WESTERN ASSET GLOBAL HIGH INCOME FUND INC.
Form 497
June 14, 2016

WESTERN ASSET GLOBAL PARTNERS INCOME FUND INC.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

620 Eighth Avenue

New York, New York 10018

June 13, 2016

Dear Stockholder:

A Joint Special Meeting of Stockholders (the Meeting) of Western Asset Global Partners Income Fund Inc. (GDF) and Western Asset Global High Income Fund Inc. (EHI and together with GDF, the Funds) will be held at 620 Eighth Avenue, 49th Floor, New York, New York, on Friday, July 22, 2016 at 10:00 a.m., Eastern Time, for the purposes of considering and voting on a proposal to approve the merger of GDF with and into EHI in accordance with the Maryland General Corporation Law (the Merger). The attached Proxy Statement/Prospectus asks for your approval of the proposed Merger. **After careful consideration, the Board of each Fund recommends that you vote FOR the proposed Merger.**

As a result of the Merger, each share of common stock of GDF would convert into an equivalent dollar amount (to the nearest $0.001) of full shares of common stock of EHI, based on the net asset value of each Fund on the date preceding the Merger. EHI will not issue fractional shares to GDF stockholders. In lieu of issuing fractional shares, EHI will pay cash to each former holder of GDF common stock in an amount equal to the value of the fractional shares of EHI common stock that the investor would otherwise have received in the Merger. The currently issued and outstanding common shares of EHI will remain issued and outstanding.

Both GDF and EHI are closed-end, diversified management investment companies listed on the New York Stock Exchange. GDF and EHI have identical primary investment objectives, different secondary investment objectives and similar policies and strategies. GDF seeks to maintain a high level of current income. Capital appreciation is a secondary objective. EHI s primary investment objective is high current income and EHI s secondary investment objective is total return. A more detailed comparison of the Funds investment objectives and policies appears in the attached Proxy Statement/Prospectus. The current investment objectives and policies of EHI will continue unchanged if the Merger occurs.

The Board believes that the Merger is in the best interests of both GDF stockholders and EHI stockholders. GDF and EHI have identical primary investment objectives and similar policies and strategies, which will allow GDF stockholders to continue to have exposure to emerging market and high yield securities. Moreover, the combined Fund will likely benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity and additional opportunities for diversification. Furthermore, the Merger will result in more streamlined high yield product offering, allowing for more focused marketing and stockholder servicing efforts.

Your vote is very important to us regardless of the number of shares you own. Whether or not you plan to attend the Meeting in person, please read the Proxy Statement/Prospectus and cast your vote promptly. To vote, simply date, sign and return the proxy card in the enclosed postage-paid envelope or follow the instructions on the proxy card for voting by touch-tone telephone or on the Internet.

If you have any questions about the proposal to be voted on, please call Georgeson LLC, the proxy solicitor, at 888-565-5190.

It is important that your vote be received no later than the time of the Meeting.

Sincerely,

Jane E. Trust

President and Chief Executive Officer

Western Asset Global Partners Income Fund Inc.

Western Asset Global High Income Fund Inc.

WESTERN ASSET GLOBAL PARTNERS INCOME FUND INC.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

IMPORTANT NEWS FOR STOCKHOLDERS

The enclosed combined Proxy Statement/Prospectus describes a proposal to merge Western Asset Global Partners Income Fund Inc. (GDF) with and into Western Asset Global High Income Fund Inc. (EHI, and together with GDF, the Funds) in accordance with the Maryland General Corporation Law (the Merger).

While we encourage you to read the full text of the enclosed combined Proxy Statement/Prospectus, here is a brief overview of the proposed Merger. Please refer to the more complete information contained elsewhere in the combined Proxy Statement/Prospectus about the Merger.

COMMON QUESTIONS ABOUT THE PROPOSED MERGER

Q. Why am I receiving the Proxy Statement/Prospectus?

A. As a stockholder of either GDF or EHI, you are being asked to vote in favor of a proposal to merge GDF with and into EHI in accordance with the Maryland General Corporation Law.

Q. How will the Merger affect me?

A. If the Merger is approved, GDF will be merged with and into EHI in accordance with the Maryland General Corporation Law. GDF s assets and liabilities will be combined with the assets and liabilities of EHI, and stockholders of GDF will become stockholders of EHI.

As a result of the Merger, each share of common stock of GDF would convert into an equivalent dollar amount (to the nearest $0.001) of full shares of common stock of EHI, based on the net asset value of each Fund on the date preceding the Merger. EHI will not issue fractional shares to GDF stockholders. In lieu of issuing fractional shares, EHI will pay cash to each former GDF stockholder in an amount equal to the value of the fractional shares of EHI common stock that the investor would otherwise have received in the merger. The currently issued and outstanding shares of EHI common stock will remain issued and outstanding. Stockholders of EHI will be stockholders in a larger fund.

Q. Why is the Merger being recommended?

A. The Board believes that the Merger is in the best interests of both GDF stockholders and EHI stockholders. GDF and EHI have identical primary investment objectives and similar policies and strategies, which will allow GDF stockholders to continue to have exposure to emerging market and high yield securities. Moreover, the combined Fund will likely benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity and additional opportunities for diversification. Furthermore, the Merger will result in more streamlined high yield product offering, allowing for more focused marketing and stockholder servicing efforts.

At a meeting held on November 11 and 12, 2015, the Board of Directors of each Fund, including all of the Directors who are not interested persons of the Funds under the Investment Company Act of 1940, as amended (the Independent Directors), unanimously approved an Agreement and Plan of Merger with respect to both Funds.

Q. Are EHI s investment objectives and policies similar to those of GDF?

A. GDF and EHI have identical primary investment objectives, different secondary investment objectives and similar policies and strategies.

GDF seeks to maintain a high level of current income. Capital appreciation is a secondary objective. EHI s primary investment objective is high current income and EHI s secondary investment objective is total return.

Under normal market conditions, GDF will invest at least 33% of its total assets in high yield U.S. corporate debt securities. GDF also will be able to invest up to 33% of its total assets in a broad range of other U.S. and non-U.S. fixed income securities, both investment grade and high yield securities, including but not limited to corporate bonds, loans, mortgage- and asset-backed securities, preferred stock and sovereign debt, derivative instruments of the foregoing securities and dollar rolls. In addition, under normal market conditions, GDF will invest at least 33% of its total assets in securities of issuers that are, or are incorporated in or generate the majority of their revenue in, emerging market countries. GDF may invest up to 50% of its total assets in non-U.S. dollar denominated securities.

Under normal market conditions, EHI will invest (i) at least 10% of its total assets in below investment grade (high yield) fixed income (debt) securities issued by corporate issuers and (ii) at least 10% and up to 80% of its assets in emerging market fixed income securities or investment grade fixed income securities. The Fund has broad discretion to allocate its assets among the following segments of the global market for below investment and investment grade fixed income securities: corporate bonds, loans, preferred stock, mortgage and asset-backed securities and sovereign debt, and derivatives instruments of the foregoing securities.

The current investment objectives and policies of EHI will continue unchanged if the Merger occurs.

It is currently anticipated that minimal, if any, portfolio turnover will occur as a result of the Merger. Additionally, GDF utilizes Western Management Company Ltd. (Western Japan) for investment in Japan, while EHI does not utilize Western Japan as a subadviser. Because GDF does not have any investments in Japan, nor are any investments in Japan currently being contemplated, it is not anticipated that any changes to EHI s portfolio will be made as a result of the non-utilization of Western Japan.

Please see Comparison of Investment Objectives, Strategies, and Principal Risks of Investing in the Funds in the Proxy Statement/Prospectus for a more complete comparison of the Funds investment objectives, policies and a summary of the principal risks of investing in the Funds.

Q. How will the Merger affect fees and expenses?

A. As further described below, assuming the impact of EHI s voluntary investment management fee waiver of 0.05%, it is anticipated that GDF s total expense ratio will decline by 0.07% on net assets, from 1.67% to 1.60% as a result of the Merger, and EHI s pro forma total expense ratio will be reduced by 0.07% on net assets from 1.67% to 1.60% as a result of the Merger. Legg Mason Partners Fund Advisor, LLC (LMPFA) provides administrative and certain oversight services to the Funds. GDF pays an investment management fee, calculated daily and paid monthly, at an annual rate of 1.05% of GDF s average weekly net assets. Similarly, EHI currently pays LMPFA, which is also EHI s investment manager, an investment management fee, calculated daily and paid monthly, at an annual rate of 0.85% of average daily net assets plus the proceeds of any outstanding borrowings (managed assets), along with a voluntary investment management fee waiver of 0.05%, which reduced the annual rate of that fee to 0.80% of the average daily managed assets. LMPFA implemented a voluntary investment management fee waiver on EHI of 0.05% beginning on March 1, 2010 through December 31, 2016. LMPFA has a financial interest in the Merger because its respective fees under agreements with EHI, which are based on managed assets that take into account the use of leverage, are higher than under the respective agreements with GDF, which are based on net assets and do not account for the use leverage, and increase as the assets of EHI increase, including the use of leverage. In addition, it is anticipated that former stockholders of GDF will experience a management fee increase of 0.11%, or approximately $161,000, following the Merger as a result of EHI s management fee (not including the management fee waiver) being calculated on managed assets, rather than net assets. GDF also pays 0.62% in other expenses based on its average daily net assets, whereas EHI only pays 0.54% in other expenses based on its average daily net assets. It is anticipated that GDF s total expense ratio will remain the same and EHI s will decline by 0.03% as a result of the Merger. However, assuming the impact of EHI s voluntary investment management fee waiver of 0.05%, it is anticipated that GDF will experience a management fee increase of 0.04%, or approximately $58,000, and GDF s total expense ratio will decline by 0.07% on net assets, from 1.67% to 1.60% as a result of the Merger.

Q. Will I have to pay any taxes as a result of the Merger?

A. The Merger is intended to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. Assuming the Merger qualifies for such treatment, you generally will not recognize a gain or loss for federal income tax purposes as a result of the Merger. GDF stockholders may, however, recognize gain or loss with respect to any cash those stockholders receive pursuant to the Merger in lieu of fractional shares. As a condition to the closing of the Merger, GDF and EHI will each receive an opinion of counsel to the effect that the Merger will qualify for such treatment. Opinions of counsel are not binding on the Internal Revenue Service or the courts. You should talk to your tax advisor about any state, local and other tax consequences of the Merger. See Proposal 1 Information About the Proposed Merger Federal Income Tax Consequences.

