(c)
Total Industrials				1,259,376
Materials 1.6%				
<i>Metals & Mining 1.6%</i>				
Evrax Group SA, Senior Notes	6.750%	4/27/18	2,800,000	2,704,744 (c)(d)
Vedanta Resources PLC, Senior Bonds	8.250%	6/7/21	1,350,000	1,380,469 (d)(g)
Total Materials				4,085,213
Telecommunication Services 1.0%				
<i>Wireless Telecommunication Services 1.0%</i>				
Digicel Group Ltd., Senior Notes	8.250%	9/30/20	2,650,000	2,669,875 (d)(g)
Total Corporate Bonds & Notes (Cost \$11,905,043)				11,834,276
Total Investments before Short-Term Investments (Cost \$351,192,581)				376,051,445

See Notes to Financial Statements.

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Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Short-Term Investments 1.0%				
<i>Repurchase Agreements</i> 1.0%				
State Street Bank & Trust Co. repurchase agreement dated 6/30/15; Proceeds at maturity \$2,500,000; (Fully collateralized by U.S. government obligations, 1.625% due 7/31/19);				
Market value \$2,550,404 (Cost \$2,500,000)	0.000%	7/1/15	2,500,000	\$ 2,500,000
Total Investments 145.5% (Cost \$353,692,581#)				378,551,445
Liabilities in Excess of Other Assets (45.5)%				(118,348,089)
Total Net Assets 100.0%				\$ 260,203,356

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

(a) Variable rate security. Interest rate disclosed is as of the most recent information available.

(b) All or a portion of this security is pledged as collateral pursuant to the loan agreement (See Note 6).

(c) 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.

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

(e) Illiquid security.

(f) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).

(g) 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.

Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

ARM	Adjustable Rate Mortgage
CLO	Collateral Loan Obligation
EUR	Euro
IO	Interest Only
PAC	Planned Amortization Class
PO	Principal Only

See Notes to Financial Statements.

Table of Contents**Statement of assets and liabilities (unaudited)**

June 30, 2015

Assets:

Investments in securities, at value (Cost \$353,692,581)	\$ 378,551,445
Foreign currency, at value (Cost \$5,481)	4,475
Cash	149,778
Interest receivable	1,732,191
Principal paydown receivable	427,975
Deposits with brokers for open reverse repurchase agreements (Note 3)	225,000
Deposits with brokers for open futures contracts	82,015
Receivable for securities sold	50,000
Foreign currency collateral for open futures contracts, at value (Cost \$43,427)	43,887
Unrealized appreciation on forward foreign currency contracts	33,237
Receivable from broker variation margin on open futures contracts	16,861
Deposits with brokers for centrally cleared swap contracts	27
Prepaid expenses	15,092
Total Assets	381,331,983

Liabilities:

Loan payable (Note 6)	102,000,000
Payable for open reverse repurchase agreements (Note 3)	16,580,180
Payable for securities purchased	1,865,134
Investment management fee payable	313,255
Interest payable (Notes 3 and 6)	165,805
Directors' fees payable	8,836
Unrealized depreciation on forward foreign currency contracts	2,459
Accrued expenses	192,958
Total Liabilities	121,128,627
Total Net Assets	\$ 260,203,356

Net Assets:

Par value (\$0.001 par value; 10,416,161 shares issued and outstanding; 100,000,000 shares authorized)	\$ 10,416
Paid-in capital in excess of par value	197,272,448
Undistributed net investment income	7,443,507
Accumulated net realized gain on investments, futures contracts, swap contracts and foreign currency transactions	30,560,761
Net unrealized appreciation on investments, futures contracts and foreign currencies	24,916,224
Total Net Assets	\$ 260,203,356

Shares Outstanding	10,416,161
Net Asset Value	\$24.98

See Notes to Financial Statements.