Q. Who will pay for the Merger?

A. The costs of Merger, including the costs of preparing, printing, assembling and mailing material in connection with this solicitation of proxies for GDF and EHI are estimated to be approximately $216,700 and $250,700, respectively. LMPFA will bear 50% of each Fund s costs of the Merger, with the remaining costs shared equally by the Funds.

Q. How does the Board of each Fund recommend that I vote on the Merger?

A. After careful consideration, GDF s Board of Directors, including all of the Independent Directors, and EHI s Board of Directors, including all of the Independent Directors, unanimously recommend that you vote FOR the Merger.

Q. What will happen if the Merger is not approved?

A. If the Merger is not approved, GDF and EHI will continue as separate investment companies, and each Board will consider such alternatives as it determines to be in the best interests of such Fund s stockholders, including reproposing the Merger.

Q. When is the Merger expected to happen?

A. If each Fund s stockholders approve the Merger, the Merger is expected to occur on or about August 12, 2016.

Q. Will my vote make a difference?

A. Your vote is very important and can make a difference in the governance of each Fund, no matter how many shares you own. Your vote can help ensure that the proposal recommended by the Board of Directors of each Fund can be implemented. We encourage all stockholders to participate in the governance of each Fund.

Q. Whom do I call if I have questions?

A. If you need more information, or have any questions about voting, please call Georgeson Inc., the proxy solicitor, at 888-565-5190.

Q. How do I vote my shares?

A. You can provide voting instructions by telephone by calling the toll-free number on the enclosed proxy card or electronically by going to the Internet address provided on the proxy card and following the instructions, using your proxy card as a guide. Alternatively, you can vote your shares by signing and dating the enclosed proxy card and mailing it in the enclosed postage-paid envelope.

A stockholder may revoke a proxy at any time on or before the Meeting by (1) submitting to the applicable Fund a subsequently dated proxy, (2) delivering to the applicable Fund a written notice of revocation (addressed to the Secretary at the principal executive office of the Funds at the address shown at the beginning of this Proxy Statement/Prospectus) or (3) otherwise giving notice of revocation at the Meeting, at all times prior to the exercise of the authority granted in the proxy card. Merely attending the Meeting, however, will not revoke any previously executed proxy. Unless revoked, all valid and executed proxies will be voted in accordance with the specifications thereon or, in the absence of such specifications, for approval of the proposed Merger.

You may also attend the Meeting and vote in person. However, even if you intend to attend the Meeting, we encourage you to provide voting instructions by one of the methods described above.

It is important that you vote promptly.

WESTERN ASSET GLOBAL PARTNERS INCOME FUND INC.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC. 620 Eighth Avenue New York, New York 10018

NOTICE OF A JOINT SPECIAL MEETING OF STOCKHOLDERS

June 13, 2016

To the Stockholders:

A Joint Special Meeting of Stockholders (the Meeting) of Western Asset Global Partners Income Fund Inc. (GDF) and Western Asset Global High Income Fund Inc. (EHI, and together with GDF, the Funds) will be held at 620 Eighth Avenue, 49th Floor, New York, New York, on Friday, July 22, 2016 at 10:00 a.m., Eastern Time, to consider and vote on a proposal to approve the merger of GDF with and into EHI in accordance with the Maryland General Corporation Law (the Merger).

The Board of each Fund recommends that you vote FOR the Merger upon which you are being asked to vote.

Stockholders of record at the close of business on May 3, 2016 are entitled to vote at the Meeting and at any adjournments or postponements thereof.

By order of the Board of Directors,

Robert I. Frenkel

Secretary

Western Asset Global Partners Income Fund Inc.

Western Asset Global High Income Fund Inc.

June 13, 2016

INSTRUCTIONS FOR SIGNING PROXY CARDS

The following general rules for signing proxy cards may be of assistance to you and avoid the time and expense to GDF and EHI involved in validating your vote if you fail to sign your proxy card properly.

1. *Individual Accounts:* Sign your name exactly as it appears in the registration on the proxy card.

2. *Joint Accounts:* Either party may sign, but the name of the party signing should conform exactly to a name shown in the registration.

3. *All Other Accounts:* The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

Registration	**Valid Signature**
Corporate Accounts	
(1) ABC Corp.	ABC Corp. (by John Doe, Treasurer)
(2) ABC Corp.	John Doe, Treasurer
(3) ABC Corp., c/o John Doe, Treasurer	John Doe
(4) ABC Corp. Profit Sharing Plan	John Doe, Trustee
Trust Accounts	
(1) ABC Trust	Jane B. Doe, Trustee
(2) Jane B. Doe, Trustee, u/t/d 12/28/78	Jane B. Doe
Custodial or Estate Accounts	
(1) John B. Smith, Cust., f/b/o John B. Smith, Jr. UGMA	John B. Smith
(2) John B. Smith	John B. Smith, Jr., Executor

PROXY STATEMENT/PROSPECTUS

JUNE 13, 2016

PROXY STATEMENT FOR:

WESTERN ASSET GLOBAL PARTNERS INCOME FUND INC.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

620 Eighth Avenue

New York, New York 10018

888-777-0102

PROSPECTUS FOR:

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

620 Eighth Avenue

New York, New York 10018

888-777-0102

This combined Proxy Statement and Prospectus (the Proxy Statement/Prospectus) is being furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of Western Asset Global Partners Income Fund Inc. (GDF) and Western Asset Global High Income Fund Inc. (EHI, and together with GDF, the Funds) for a Joint Special Meeting of Stockholders (the Meeting) for each Fund. The Meeting will be held Friday, July 22, 2016 at 620 Eighth Avenue, 49th Floor, New York, New York at 10:00 a.m., Eastern Time. At the Meeting, stockholders of GDF and EHI will be asked to consider and act upon a proposal to approve the merger of GDF with and into EHI in accordance with the Maryland General Corporation Law (the Merger).

If the Merger is approved, each share of common stock, par value $0.001 per share, of GDF (the GDF Common Shares) would convert into an equivalent dollar amount (to the nearest $0.001) of full shares of common stock, par value $0.001 per share, of EHI (the EHI Common Shares), based on the net asset value of each Fund on the date preceding the Merger. EHI will not issue fractional EHI Common Shares to holders of GDF Common Shares. In lieu of issuing fractional shares, EHI will pay cash to each former holder of GDF Common Shares in an amount equal to the value of the fractional EHI Common Shares that the investor would otherwise have received in the Merger. Although the EHI Common Shares received in the Merger will have the same total net asset value as the GDF Common Shares held immediately before the Merger (disregarding fractional shares), their stock price on the New York Stock Exchange (NYSE) may be greater or less than that of the GDF Common Shares, based on current market prices persisting at the time of the Merger. All EHI Common Shares currently issued and outstanding will remain issued and outstanding following the Merger.

The Board believes that the Merger is in the best interests of both GDF stockholders and EHI stockholders. GDF and EHI have identical primary investment objectives and similar policies and strategies, which will allow GDF stockholders to continue to have exposure to emerging market and high yield securities. Moreover, the combined Fund will likely benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity and additional opportunities for diversification. Furthermore, the Merger will result in more streamlined high yield product offering, allowing for more focused marketing and stockholder servicing efforts.

At a meeting held on November 11 and 12, 2015, the Board of Directors of each Fund, including all of the Directors who are not interested persons of the Funds under the Investment Company Act of 1940, as amended (the 1940 Act) (the Independent Directors), unanimously approved an Agreement and Plan of Merger with respect to both Funds.

GDF was incorporated in Maryland on September 3, 1993; EHI was incorporated in Maryland on April 16, 2003. Both GDF and EHI are closed-end, non-diversified management investment companies listed on the NYSE.

GDF seeks to maintain a high level of current income. Capital appreciation is a secondary objective. EHI s primary investment objective is high current income and EHI s secondary investment objective is total return. The current investment policies of EHI, which differ from those of GDF, will continue unchanged if the Merger occurs. Please see Proposal 1 Comparison of Investment Objectives, Strategies, and Principal Risks of Investing in the Funds in the Proxy Statement/Prospectus for a more complete comparison of the Funds investment objectives and policies.

The Merger will be effected pursuant to an Agreement and Plan of Merger, a form of which is attached to this Proxy Statement/Prospectus as Appendix A. The material terms and conditions of the Agreement and Plan of Merger are summarized in this Proxy Statement/Prospectus. See Proposal 1 Information About the Proposed Merger-The Agreement and Plan of Merger.

This Proxy Statement/Prospectus serves as a prospectus for EHI Common Shares under the Securities Act of 1933, as amended (the Securities Act), in connection with the issuance of EHI Common Shares in the Merger.

Assuming the holders of GDF Common Shares approve the Merger and all other conditions to the consummation of the Merger are satisfied or waived, the Funds will jointly file articles of merger (the Articles of Merger) with the State Department of Assessments and Taxation of Maryland (the SDAT). The Merger will become effective when the SDAT accepts for record the Articles of Merger or at such later time, which may not exceed 30 days after the Articles of Merger are accepted for record, as specified in the Articles of Merger. The date when the Articles of Merger are accepted for record, or the later date, is referred to in this Proxy Statement/Prospectus as the Closing Date. GDF, as soon as practicable after the Closing Date, will withdraw its registration under the 1940 Act.

The Merger is being structured as a tax-free reorganization for federal income tax purposes. See Proposal 1 Information About the Proposed Merger Federal Income Tax Consequences. Stockholders should consult their tax advisors to determine the actual impact of the Merger on them in light of their individual tax circumstances.

You should retain this Proxy Statement/Prospectus for future reference as it sets forth concisely information about GDF and EHI that you should know before voting on the proposed Merger described below.

A Statement of Additional Information (SAI) dated June 13, 2016, which contains additional information about the Merger and the Funds, has been filed with the Securities and Exchange Commission (SEC). The SAI, as well as GDF s Semi-Annual Report to Stockholders for the six-month period ended February 29, 2016, filed with the SEC on April 22, 2016 (accession no. 0001193125-16-551892), GDF s Annual Report to Stockholders for the Fiscal Year Ended August 31, 2015, filed with the SEC on October 22, 2015 (accession no. 0001193125-15-350735), EHI s Annual Report to Stockholders for the Fiscal Year Ended May 31, 2015, filed with the SEC on July 27, 2015 (accession no. 0001193125-15-263659), and EHI s Semi-Annual Report to Stockholders for the six-month period ended November 30, 2015, filed with the SEC on January 25, 2016 (accession no. 0001193125-16-436681), which highlight certain important information such as investment performance and expense and financial information, are incorporated by reference into this Proxy Statement/Prospectus. In addition, stockholder reports, proxy materials and other information concerning EHI (File No. 811-07994) and GDF (File No. 811-21337) can be inspected at the NYSE. You may receive free of charge a copy of the SAI, or the annual report and semi-annual report for either Fund, by contacting GDF and EHI at 888-777-0102, by writing either Fund at the address listed above or by visiting our website at www.lmcef.com.

In addition, you can copy and review this Proxy Statement/Prospectus and the complete filing on Form N-14 containing the Proxy Statement/Prospectus (File No. 333-209666) and any of the above-referenced documents at the SEC s Public Reference Room in Washington, DC. You may obtain information about the operation of the Public Reference Room by calling the SEC at 202-551-8090. Reports and other information about each Fund are available on the EDGAR Database on the SEC s Internet site at www.sec.gov. You may also obtain copies of this information, after paying a duplicating fee, by electronic request at the following e-mail address: *publicinfo@sec.gov*, or by writing the SEC s Public Reference Room, 100 F Street, N.E., Washington, DC 20549.

GDF Common Shares are listed on the NYSE under the symbol GDF, and EHI Common Shares are listed on the NYSE under the symbol EHI. After the Closing Date, EHI Common Shares will continue to be listed on the NYSE under the symbol EHI.

The information contained herein concerning GDF and EHI has been provided by, and is included herein in reliance upon, GDF and EHI, respectively.

The Securities and Exchange Commission has not approved or disapproved these securities nor passed upon the accuracy or adequacy of this Proxy Statement/Prospectus. Any representation to the contrary is a criminal offense.

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PROPOSAL 1 TO APPROVE THE MERGER OF GDF WITH AND INTO EHI IN ACCORDANCE WITH THE MARYLAND GENERAL CORPORATION LAW

Summary

This summary is qualified in its entirety by reference to the additional information contained elsewhere in this Proxy Statement/Prospectus and the Agreement and Plan of Merger, a form of which is attached to this Proxy Statement/Prospectus as Appendix A.

Proposed Merger

The Board believes that the Merger is in the best interests of both GDF stockholders and EHI stockholders. GDF and EHI have identical primary investment objectives and similar policies and strategies, which will allow GDF stockholders to continue to have exposure to emerging market and high yield securities. Moreover, the combined Fund will likely benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity and additional opportunities for diversification. Furthermore, the Merger will result in more streamlined high yield product offering, allowing for more focused marketing and stockholder servicing efforts.

At a meeting held on November 11 and 12, 2015, the Boards of GDF and EHI, including all of the Independent Directors, unanimously approved the Agreement and Plan of Merger with respect to each Fund. As a result of the Merger:

- each GDF Common Share will convert into an equivalent dollar amount (to the nearest $0.001) of full EHI Common Shares, based on the net asset value per share of each Fund calculated at 4:00 p.m. on the business day preceding the Closing Date;

- each holder of GDF Common Shares will become a holder of EHI Common Shares and will receive, on the Closing Date, that number of EHI Common Shares having an aggregate net asset value (disregarding fractional shares) equal to the aggregate net asset value of such stockholder s GDF Common Shares as of the close of business on the business day preceding the Closing Date; and

- EHI will not issue any fractional Common Shares to GDF stockholders. In lieu thereof, EHI will pay cash to each former holder of GDF Common Shares in an amount equal to the value of the fractional EHI Common Shares that the investor would otherwise have received in the Merger.

If the Merger is not approved, each Fund will continue as a separate investment company, and the Boards of GDF and EHI will consider such alternatives as they determine to be in the best interests of their respective stockholders, including reproposing the Merger.

For the reasons set forth below in Information About the Proposed Merger-Reasons for the Merger and Board Considerations, the Boards of GDF and EHI, including all of the Independent Directors, have concluded that the Merger would be in the best interests of each Fund, and that the interests of the holders of GDF Common Shares and EHI Common Shares would not be diluted as a result of the Merger. **The Board of each Fund, therefore, is hereby submitting the Merger to the holders of GDF Common Shares and EHI Common shares and recommends that stockholders of GDF and EHI vote FOR the Merger.**

Because the Merger has been approved by at least 75% of GDF s Continuing Directors (as that term is defined in GDF s charter), approval of the Merger requires the affirmative vote of the holders of a majority of the outstanding GDF Common Shares. Similarly, because the Merger has been approved by at least 75% of EHI s Continuing Directors (as that term is defined in EHI s charter), approval of the Merger requires the affirmative vote of the holders of a majority of the outstanding EHI Common Shares. See Voting Information below. If stockholders of each Fund approve the Merger, the Closing Date of the Merger is expected to be on or about August 12, 2016.

Prior to completion of the Merger, GDF and EHI will each have received an opinion of Simpson Thacher & Bartlett LLP to the effect that the Merger will qualify as a tax-free reorganization for federal income tax purposes. Accordingly, for federal income tax purposes, (i) no gain or loss will generally be recognized by GDF (except for consequences regularly attributable to a termination of GDF s taxable year) or (subject to the following sentence) the holders of GDF Common Shares as a result of the Merger, (ii) the aggregate tax basis of the EHI Common Shares (including fractional EHI Common Shares purchased by EHI) received by the holders of GDF Common Shares will be the same as the aggregate tax basis of the holders GDF Common Shares immediately prior to the completion of the Merger and (iii) a holder s holding period for EHI Common Shares (including that of fractional EHI Common Shares purchased by EHI) will generally be determined by including the period for which such stockholder held GDF Common Shares converted pursuant to the Merger, provided that such shares were held by such stockholder as capital assets. Holders of GDF Common Shares may, however, recognize gain or loss with respect to cash such holders receive pursuant to the Merger in lieu of fractional shares. For more information about the federal income tax consequences of the Merger, see Information about the Proposed Merger Federal Income Tax Consequences below.

Comparison of Investment Objectives, Principal Investment Strategies and Principal Risks

GDF and EHI have identical primary investment objectives, different secondary investment objectives and similar policies and strategies.

GDF seeks to maintain a high level of current income. Capital appreciation is a secondary objective. EHI s primary investment objective is high current income and EHI s secondary investment objective is total return.

Under normal market conditions, GDF will invest at least 33% of its total assets in high yield U.S. corporate debt securities. GDF also will be able to invest up to 33% of its total assets in a broad range of other U.S. and non-U.S. fixed income securities, both investment grade and high yield securities, including but not limited to corporate bonds, loans, mortgage- and asset-backed securities, preferred stock and sovereign debt, derivative instruments of the foregoing securities and dollar rolls. In addition, under normal market conditions, GDF will invest at least 33% of its total assets in securities of issuers that are, or are incorporated in or generate the majority of their revenue in, emerging market countries. GDF may invest up to 50% of its total assets in non-U.S. dollar denominated securities.

Under normal market conditions, EHI will invest (i) at least 10% of its total assets in below investment grade (high yield) fixed income (debt) securities issued by corporate issuers and (ii) at least 10% and up to 80% of its assets in emerging market fixed income securities or investment grade fixed income securities.

The current investment objectives and policies of EHI will continue unchanged if the Merger occurs.

It is currently anticipated that minimal, if any, portfolio turnover will occur as a result of the Merger. Additionally, GDF utilizes Western Management Company Ltd. (Western Japan) for investment in Japan, while EHI does not utilize Western Japan as a subadviser. Because GDF does not have any investments in Japan, nor are any investments in Japan currently being contemplated, it is not anticipated that any changes to EHI s portfolio will be made as a result of the non-utilization of Western Japan.

Please see Comparison of Investment Objectives, Strategies, and Principal Risks of Investing in the Funds in the Proxy Statement/Prospectus for a more complete comparison of the Funds investment objectives, policies and a summary of the principal risks of investing in the Funds.

Neither Fund is intended to be a complete investment program, and there is no assurance that either Fund will achieve its objectives.

Effect on Expen ses

As further described below, assuming the impact of EHI s voluntary investment management fee waiver of 0.05%, it is anticipated that GDF s total expense ratio will decline by 0.07% on net assets, from 1.67% to 1.60% as a result of the Merger, and EHI s pro forma total expense ratio will be reduced by 0.07% on net assets from 1.67% to 1.60% as a result of the Merger. Legg Mason Partners Fund Advisor, LLC (LMPFA) provides administrative and certain oversight services to the Funds. GDF pays an investment management fee, calculated daily and paid monthly, at an annual rate of 1.05% of GDF s average weekly net assets. Similarly, EHI currently pays LMPFA, which is also EHI s investment manager, an investment management fee, calculated daily and paid monthly, at an annual rate of 0.85% average daily net assets plus the proceeds of any outstanding borrowings (managed assets), along with a voluntary investment management fee waiver of 0.05%, which reduced the annual rate of that fee to 0.80% of the average daily managed assets. LMPFA implemented a voluntary investment management fee waiver on EHI of 0.05% beginning on March 1, 2010 through December 31, 2016. LMPFA, Western Asset and Non-U.S. Subadvisers (as defined below), have a financial interest in the Merger because their respective fees under agreements with EHI, which are based on managed assets that take into account the use of leverage, are higher than under the respective agreements with GDF, which are based on net assets and do not account for the use leverage, and increase as the assets of EHI increase, including the use of leverage. In addition, it is anticipated that former stockholders of GDF will experience a management fee increase of 0.11%, or approximately $161,000, following the Merger as a result of EHI s management fee (not including the management fee waiver) being calculated on managed assets, rather than net assets. GDF also pays 0.62% in other expenses based on its average daily net assets, whereas EHI only pays 0.54% in other expenses based on its average daily net assets. It is anticipated that GDF s total expense ratio will remain the same and EHI s will decline by 0.03% as a result of the Merger. However, assuming the impact of EHI s voluntary investment management fee waiver of 0.05%, it is anticipated that GDF will experience a management fee increase of 0.04%, or approximately $58,000, and GDF s total expense ratio will decline by 0.07% on net assets, from 1.67% to 1.60% as a result of the Merger.