Table of Contents**Statement of operations** (unaudited)

For the Six Months Ended June 30, 2015

Investment Income:	
<i>Interest</i>	<i>\$ 15,114,790</i>
Expenses:	
Investment management fee (Note 2)	1,896,484
Interest expense (Notes 3 and 6)	638,252
Audit and tax fees	110,165
Directors' fees	20,364
Transfer agent fees	15,054
Excise tax (Note 1)	15,000
Shareholder reports	13,997
Fund accounting fees	13,388
Stock exchange listing fees	10,524
Legal fees	10,498
Commitment fees (Note 6)	9,563
Insurance	2,699
Custody fees	2,481
Miscellaneous expenses	4,978
<i>Total Expenses</i>	<i>2,763,447</i>
Net Investment Income	12,351,343
Realized and Unrealized Gain (Loss) on Investments, Futures Contracts, Swap Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):	
Net Realized Gain From:	
Investment transactions	6,648,732
Futures contracts	10,489
Swap contracts	1,429
Foreign currency transactions	265,275
<i>Net Realized Gain</i>	<i>6,925,925</i>
Change in Net Unrealized Appreciation (Depreciation) From:	
Investment transactions	(5,713,454)
Futures contracts	40,816
Foreign currencies	(14,578)
<i>Change in Net Unrealized Appreciation (Depreciation)</i>	<i>(5,687,216)</i>
Net Gain on Investments, Futures Contracts, Swap Contracts and Foreign Currency Transactions	1,238,709
Increase in Net Assets from Operations	\$ 13,590,052

See Notes to Financial Statements.

Table of Contents**Statements of changes in net assets**For the Six Months Ended June 30, 2015 (unaudited)
and the Year Ended December 31, 2014

	2015	2014
Operations:		
Net investment income	\$ 12,351,343	\$ 19,476,418
Net realized gain	6,925,925	20,488,358
Change in net unrealized appreciation (depreciation)	(5,687,216)	2,233,335
<i>Increase in Net Assets from Operations</i>	<i>13,590,052</i>	<i>42,198,111</i>
Distributions to Shareholders From (Note 1):		
Net investment income	(11,142,496)	(18,219,657)
Net realized gains		(13,908,612)
<i>Decrease in Net Assets from Distributions to Shareholders</i>	<i>(11,142,496)</i>	<i>(32,128,269)</i>
Fund Share Transactions:		
Reinvestment of distributions (5,523 and 0 shares issued, respectively)	134,610	
<i>Increase in Net Assets from Fund Share Transactions</i>	<i>134,610</i>	
<i>Increase in Net Assets</i>	<i>2,582,166</i>	<i>10,069,842</i>
Net Assets:		
Beginning of period	257,621,190	247,551,348
End of period*	\$ 260,203,356	\$ 257,621,190
*Includes undistributed net investment income of:	\$7,443,507	\$6,234,660

See Notes to Financial Statements.

Table of Contents**Statement of cash flows (unaudited)**

For the Six Months Ended June 30, 2015

Increase (Decrease) in Cash:**Cash Provided (Used) by Operating Activities:**

Net increase in net assets resulting from operations	\$ 13,590,052
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided (used) by operating activities:	
Purchases of portfolio securities	(47,339,181)
Sales of portfolio securities	76,813,004
Net purchases, sales and maturities of short-term investments	(1,757,000)
Net amortization of premium (accretion of discount)	(2,399,066)
Decrease in receivable for securities sold	7,783
Increase in interest receivable	(80,986)
Increase in receivable from broker variation margin on open futures contracts	(16,861)
Increase in prepaid expenses	(8,027)
Increase in principal paydown receivable	(395,457)
Increase in deposits with brokers for open futures contracts	(47,009)
Increase in foreign currency collateral for open futures contracts	(43,887)
Decrease in deposits with brokers for open reverse repurchase agreements	250,000
Increase in deposits with brokers for centrally cleared swap contracts	(27)
Increase in payable for securities purchased	35,609
Decrease in investment management fee payable	(29,743)
Increase in Directors fees payable	3,082
Decrease in interest payable	(36,824)
Decrease in accrued expenses	(617,831)
Decrease in payable to broker variation margin on open futures contracts	(4,625)
Net realized gain on investments	(6,648,732)
Change in unrealized appreciation of investments and forward foreign currency transactions	5,727,855
Net Cash Provided by Operating Activities*	37,002,129
Cash Flows from Financing Activities:	
Distributions paid on common stock	(23,668,262)
Decrease in loan payable	(14,700,000)
Decrease in payable for reverse repurchase agreements	(1,097,243)
Net Cash Used in Financing Activities	(39,465,505)
Net Decrease in Cash	(2,463,376)
Cash at Beginning of Period	2,617,629
Cash at End of Period	\$ 154,253
Non-Cash Financing Activities:	
Proceeds from reinvestment of distributions	\$ 134,610

* Included in operating expenses is cash of \$681,228 paid for interest and commitment fees on borrowings.