EHI s assets will increase as a result of the Merger (although this increase in assets is expected to be offset by the concomitant loss of GDF s assets and the related fees).

Fee Table and Expense Example

The table below (1) compares the fees and expenses of GDF and EHI as of April 30, 2016 and (2) shows the estimated fees and expenses of the combined Fund, on a pro forma basis, as of April 30, 2016. The estimates are based on the contracts and agreements in effect for GDF and EHI as of April 30, 2016 and reflect the operating expense accrual rates on such date. Accordingly, the actual fees and expenses of each Fund and the combined Fund as of the Closing Date of the Merger may differ from those reflected in the tables below due to changes in net assets from those at April 30, 2016 for GDF and EHI. No amount of any prior fee waiver or expense reimbursement to EHI or GDF may be recovered by any person.

Changes in net assets may result from market appreciation or depreciation and other factors occurring between April 30, 2016 and the Closing Date of the Merger. As a general matter, changes (positive or negative) in a Fund s expense ratio resulting from fluctuations in the Fund s net assets will be borne by the stockholders of that Fund and the combined Fund. For information concerning the net assets of each Fund as of November 30, 2015, please see Capitalization.

The estimated expenses of GDF and EHI and pro forma expenses following the proposed Merger are set forth below. The percentages in the table below are percentages of the Funds net assets attributable to Common Shares.

Fee Table

	Pre-Merger		
	GDF (Target Fund)	**EHI (Acquiring Fund)**	**EHI (Pro Forma Combined Fund)**
Management Fee	1.05%	1.16%[(1)]	1.16%[(2)(3)]
Interest and Commitment Fees	0.37%	0.42%	0.40%
Other expenses	0.25%	0.12%	0.11%
Total Annual Fund Expenses	1.67%[(1)]	1.70%[(1)]	1.67%[(1)]

(1) LMPFA agreed to a voluntary investment management fee waiver of 0.05% based on managed assets. The waiver commenced on March 1, 2010 and extends through December 31, 2016. Assuming the impact of EHI s voluntary investment management fee waiver, EHI s total annual expenses are reduced 0.07% on net assets from 1.70% to 1.63% and it is anticipated that EHI s pro forma combined annual expenses will also be reduced by 0.07% on net assets, from 1.67% to 1.60%. Including the impact of EHI s voluntary fee waiver it is anticipated to reduce GDF s net expense ratio by 0.07% on net assets, from 1.67% to 1.60% as a result of the Merger.

(2) Percentage of net assets attributable to common stock (assumes leverage is used).

(3) LMPFA has a financial interest in the Merger because its respective fees under agreements with EHI, which are based on managed assets that take into account the use of leverage, are higher than under the respective agreements with GDF, which are based on net assets and do not account for the use leverage, and increase as the assets of EHI increase, including the use of leverage. In addition, it is anticipated that former stockholders of GDF will experience a management fee increase of 0.11%, or approximately $161,000, following the Merger as a result of EHI s management fee being calculated on managed assets, rather than net assets. Assuming the impact of EHI s voluntary investment management fee waiver, it is anticipated that GDF will experience a management fee increase of 0.04% or approximately $58,000 as a result of the Merger.

Example

The following example helps you compare the costs of investing in each Funds Common Shares with the costs of investing in other funds. The example assumes that you invest $1,000 in each Fund s Common Shares for the periods shown, that your investment has a 5% return each year, that you reinvest all distributions and dividends and that the Funds operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

	1 Year	3 Years	5 Years	10 Years
GDF	$ 17	$ 53	$ 91	$ 198
EHI	$ 17	$ 53	$ 92	$ 200
EHI (Pro Forma Combined Fund)	$ 17	$ 53	$ 91	$ 198

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COMPARISON OF INVESTMENT OBJECTIVES, STRATEGIES AND PRINCIPAL RISKS OF INVESTING IN THE FUNDS

The following chart lists the investment objectives, principal investment policies and fundamental investment restrictions of EHI and GDF and describes the principal differences between the Funds respective policies. The chart provides EHI and GDF stockholders with a means of comparing the investment objectives, policies and strategies of EHI and GDF.

	Western Asset Global High Income Fund (EHI)	**Western Asset Global Partners Income Fund (GDF)**	**Differences between EHI and GDF**
Investment Objective(s)	EHI s primary investment objective is high current income and EHI s secondary investment objective is total return.	GDF seeks to maintain a high level of current income. As a secondary objective, GDF will seek capital appreciation.	EHI and GDF have the same primary investment objective: to maintain high current income. EHI s secondary investment objective is total return, while GDF s secondary investment objective is capital appreciation.
Principal Investment Policies and Strategies	Under normal market conditions, EHI will invest at least 10% of its assets in below investment grade (junk) fixed income securities issued by corporate issuers.	Under normal market conditions, GDF will invest at least 33% of its total assets in high yield U.S. corporate debt securities. GDF also will be able to invest up to 33% of its total assets in a broad range of other U.S. and non-U.S. fixed income securities, both investment grade and high yield securities, including but not limited to corporate bonds, loans, mortgage- and asset-backed securities, preferred stock and sovereign debt, derivative instruments of the foregoing securities and dollar rolls	EHI may invest less than GDF in below investment grade securities.
	Under normal market conditions, EHI will invest at least 10% and up to 80% of its assets in emerging market fixed income securities.	Under normal market conditions, GDF will invest at least 33% of its total assets in securities of issuers that are, or are incorporated in or generate the majority of their revenue in, emerging market countries.	EHI may invest less than GDF in securities of emerging market issuers.
		GDF may invest up to 33% of its total assets in a broad range of U.S. and non-U.S. fixed-income securities, both investment grade and high-yield, including, but not limited to, corporate bonds, loans, mortgage- and asset-backed securities, preferred	GDF may invest up to 33% of its total assets in a broad range of U.S. and non-U.S. fixed income securities, while EHI has no specific policy.

Western Asset Global High Income Fund (EHI)	Western Asset Global Partners Income Fund (GDF)	Differences between EHI and GDF
	stock and sovereign debt, derivative instruments of the foregoing securities and dollar rolls.	GDF may invest up to 50% of its total assets in non-U.S. dollar denominated securities, while EHI has no specific policy.
	GDF may invest up to 50% of its total assets in non-U.S. dollar denominated securities.	
Under normal market conditions, EHI will invest at least 10% and up to 80% of its assets in investment grade fixed income securities.	GDF has a guideline that, under normal market conditions, no more than 20% of its total assets will be rated, at the time of investment, below B by Moody s or S&P, or will be unrated and of comparable quality.	EHI may invest less than GDF in investment grade securities.
EHI usually will attempt to maintain a portfolio with a weighted average credit quality rated at least B3 by Moody s or B- by S&P or an equivalent rating from any nationally recognized statistical rating organization.		
For temporary defensive purposes and in order to keep EHI s cash fully invested, EHI may deviate from its investment objectives and policies and invest some or all of its assets in investments of non-corporate issuers, including high-quality, short-term debt securities. In addition, in anticipation of or in response to adverse market conditions, for cash management purposes, or for defensive purposes, EHI may invest up to 100% of its assets in U.S. government securities, certificates of deposit, repurchase agreements , or short term commercial paper. As a temporary defensive strategy, EHI may employ alternative strategies, including investment of all of	If adverse conditions prevail in the securities markets which makes GDF s investment strategy inconsistent with the best interests of GDF s stockholders, GDF may invest its assets without limit in Temporary Investments, which are debt securities denominated in U.S. dollars including: (1) short-term and medium-term obligations issued or guaranteed by governments or supernational entities, (2) short-term commercial obligations rated or issued by companies with similar securities outstanding that are rated Prime-1 or A or better by Moody s or A-1 or A or better by S&P or, if unrated, of comparable quality; (3) obligations of banks, subject to the restriction that GDF	Substantively similar.

Western Asset Global High Income Fund (EHI)	Western Asset Global Partners Income Fund (GDF)	Differences between EHI and GDF
the Fund s assets in securities rated investment grade by any nationally recognized statistical rating organization, or in unrated securities of comparable quality.	may not invest more than 25% of its total assets in bank securities; and (4) repurchase agreements with respect to securities in which GDF may invest.	
EHI may invest up to 20% of its assets in all types of equity securities, including common stocks traded on an exchange or in the over the counter market, preferred stocks, warrants, rights, convertible securities, depositary receipts, trust certificates, limited partnership interests, shares of other investment companies and REITs.	GDF may invest up to 10% of its assets in common stock, convertible securities, warrants, preferred stock or other equity securities of U.S. and non-U.S. issuers when consistent with GDF s objectives.	EHI may invest more than GDF in equity securities.
EHI has no specific policy with regard to turnover.	Although GDF s advisory agreement contains no restrictions on portfolio turnover, it is not GDF s policy to engage in transactions with the objective of seeking profits from short-term trading.	EHI and GDF have no specific policies with regard to turnover.
EHI may invest up to 15% of its assets in illiquid securities.	GDF may invest up to 20% of its total assets in illiquid securities.	GDF may invest more than EHI in illiquid securities.
EHI may invest up to 10% of its total assets in any combination of publicly or privately traded mortgage REITs and hybrid REITs.	GDF has no specific policy with regard to investments in REITs.	EHI may invest up to 10% of its total assets in REITs while GDF has no specific policy with regard to investments in REITs.
EHI may invest in zero coupon securities, pay-in-kind bonds and deferred payment securities.	GDF may invest up to 15% of its total assets in zero coupon securities and pay-in-kind bonds.	EHI may invest more than GDF in zero coupon securities and pay-in-kind bonds.
EHI may invest in certain bank obligations, including certificates of deposit, bankers acceptances, and fixed time deposits.	GDF may not invest more than 25% of its total assets in bank securities.	EHI has no specific restriction on percentage of assets that may be invested in bank securities while GDF limits investment in bank securities to 25% of its assets.
EHI may invest in collateralized debt obligations, collateralized bond obligations and collateralized loan obligations.	GDF may invest in collateralized debt obligations, collateralized bond obligations and collateralized loan obligations.	No difference.

	Western Asset Global High Income Fund (EHI)	Western Asset Global Partners Income Fund (GDF)	Differences between EHI and GDF
	EHI may not purchase or sell commodities or commodities contracts or oil, gas or mineral programs, but may purchase, sell, or enter into futures contracts, options on futures contracts, forward contracts, or interest rate, securities-related or other hedging instruments, including swap agreements and other derivative instruments.	GDF may make use of derivatives involving futures contracts and options on futures contracts for purposes other than hedging if, immediately after purchase, sale, or entering into such contract, the sum of the amount of its initial margin and premiums on open contracts and options would not exceed 5% of the liquidation value of the fund s portfolio, after taking into account unrealized profits and losses on existing contracts, provided further, that, in the case of an option that is in-the-money, the in-the-money amount may be excluded in calculating the 5% limitation. The use of derivatives and short sales is speculative.	Substantively similar, except that GDF may make use of derivatives involving futures contracts and options on futures contracts for purposes other than hedging if certain conditions are met.

Fundamental Investment Restrictions

The following restrictions, along with the Funds investment objectives, are each Fund s only fundamental policies- that is, policies that cannot be changed without the approval of the holders of a 1940 Act Majority of the Fund s outstanding voting securities. As used in this Proxy Statement/Prospectus, a 1940 Act Majority means the lesser of (i) 67% or more of the shares present at a meeting if the holders of more than 50% of the outstanding shares are present in person or represented by proxy or (ii) more than 50% of the outstanding shares.

With respect to each Fund, the other policies and investment restrictions referred to in this Proxy Statement/Prospectus are not fundamental policies of the Fund and may be changed by the Fund s Board without stockholder approval. If a percentage restriction set forth below is adhered to at the time a transaction is effected, later changes in percentage resulting from any cause other than actions by the Fund will not be considered a violation.

	Western Asset Global High Income Fund (EHI)	Western Asset Global Partners Income Fund (GDF)	Differences between EHI and GDF
Fundamental Investment Restrictions	EHI may not concentrate its investments in a particular industry or group of industries, as that term is used in the 1940 Act.	GDF may not purchase any securities which would cause more than 25% of its total assets at the time of such purchase to be invested in securities of one or more issuers conducting their principal business activities in the same industry, provided that there is no limitation with respect to investment in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities or repurchase agreements collateralized by any of such obligations.	EHI has a stricter concentration policy as it cannot concentrate in a group of industries.

Western Asset Global High Income Fund (EHI)	Western Asset Global Partners Income Fund (GDF)	Differences between EHI and GDF
EHI may not borrow money or issue any senior security, except to the extent permitted under the 1940 Act.	GDF may not issue senior securities or borrow money, except for (a) preferred stock and other senior securities not in excess of 33-1/3% of its total assets, and (b) borrowings up to 5% of its total assets for temporary or emergency purposes (including for clearance of transactions, repurchase of its shares or payment of dividends), without regard to the amount of senior securities outstanding under clause (a) above.	Substantively similar.
EHI may not make loans, except to the extent permitted under the 1940 Act.	GDF may not make loans, except that GDF may (a) purchase and hold debt instruments (including commercial paper notes, bonds, debentures or other secured or unsecured obligations and certificates of deposit, bankers acceptances and fixed time deposits) in accordance with its investment objectives and policies; (b) invest in or purchase loans through Participations and Assignments; (c) enter into repurchase agreements with respect to portfolio securities; and (d) make loans of portfolio securities.	Substantively similar.
EHI may not act as an underwriter of securities of other issuers, except to the extent that in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under the federal securities laws.	GDF may not underwrite the securities of other issuers, except to the extent that, in connection with the disposition of portfolio securities, it may be deemed to be an underwriter.	Substantively similar.
EHI may not purchase or sell real estate, although it may purchase securities secured by real estate or interests therein, or securities issued by companies which invest in real estate, or interests therein.	GDF may not purchase real estate, real estate mortgage loans or real estate limited partnership interests (other than securities secured by real estate or interests therein or securities issued by companies that invest in real estate or interests therein)	Substantively similar.

Western Asset Global High Income Fund (EHI)	Western Asset Global Partners Income Fund (GDF)	Differences between EHI and GDF
EHI has no fundamental restriction on making short sales.	GDF may not make short sales of securities or purchase securities on margin (except for delayed delivery or when-issued transactions, such short-term credits as are necessary for the clearance of transactions, and margin deposits in connection with transactions in futures contracts, options on futures contracts and options on securities and securities indices.)	GDF may not make short sales or purchase securities on margin, while EHI has no fundamental restriction on making short sales.
EHI may not invest for the purpose of exercising control over management of any company.	GDF may not invest for the purpose of exercising control over management of any company.	No difference.
EHI may not purchase or sell commodities or commodities contracts or oil, gas or mineral programs, but may purchase, sell, or enter into futures contracts, options on futures contracts, forward contracts, or interest rate, securities-related or other hedging instruments, including swap agreements and other derivative instruments.	GDF may not purchase or sell commodities or commodity contracts, including futures contracts and options thereon, except that the Fund may engage in derivatives that include interest rate, currency or stock or bond index futures contracts, currency forward contracts and currency swaps, the purchase and sale (or writing) of exchange listed and over-the-counter (OTC) put and call options on debt and equity securities, currencies, interest rate, currency or stock index futures and fixed-income and stock indices and other financial instruments, entering into various interest rate transactions such as swaps, caps, floors, collars, entering into equity swaps, caps, floors or trading in other similar types of instruments.	Substantively similar.

Risk Factors

There is no assurance that EHI or GDF will meet its investment objectives. You may lose money on your investment in either Fund. The value of each Fund s shares may go up or down, sometimes rapidly and unpredictably. Market conditions, financial conditions of issuers represented in each Fund s portfolio, investment strategies, portfolio management, and other factors affect the volatility of each Fund s shares. An investment in EHI is not insured or guaranteed by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

The following section includes a summary of the principal risks of investing in EHI. Except as described below, your investment in GDF is subject to the same risks.

Investment and Market Risk. An investment in EHI is subject to investment risk, including the possible loss of the entire amount that you invest. Your investment in EHI Common Shares represents an indirect investment in the fixed income securities and other investments owned by EHI, most of which could be purchased directly. The value of EHI s portfolio securities may move up or down, sometimes rapidly and unpredictably. If the current global economic downturn continues or deteriorates further, the ability of issuers to service their obligations could be materially and adversely affected. At any point in time, your EHI Common Shares may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

Fixed Income Securities Risk. In addition to the risks described elsewhere in this section with respect to valuations and liquidity, fixed income securities, including high-yield securities, are also subject to certain risks, including:

Issuer Risk. The value of fixed income securities may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer s goods and services.

Interest Rate Risk. The market price of EHI s investments will change in response to changes in interest rates and other factors. During periods of declining interest rates, the market price of fixed income securities generally rises. Conversely, during periods of rising interest rates, the market price of such securities generally declines. The magnitude of these fluctuations in the market price of fixed income securities is generally greater for securities with longer maturities. Fluctuations in the market price of EHI s securities will not affect interest income derived from securities already owned by EHI, but will be reflected in EHI s net asset value. EHI may utilize certain strategies, including investments in structured notes or interest rate swap or cap transactions, for the purpose of reducing the interest rate sensitivity of the portfolio and decreasing EHI s exposure to interest rate risk, although there is no assurance that it will do so or that such strategies will be successful.

Prepayment Risk. During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing EHI to reinvest the proceeds from such prepayment in lower yielding securities, which may result in a decline in EHI s income and distributions to stockholders. This is known as prepayment or call risk. Debt securities frequently have call features that allow the issuer to redeem the security at dates prior to its stated maturity at a specified price (typically greater than par) only if certain prescribed conditions are met. An issuer may choose to redeem a debt security if, for example, the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

Reinvestment Risk. Reinvestment risk is the risk that income from EHI s portfolio will decline if and when EHI invests the proceeds from matured, traded or called fixed income securities at market interest rates that are below the portfolio s current earnings rate. A decline in income could affect EHI Common Shares price or its overall return.

Credit Risk. Credit risk is the risk that one or more fixed income securities in EHI s portfolio will decline in price or fail to pay interest or principal when due because the issuer of the security experiences a decline in its financial status. If the recent adverse conditions in the credit markets continue to adversely affect the broader global economy, the credit quality of issuers of fixed income securities in which EHI may invest would be more likely to decline, all other things being equal. Changes by an NRSRO in its rating of securities and in the ability of an issuer to make scheduled payments may also affect the value of EHI s investments. Since EHI invests in below investment grade securities, it will be exposed to a greater amount of credit risk than a fund which invests solely in investment grade securities. The prices of lower grade securities generally are more sensitive to negative developments, such as a decline in the issuer s revenues or a general economic downturn, than are the prices of higher grade securities. High-yield fixed income securities are predominantly speculative with respect to the issuer s capacity to pay interest and repay principal when due and therefore involve a greater risk of default.

Below Investment Grade (High-Yield or Junk Bond) Securities Risk. EHI may invest in high-yield debt securities. Debt securities rated below investment grade are commonly referred to as high-yield securities or junk bonds and are regarded as having predominantly speculative characteristics with respect to the issuer s capacity to pay interest and repay principal in

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accordance with the terms of the obligations and involve major risk exposure to adverse conditions. Debt securities rated C or lower by Moody s, CCC or lower by S&P or CC or lower by Fitch or comparably rated by another nationally recognized statistical rating organization (NRSRO) or, if unrated, determined by Western Asset to be of comparable quality are considered to have extremely poor prospects of ever attaining any real investment standing, to have a current identifiable vulnerability to default, to be unlikely to have the capacity to pay interest and repay principal when due in the event of adverse business, financial or economic conditions and/or to be in default or not current in the payment of interest or principal. Ratings may not accurately reflect the actual credit risk associated with a corporate security.