See Notes to Financial Statements.

Table of Contents**Financial highlights**

For a share of capital stock outstanding throughout each year ended December 31, unless otherwise noted:

	2015 ^{1,2}	2014 ¹	2013 ¹	2012	2011	2010 ³
Net asset value, beginning of period	\$24.75	\$23.78	\$23.88	\$19.01	\$21.98	\$19.06 ⁴
Income (loss) from operations:						
Net investment income	1.19	1.87	1.44	1.68	2.21	1.77
Net realized and unrealized gain (loss)	0.11	2.19	2.16	6.07	(3.26)	2.27
<i>Total income (loss) from operations</i>	<i>1.30</i>	<i>4.06</i>	<i>3.60</i>	<i>7.75</i>	<i>(1.05)</i>	<i>4.04</i>
Less distributions from:						
Net investment income	(1.07) ⁵	(1.75)	(1.62)	(1.80)	(1.92)	(1.12)
Net realized gains		(1.34)	(2.08)	(1.08)		
<i>Total distributions</i>	<i>(1.07)</i>	<i>(3.09)</i>	<i>(3.70)</i>	<i>(2.88)</i>	<i>(1.92)</i>	<i>(1.12)</i>
Net asset value, end of period	\$24.98	\$24.75	\$23.78	\$23.88	\$19.01	\$21.98
Market price, end of period	\$23.96	\$23.84	\$23.18	\$24.21	\$19.61	\$21.60
<i>Total return, based on NAV^{6,7}</i>	<i>5.31%</i>	<i>17.55%</i>	<i>15.65%</i>	<i>42.32%</i>	<i>(5.07)%</i>	<i>21.81%</i>
<i>Total return, based on Market Price⁸</i>	<i>5.00%</i>	<i>16.76%</i>	<i>12.14%</i>	<i>40.09%</i>	<i>(0.35)%</i>	<i>14.08%</i>
Net assets, end of period (000s)	\$260,203	\$257,621	\$247,551	\$248,407	\$197,289	\$227,834
Ratios to average net assets:						
Gross expenses	2.14% ⁹	2.36%	2.33%	1.89% ¹⁰	2.24% ¹⁰	2.04% ^{9,10}
Net expenses	2.14 ⁹	2.36	2.33	1.89 ¹⁰	2.24 ¹⁰	2.04 ^{9,10}
Net investment income	9.58 ⁹	7.39	5.83	7.53	10.29	10.27 ⁹
Portfolio turnover rate	12%	35%	32%	46%	13%	18%
Supplemental data:						
Loan Outstanding, End of Period (000s)	\$102,000	\$116,700	\$116,700	\$30,000		
Asset Coverage Ratio for Loan Outstanding ¹¹	355%	321%	312%	927%		
Asset Coverage, per \$1,000 Principal Amount of Loan Outstanding ¹¹	\$3,551	\$3,208 ¹²	\$3,121 ¹²	\$9,280 ¹²		
Weighted Average Loan (000s)	\$107,980	\$116,700	\$112,256	\$32,720		
Weighted Average Interest Rate on Loan	1.04%	1.02%	1.04%	1.08%		

¹ Per share amounts have been calculated using the average shares method.

² For the six months ended June 30, 2015 (unaudited).

³ For the period February 24, 2010 (commencement of operations) to December 31, 2010.

⁴ Initial public offering price of \$20.00 per share less offering costs and sales load totaling \$0.94 per share.

⁵ The actual source of the Fund's current fiscal year distributions may be from net investment income, return of capital or a combination of both. Shareholders will be informed of the tax characteristics of the distributions after the close of the fiscal year.