Debt securities rated below investment grade generally offer a higher current yield than that available from higher grade issues, but typically involve greater risk. These securities are especially sensitive to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of below investment grade instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default. The secondary market for high-yield securities may not be as liquid as the secondary market for more highly rated securities, a factor which may have an adverse effect on EHI s ability to dispose of a particular security. There are fewer dealers in the market for high-yield securities than for investment grade obligations. The prices quoted by different dealers may vary significantly, and the spread between the bid and asked price is generally much larger for high-yield securities than for higher quality instruments. Under continuing adverse market or economic conditions, the secondary market for high-yield securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these securities may become illiquid. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of below investment grade securities, especially in a market characterized by a low volume of trading.

Default, or the market s perception that an issuer is likely to default, could reduce the value and liquidity of securities held by EHI, thereby reducing the value of your investment in EHI s Common Shares. In addition, default may cause EHI to incur expenses in seeking recovery of principal or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to a portfolio company, EHI may lose its entire investment or may be required to accept cash or securities with a value less than its original investment. Among the risks inherent in investments in a troubled entity is the fact that it frequently may be difficult to obtain information as to the true financial condition of such issuer. Western Asset s judgment about the credit quality of an issuer and the relative value of its securities may prove to be wrong. Investments in below investment grade securities may present special tax issues for EHI to the extent that the issuers of these securities default on their obligations pertaining thereto, and the U.S. federal income tax consequences to EHI as a holder of such distressed securities may not be clear.

Foreign Securities and Emerging Markets Risk. A fund that invests in foreign (non-U.S.) securities may experience more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Investments in foreign securities (including those denominated in U.S. dollars) are subject to economic and political developments in the countries and regions where the issuers operate or are domiciled, or where the securities are traded, such as changes in economic or monetary policies. Values may also be affected by restrictions on receiving the investment proceeds from a foreign country. Less information may be publicly available about foreign companies than about U.S. companies. Foreign companies are generally not subject to the same accounting, auditing and financial reporting standards as are U.S. companies. In addition, EHI s investments in foreign securities may be subject to the risk of nationalization or expropriation of assets, imposition of currency exchange controls or restrictions on the repatriation of foreign currency, confiscatory taxation, political or financial instability and adverse diplomatic developments. In addition, there may be difficulty in obtaining or enforcing a court judgment abroad. Dividends or interest on, or proceeds from the sale of, foreign securities may be subject to non-U.S. withholding taxes, and special U.S. tax considerations may apply.

The risks of foreign investment are greater for investments in emerging markets. EHI considers a country to be an emerging market country if, at the time of investment, it is (i) represented in the J.P. Morgan Emerging Market Bond Index Global or the J.P. Morgan Corporate Emerging Market Bond Index Broad or (ii) categorized by the World Bank in its annual categorization as middle- or low-income. Emerging market countries typically have economic and political systems that are less fully developed, and that can be expected to be less stable, than those of more advanced countries. Low trading volumes may result in a lack of liquidity and in price volatility. Emerging market countries may have policies that restrict investment by foreigners, that require governmental approval prior to investments by foreign persons, or that prevent foreign investors from withdrawing their money at will. An investment in emerging market securities should be considered speculative.

Non-U.S. Government, or Sovereign, Debt Securities Risk. EHI invests in non-U.S. government, or sovereign, debt securities. The ability of a government issuer, especially in an emerging market country, to make timely and complete payments on its debt obligations will be strongly influenced by the government issuer s balance of payments, including export performance, its access to international credits and investments, fluctuations of interest rates and the extent of its foreign reserves. A country whose exports are concentrated in a few commodities or whose economy depends on certain strategic imports could be vulnerable to fluctuations in international prices of these commodities or imports. To the extent that a country receives payment for its exports in currencies other than U.S. dollars, its ability to make debt payments denominated in U.S. dollars could be adversely affected. If a government issuer cannot generate sufficient earnings from foreign trade to service its external debt, it may need to depend on continuing loans and aid from foreign governments, commercial banks, and multinational organizations. There are no bankruptcy proceedings similar to those in the United States by which defaulted non-U.S. government debt may be collected. Additional factors that may influence a government issuer s ability or willingness to service debt include, but are not limited to, a country s cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole, and the issuer s policy towards the International Monetary Fund, the International Bank for Reconstruction and Development and other international agencies to which a government debtor may be subject.

Since 2010, the risks of investing in foreign sovereign debt have increased dramatically as a result of the ongoing European debt crisis which began in Greece and has begun to spread throughout various other European countries. These debt crises and the ongoing efforts of governments around the world to address these debt crises have also resulted in increased volatility and uncertainty in the United States and the global economy and securities markets, and it is impossible to predict the effects of these or similar events in the future on the United States and the global economy and securities markets or on EHI s investments, though it is possible that these or similar events could have a significant adverse impact on the value and risk profile of EHI. Moreover, as the European debt crisis has progressed, the possibility of one or more Eurozone countries exiting the European monetary union, or even the collapse of the Euro as a common currency, has arisen. The effects of the collapse of the Euro, or of the exit of one or more countries from the European monetary union, on the United States and the global economy and securities markets are impossible to predict and any such events could have a significant adverse impact on the value and risk profile of EHI. See Risk Factors Currency Risk.

Currency Risk. If EHI invests directly in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, foreign (non-U.S.) currencies, or in derivatives that provide exposure to foreign (non-U.S.) currencies, it will be subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions intended to protect EHI from decline in the value of foreign (non-U.S.) currencies, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by EHI. As a result, EHI s investments in foreign currency denominated securities may reduce the returns of EHI. EHI will compute, and expects to distribute, its income in U.S. dollars, and the computation of income is made on the date that the income is earned by EHI at the foreign exchange rate in effect on that date. If the value of the foreign currencies in which EHI receives its income falls relative to the U.S. dollar between the earning of the income and the time at which EHI converts the foreign currencies to U.S. dollars, EHI may be required to liquidate securities in order to make distributions if EHI has insufficient cash in U.S. dollars to meet distribution requirements. See Dividends and Distributions Distributions and EHI Dividend Reinvestment Plan. The liquidation of investments, if required, may have an adverse impact on EHI s performance.

EHI may, from time to time, seek to protect the value of some portion or all of its portfolio holdings against currency risks by engaging in currency hedging transactions. In addition, there may be instances in which EHI s portfolio contains synthetic exposure to a particular currency even though EHI does not own any bonds denominated in such a currency. Such transactions may include entering into forward currency exchange contracts, currency futures contracts and options on such futures contracts, the use of other derivatives, as well as purchasing put or call options on currencies, in U.S. or foreign markets. Currency hedging involves special risks, including possible default by the other party to the transaction, illiquidity and, to the extent Western Asset s view as to certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if they had not been used. In addition, in certain countries in which EHI may invest, currency hedging opportunities may not be available. See Risk Factors Derivatives Risk.

In addition, realizations and drawdowns in EHI s currency exposure may add to volatility to EHI s distributable income. If EHI s currency exposure results in a negative return to EHI, it may result in EHI making distributions, some or all of which consist of a return of capital.

Liquidity Risk. EHI may invest in illiquid securities. Illiquid securities are securities that cannot be disposed of within seven days in the ordinary course of business at approximately the value at which EHI has valued the securities. Liquidity risk exists when particular investments are difficult to sell. Securities may become illiquid after purchase by EHI, particularly during periods of market turmoil. When EHI holds illiquid investments, the portfolio may be harder to value, especially in changing markets, and if EHI is forced to sell these investments in order to segregate assets or for other cash needs, EHI may suffer a loss.

Common Stock Risk. EHI may invest up to 20% of its assets in all types of equity securities. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Fund. In addition, the prices of common stocks are sensitive to general movements in the stock market, and a drop in the stock market may depress the prices of common stocks to which the Fund has exposure. Common stock prices fluctuate for several reasons including changes in investors perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting an issuer occur. In addition, common stock prices may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase. The value of the common stocks in which the Fund may invest will be affected by changes in the stock markets generally, which may be the result of domestic or international political or economic news, changes in interest rates or changing investor sentiment. At times, stock markets can be volatile and stock prices can change substantially. The common stocks of smaller companies are more sensitive to these changes than those of larger companies. Common stock risk will affect the Fund s net asset value per share, which will fluctuate as the value of the securities held by the Fund change.

Preferred Stock Risk. EHI may invest up to 20% of its assets in all types of equity securities. Generally, EHI has a greater flexibility to invest in equity securities. Preferred stocks are unique securities that combine some of the characteristics of both common stocks and bonds. Preferred stocks generally pay a fixed rate of return and are sold on the basis of current yield, like bonds. However, because they are equity securities, preferred stock provides equity ownership of a company, and the income is paid in the form of dividends. Preferred stocks typically have a yield advantage over common stocks as well as comparably-rated fixed income investments. Preferred stocks are typically subordinated to bonds and other debt instruments in a company s capital structure, in terms of priority to corporate income, and therefore will be subject to greater credit risk than those debt instruments. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer s board of directors. Preferred stocks also may be subject to optional or mandatory redemption provisions.

Convertible Securities Risk. EHI may invest up to 20% of its assets in all types of equity. A convertible security is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock or other equity security of the same or a different issuer within a particular period of time at a specified price or formula. Before conversion, convertible securities have characteristics similar to nonconvertible income securities in that they ordinarily provide a stable stream of income with generally higher yields than those of common stocks of the same or similar issuers, but lower yields than comparable nonconvertible securities. Similar to traditional fixed income securities, the market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus may not decline in price to the same extent as the underlying common stock. The credit standing of the issuer and other factors also may have an effect on the convertible security s investment value. Convertible securities rank senior to common stock in a corporation s capital structure but are usually subordinated to comparable nonconvertible securities. Convertible securities may be subject to redemption at the option of the issuer at a price established in the convertible security s governing instrument.

Risks of Warrants and Rights. Warrants and rights are subject to the same market risks as stocks, but may be more volatile in price. Warrants and rights do not carry the right to dividends or voting rights with respect to their underlying securities, and they do not represent any rights in the assets of the issuer. An investment in warrants or rights may be considered speculative. In addition, the value of a warrant or right does not necessarily change with the value of the underlying security and a warrant or right ceases to have value if it is not exercised prior to its expiration date. The purchase of warrants or rights involves the risk that the Fund could lose the purchase value of a warrant or right if the right to subscribe to additional shares is not exercised prior to the warrants or rights expiration. Also, the purchase of warrants and rights involves the risk that the effective price paid for the warrant or right added to the subscription price of the related security may exceed the value of the subscribed security s market price such as when there is no movement in the price of the underlying security.

REITs Risk. Investing in REITs involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. An equity or hybrid REIT may be affected by changes in the value of the underlying properties owned by the REIT. A mortgage or hybrid REIT may be affected by changes in interest rates and the ability of the issuers of its portfolio mortgages to repay their obligations. Mortgage and hybrid REITs are subject to the risks of accelerated prepayments of mortgage pools or pass-through securities, reliance on short-term financing and more highly leveraged capital structures. REITs are dependent upon the skills of their managers and are not diversified.

REITs are generally dependent upon maintaining cash flows to repay borrowings and to make distributions to stockholders and are subject to the risk of default by lessees and borrowers. REITs whose underlying assets are concentrated in properties used by a particular industry, such as healthcare, are also subject to industry related risks. Certain special purpose REITs may invest their assets in specific real estate sectors, such as hotels, nursing homes or warehouses, and are therefore subject to the risks associated with adverse developments in any such sectors.

REITs (especially mortgage REITs) are also subject to interest rate risks. When interest rates decline, the value of a REIT s investment in fixed rate obligations can be expected to rise, but mortgages are often refinanced, which may reduce the yield on investments in mortgage REITs. Rising interest rates may cause REIT investors to demand a higher annual yield, which may, in turn, cause a decline in the market price of the equity securities issued by a REIT. Rising interest rates also generally increase the costs of obtaining financing, which could cause the value of a REIT s investment in fixed rate obligations can be expected to decline. If the REIT invests in adjustable rate mortgage loans (the interest rates on which are reset periodically), yields on a REIT s investments in such loans will gradually align themselves to reflect changes in market interest rates. This causes the value of such investments to fluctuate less dramatically in response to interest rate fluctuations than would investments in fixed rate obligations.

REITs may have limited financial resources, may trade less frequently and in a limited volume and maybe subject to more abrupt or erratic price movements than larger company securities. In addition to these risks, REITs may be affected by changes in the value of the underlying property owned by the trusts or by the quality of any credit they extend. Further, REITs are dependent upon management skills and generally may not be diversified. REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation.

REITs are subject to management fees and other expenses. Therefore, investments in REITs will cause CRO to bear its proportionate share of the costs of the REITs operations. At the same time, CRO will continue to pay its own management fees and expenses with respect to all of its assets, including any portion invested in REITs.

Mortgage-Backed and Asset-Backed Securities Risks. Mortgage-backed securities include, among other things, participation interests in pools of residential mortgage loans purchased from individual lenders by a federal agency or originated and issued by private lenders and involve, among others, the following risks:

Credit and Market Risks of Mortgage-Backed Securities. Investments by EHI in fixed rate and floating rate mortgage-backed securities will entail credit risks (i.e., the risk of non-payment of interest and principal) and market risks (i.e., the risk that interest rates and other factors could cause the value of the instrument to decline). Many issuers or servicers of mortgage-backed securities may guarantee timely payment of interest and principal on the securities, whether or not payments are made when due on the underlying mortgages. This kind of guarantee generally increases the quality of a security, but does not mean that the security s market value and yield will not change. The value of all mortgage-backed securities also may change because of changes in the market s perception of the creditworthiness of the organization that issues or guarantees them. In addition, an unexpectedly high rate of defaults on the mortgages held by a mortgage pool may limit substantially the pool s ability to make payments of principal or interest to EHI as a holder of such securities, reducing the values of those securities or in some cases rendering them worthless. EHI also may purchase securities that are not guaranteed or subject to any credit support.

Like bond investments, the value of fixed rate mortgage-backed securities will tend to rise when interest rates fall, and fall when rates rise. Floating rate mortgage-backed securities will generally tend to have more moderate changes in price when interest rates rise or fall, but their current yield will be affected.

In addition, the mortgage-backed securities market in general may be adversely affected by changes in governmental legislation or regulation. Factors that could affect the value of a mortgage-backed security include, among other things, the types and amounts of insurance which an individual mortgage or specific mortgage-backed security carries, the default and delinquency rate of the mortgage pool, the amount of time the mortgage loan has been outstanding, the loan-to-value ratio of each mortgage and the amount of overcollateralization or undercollateralization of the mortgage pool.

Ongoing developments in the residential mortgage market may have additional consequences to the market for mortgage-backed securities. Delinquencies and losses generally have been increasing with respect to securitizations involving residential mortgage loans and may continue to increase as a result of the weakening housing market and the seasoning of securitized pools of mortgage loans. Many so-called sub-prime mortgage pools are currently distressed and in some cases may be trading at significant discounts to their face value.

Additionally, mortgage lenders recently have adjusted their loan programs and underwriting standards, which has reduced the availability of mortgage credit to prospective mortgagors. This has resulted in reduced availability of financing alternatives for mortgagors seeking to refinance their mortgage loans. The reduced availability of refinancing options for mortgagors has resulted in higher rates of delinquencies, defaults and losses on mortgage loans, particularly in the case of, but not limited to, mortgagors with adjustable rate mortgage loans or interest-only mortgage loans that experience significant increases in their monthly payments following the adjustment date or the end of the interest-only period (see Adjustable Rate Mortgages below for further discussion of adjustable rate mortgage risks). These events, alone or in combination with each other and with deteriorating economic conditions in the general economy, may continue to contribute to higher delinquency and default rates on mortgage loans. The tighter underwriting guidelines for residential mortgage loans, together with lower levels of home sales and reduced refinance activity, also may have contributed to a reduction in the prepayment rate for mortgage loans generally and this trend may continue. The values of mortgage-backed securities may be substantially dependent on the servicing of the underlying mortgage pools, and therefore are subject to risks associated with the negligence or malfeasance by their servicers and to the credit risk of their servicers. In certain circumstances, the mishandling of related documentation also may affect the rights of security holders in and to the underlying collateral.

The United States Government conservatorship of Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Corporation (Fannie Mae) in September 2008 may adversely affect the real estate market and the value of real estate assets generally. It is unclear as of the date of this prospectus what the ultimate resolution of the conservatorship arrangement will be and what impact that resolution will have on the financial markets.

The Federal Housing Finance Agent (FHFA), as conservator or receiver of Fannie Mae and Freddie Mac, has the power to repudiate any contract entered into by Fannie Mae or Freddie Mac prior to its appointment if it determines that performance of the contract is burdensome and repudiation of the contract promotes the orderly administration of Fannie Mae s or Freddie Mac s affairs. In the event the guaranty obligations of Fannie Mae or Freddie Mac are repudiated, payments of interest to holders of Fannie Mae or Freddie Mac mortgage-backed securities would be reduced if payments on the mortgage loans represented in the mortgage loan groups related to such mortgage-backed securities are not made by the borrowers or advanced by the servicer. Any actual direct compensatory damages for repudiating these guaranty obligations may not be sufficient to offset any shortfalls experienced by such mortgage-backed security holders.

Further, in its capacity as conservator or receiver, FHFA has the right to transfer or sell any asset or liability of Fannie Mae or Freddie Mac without any approval, assignment or consent. If FHFA were to transfer any such guaranty obligation to another party, holders of Fannie Mae or Freddie Mac mortgage-backed securities would have to rely on that party for satisfaction of the guaranty obligation and would be exposed to the credit risk of that party.

Asset-backed securities represent participation in, or are secured by and payable from, assets such as installment sales or loan contracts, leases, credit card receivables, and other categories of receivables. Certain debt instruments may only pay principal at maturity or may only represent the right to receive payments of principal or payments of interest on underlying pools or mortgages, assets, or government securities, but not both. The value of these types of instruments may change more drastically than debt securities that pay both principal and interest. EHI may obtain a below market yield or incur a loss on such instruments during periods of declining interest rates. Principal only and interest only instruments are subject to extension risk. For mortgage derivatives and structured securities that have imbedded leverage features, small changes in interest or prepayment rates may cause large and sudden price movements. Mortgage derivatives can also become illiquid and hard to value in declining markets.

Prepayment, Extension and Redemption Risks of Mortgage-Backed Securities. Mortgage-backed securities may reflect an interest in monthly payments made by the borrowers who receive the underlying mortgage loans. Although the underlying mortgage loans are for specified periods of time, such as 20 or 30 years, the borrowers can, and historically have, paid them off sooner. When a prepayment happens, a portion of the mortgage-backed security which represents an interest in the underlying mortgage loan will be prepaid. A borrower is more likely to prepay a mortgage which bears a relatively high rate of interest. This means that in times of declining interest rates, a portion of EHI s higher yielding securities are likely to be redeemed and EHI will probably be unable to replace them with securities having as great a yield. Prepayments can result in lower yields to stockholders. The increased likelihood of prepayment when interest rates decline also limits market price appreciation of mortgage-backed securities. This is known as prepayment risk. Mortgage-backed securities also are subject to extension risk. Extension risk is the possibility that rising interest rates may cause prepayments to occur at a slower than expected rate. This particular risk may effectively change a security which was considered short or intermediate term into a long-term security. The values of long-term securities generally fluctuate more widely in response to changes in interest rates than short or intermediate-term securities. In addition, a mortgage-backed security may be subject to redemption at the option of the issuer. If a mortgage-backed security held by EHI is called for redemption, EHI will be required to permit the issuer to redeem or pay-off the security, which could have an adverse effect on EHI s ability to achieve its investment objective.

Liquidity Risk of Mortgage-Backed Securities. The liquidity of mortgage-backed securities varies by type of security; at certain times EHI may encounter difficulty in disposing of such investments. Because mortgage-backed securities have the potential to be less liquid than other securities, EHI may be more susceptible to liquidity risks than funds that invest in other securities. In the past, in stressed markets, certain types of mortgage-backed securities suffered periods of illiquidity when disfavored by the market.