⁶ Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results. Total

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returns for periods of less than one year are not annualized.

[See Notes to Financial Statements.](#)

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⁷ The total return calculation assumes that distributions are reinvested at NAV. Prior to January 1, 2012, the total return calculation assumed the reinvestment of all distributions in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.

⁸ The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.

⁹ Annualized.

¹⁰ Does not include expenses of PPIP Limited Partnership in which the Fund invested.

¹¹ Represents value of net assets plus the loan outstanding at the end of the period divided by the loan outstanding at the end of the period.

¹² Added to conform to current period presentation.

[See Notes to Financial Statements.](#)

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Notes to financial statements (unaudited)

1. Organization and significant accounting policies

Western Asset Mortgage Defined Opportunity Fund Inc. (the Fund) was incorporated in Maryland on December 11, 2009 and is registered as a non-diversified, limited-term, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is to provide current income. As a secondary investment objective, the Fund will seek capital appreciation. The Fund seeks to achieve its investment objectives by investing primarily in a diverse portfolio of mortgage-backed securities (MBS), consisting primarily of non-agency residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). The Fund intends to liquidate and distribute substantially all of the Fund's net assets to shareholders on or about March 1, 2022.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ. Subsequent events have been evaluated through the date the financial statements were issued.

(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. When the Fund holds securities or other assets that are denominated in a foreign currency, the Fund will normally use the currency exchange rates as of 4:00 p.m. (Eastern Time). 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.

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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 Atlantic Fund Valuation Committee (formerly, 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:

Level 1 quoted prices in active markets for identical investments

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

Table of Contents**Notes to financial statements (unaudited) (cont d)**

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:

ASSETS				
Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Long-term investments :				
Residential mortgage-backed securities		\$ 257,928,910		\$ 257,928,910
Asset-backed securities		33,831,190	\$ 9,738,658	43,569,848
Commercial mortgage-backed securities		57,084,516	5,633,895	62,718,411
Corporate bonds & notes:				
Industrials			1,259,376	1,259,376
Other corporate bonds & notes		10,574,900		10,574,900
Total long-term investments		\$ 359,419,516	\$ 16,631,929	\$ 376,051,445
Short-term investments		2,500,000		2,500,000
Total investments		\$ 361,919,516	\$ 16,631,929	\$ 378,551,445
Other financial instruments:				
Futures contracts	\$ 28,575			\$ 28,575
Forward foreign currency contracts		\$ 33,237		33,237
Total other financial instruments	\$ 28,575	\$ 33,237		\$ 61,812
Total	\$ 28,575	\$ 361,952,753	\$ 16,631,929	\$ 378,613,257
LIABILITIES				
Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other financial instruments:				
Futures contracts	\$ 1,384			\$ 1,384
Forward foreign currency contracts		\$ 2,459		2,459
Total	\$ 1,384	\$ 2,459		\$ 3,843

See Schedule of Investments for additional detailed categorizations.

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The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

Investments in Securities	Residential Mortgage-Backed Securities	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Corporate Bonds & Notes Industrials	Total
Balance as of December 31, 2014	\$ 2,007,750	\$ 10	\$ 5,499,482		\$ 7,507,232
Accrued premiums/discounts	44,316		110,498		154,824
Realized gain (loss)					
Change in unrealized appreciation (depreciation) ¹	225,805	(10)	46,285		272,080
Purchases		1,181,250	3,970,000		5,151,250
Sales					
Transfers into Level 3 ²		8,557,408	1,663,895	\$ 1,259,376	11,480,679
Transfers out of Level 3 ³	(2,277,871)		(5,656,265)		(7,934,136)
Balance as of June 30, 2015		\$ 9,738,658	\$ 5,633,895	\$ 1,259,376	\$ 16,631,929
Net change in unrealized appreciation (depreciation) for investments in securities still held at June 30, 2015 ¹		\$ (10)	\$ (6,133)		\$ (6,143)

The Fund's policy is to recognize transfers between levels as of the end of the reporting period.

¹ This amount is included in the change in net unrealized appreciation (depreciation) in the accompanying Statement of Operations. Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.