Collateralized Mortgage Obligations. There are certain risks associated specifically with collateralized mortgage obligations (CMOs). CMOs are debt obligations collateralized by mortgage loans or mortgage pass-through securities. The average life of CMOs is determined using mathematical models that incorporate prepayment assumptions and other factors that involve estimates of future economic and market conditions. These estimates may vary from actual future results, particularly during periods of extreme market volatility. Further, under certain market conditions, such as those that occurred in 1994, 2007, 2008 and 2009, the average weighted life of certain CMOs may not accurately reflect the price volatility of such securities. For example, in periods of supply and demand imbalances in the market for such securities and/or in periods of sharp interest rate movements, the prices of CMOs may fluctuate to a greater extent than would be expected from interest rate movements alone. CMOs issued by private entities are not obligations issued or guaranteed by the United States Government, its agencies or instrumentalities or by any government agency, although the securities underlying a CMO may be subject to a guarantee. Therefore, if the collateral securing the CMO, as well as any third party credit support or guarantees, is insufficient to make payments when due, the holder could sustain a loss.

Adjustable Rate Mortgages. Adjustable Rate Mortgages (ARMs) contain maximum and minimum rates beyond which the mortgage interest rate may not vary over the lifetime of the security. In addition, many ARMs provide for additional limitations on the maximum amount by which the mortgage interest rate may adjust for any single adjustment period. Alternatively, certain ARMs contain limitations on changes in the required monthly payment. In the event that a monthly payment is not sufficient to pay the interest accruing on an ARM, any excess interest is added to the principal balance of the mortgage loan, which is repaid through future monthly payments. If the monthly payment for such an instrument exceeds the sum of the interest accrued at the applicable mortgage interest rate and the principal payment required at such point to amortize the outstanding principal balance over the remaining term of the loan, the excess is used to reduce the then-outstanding principal balance of the ARM.

In addition, certain ARMs may provide for an initial fixed, below-market or teaser interest rate. During this initial fixed-rate period, the payment due from the related mortgagor may be less than that of a traditional loan. However, after the teaser rate expires, the monthly payment required to be made by the mortgagor may increase dramatically when the interest rate on the mortgage loan adjusts. This increased burden on the mortgagor may increase the risk of delinquency or default on the mortgage loan and in turn, losses on the mortgage-backed security into which that loan has been bundled.

Interest and Principal Only Securities Risk. One type of stripped mortgage-backed security pays to one class all of the interest from the mortgage assets (the interest-only, or IO class), while the other class will receive all of the principal (the principal-only, or PO class). The yield to maturity on an IO class is extremely sensitive to the rate of principal payments (including prepayments) on the underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on EHI s yield to maturity from these securities. If the assets underlying the IO class experience greater than anticipated prepayments of principal, EHI may fail to recoup fully, or at all, its initial investment in these securities. Conversely, PO class securities tend to decline in value if prepayments are slower than anticipated.

Derivatives Risk. The Fund may utilize a variety of derivative instruments for investment or risk management purposes, such as options, futures contracts, swap agreements and credit default swaps. Generally derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index, and may relate to individual debt or equity instruments, interest rates, currencies or currency exchange rates and related indexes. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, credit risk and management risk. Derivatives are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. Changes in the credit quality of the companies that serve as EHI s counterparties with respect to its derivative transactions will affect the value of those instruments. By using derivatives that expose EHI to counterparties, EHI assumes the risk that its counterparties could experience financial hardships that could call into question their continued ability to perform their obligations. In addition, in the event of the insolvency of a counterparty to a derivative transaction, the derivative transaction would typically be terminated at its fair market value. If EHI is owed this fair market value in the termination of the derivative transaction and its claim is unsecured, EHI will be treated as a general creditor of such counterparty, and will not have any claim with respect to the underlying security. As a result, concentrations of such derivatives in any one counterparty would subject EHI to an additional degree of risk with respect to defaults by such counterparty. See Counterparty Risk . Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with an underlying asset, interest rate or index. Suitable derivative transactions may not be available in all circumstances and there can be no assurance that EHI will engage in these transactions to reduce exposure to other risks when that would be beneficial. If EHI invests in a derivative instrument, it could lose more than the principal amount invested. Changes to the derivatives markets as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act and other government regulation may have an adverse effect on EHI s ability to make use of derivative transactions.

Derivative instruments can be illiquid, may disproportionately increase losses and may have a potentially large impact on EHI s performance.

It is possible that government regulation of various types of derivative instruments, including interest rate swaps, interest rate options, credit linked notes, foreign currency forward contracts, credit default swaps and total return swaps on individual securities and groups or indexes of securities may limit or prevent EHI from using such instruments as part of its investment strategy, which could negatively affect EHI s performance. For example, the U.S. Government recently enacted legislation that provides for new regulation of certain portions of the derivatives market, including clearing, margin, reporting, recordkeeping, and registration requirements. Although the CFTC has released final rules relating to clearing, reporting, recordkeeping and registration requirements, many of the provisions contained in the Dodd-Frank Act are subject to further final rulemaking. New regulations could, among other things, restrict EHI s ability to engage in derivatives transactions (for example, by making certain types of derivatives transactions no longer available to EHI) and/or increase the costs of such derivatives transactions (for example, by increasing margin or capital requirements), and EHI may be unable to execute its investment strategy as a result. It is unclear how the regulatory changes will affect counterparty risk.

EHI is operated by persons who have claimed an exclusion, granted to operators of registered investment companies like EHI, from registration as a commodity pool operator with respect to EHI under the Commodity Exchange Act (the CEA), and who, therefore, are not subject to registration or regulation with respect to EHI under the CEA. As a result, effective December 31, 2012, EHI is limited in its ability to use commodity futures (which include futures on broad-based securities indexes and interest rate futures) or options on commodity futures, engage in swaps transactions or make certain other investments (whether directly or indirectly through investments in other investment vehicles) for purposes other than bona fide hedging. With respect to transactions other than for bona fide hedging purposes, either: (1) the aggregate initial margin and premiums required to establish EHI s positions in such investments may not exceed 5% of the liquidation value of EHI s portfolio (after accounting for unrealized profits and unrealized losses on any such investments); or (2) the aggregate net notional value of such instruments, determined at the time the most recent position was established, may not exceed 100% of the liquidation value of EHI s portfolio (after accounting for unrealized profits and unrealized losses on any such positions). In addition to meeting one of the foregoing trading limitations, EHI may not market itself as a commodity pool or otherwise as a vehicle for trading in the futures, options or swaps markets.

Risks of Futures and Options on Futures. The use by EHI of futures contracts and options on futures contracts to hedge interest rate risks involves special considerations and risks, as described below.

Successful use of hedging transactions depends upon Western Asset s ability to correctly predict the direction of changes in interest rates. There can be no assurance that any particular hedging strategy will succeed.

There might be imperfect correlation, or even no correlation, between the price movements of a futures or option contract and the movements of the interest rates being hedged. Such a lack of correlation might occur due to factors unrelated to the interest rates being hedged, such as market liquidity and speculative or other pressures on the markets in which the hedging instrument is traded.

Hedging strategies, if successful, can reduce risk of loss by wholly or partially offsetting the negative effect of unfavorable movements in the interest rates being hedged. However, hedging strategies can also reduce opportunity for gain by offsetting the positive effect of favorable movements in the hedged interest rates.

There is no assurance that a liquid secondary market will exist for any particular futures contract or option thereon at any particular time. If EHI were unable to liquidate a futures contract or an option on a futures contract position due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses. EHI would continue to be subject to market risk with respect to the position.

There is no assurance that EHI will use hedging transactions. For example, if EHI determines that the cost of hedging will exceed the potential benefit to EHI, EHI will not enter into such transactions.

Derivatives Regulation Risk. In connection with an ongoing review by the SEC and its staff of the regulation of investment companies use of derivatives, on August 31, 2011, the SEC issued a concept release to seek public comment on a wide range of issues raised by the use of derivatives by investment companies. The SEC noted that it intends to consider the comments to help determine whether regulatory initiatives or guidance are needed to improve the current regulatory regime for investment companies and, if so, the nature of any such initiatives or guidance. While the nature of any such regulations is uncertain at this time, it is possible that such regulations could limit the implementation of EHI s use of derivatives, which could have an adverse impact on EHI. Neither LMPFA nor Western Asset can predict the effects of these regulations on EHI s portfolio. LMPFA and Western Asset monitor developments and seek to manage EHI s portfolio in a manner consistent with achieving EHI s investment objectives, but there can be no assurance that they will be successful in doing so.

Credit Default Swap Risk. EHI may invest in credit default swap transactions for hedging or investment purposes. Credit default swap agreements involve greater risks than if EHI had invested in the reference obligation directly since, in addition to general market risks, credit default swaps are subject to illiquidity risk, counterparty risk and credit risk. The buyer in a credit default contract is obligated to pay the seller a periodic stream of payments over the term of the contract, provided that no event of default on an underlying reference obligation has occurred. If an event of default occurs, the seller must pay the buyer the full notional value, or par value, of the reference obligation through either physical settlement or cash

settlement. EHI may be either the buyer or seller in a credit default swap transaction. If EHI is a buyer and no event of default occurs, EHI will have made a series of periodic payments and recover nothing of monetary value. However, if an event of default occurs, EHI (if the buyer) will receive the full notional value of the reference obligation either through a cash payment in exchange for the asset or a cash payment in addition to owning the reference assets. As a seller, EHI receives a fixed rate of income throughout the term of the contract, which typically is between six months and five years, provided that there is no event of default. The sale of a credit default swap is a form of leverage. EHI currently segregates assets on EHI s records in the form of cash, cash equivalents or liquid securities in an amount equal to the notional value of the credit default swaps of which it is the seller or otherwise covers such obligations. If such assets are not fully segregated or otherwise covered by EHI, the use of credit default swap transactions could then be considered senior securities for purposes of the 1940 Act. Recent market developments related to credit default swaps have prompted increased scrutiny with respect to these instruments. As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, credit default swaps may in the future be subject to increased regulation. Such regulation may limit EHI s ability to use credit default swaps. Although EHI will seek to realize gains by writing credit default swaps that increase in value, to realize gains on writing credit default swaps, an active secondary market for such instruments must exist or EHI must otherwise be able to close out these transactions at advantageous times. If no such secondary market exists or EHI is otherwise unable to close out these transactions at advantageous times, writing credit default swaps may not be profitable for EHI.

The market for credit default swaps has become more volatile in recent years as the creditworthiness of certain counterparties has been questioned and/or downgraded. If a counterparty s credit becomes significantly impaired, multiple requests for collateral posting in a short period of time could increase the risk that EHI may not receive adequate collateral. As of the date of this prospectus, credit default swaps are not currently traded on any securities exchange, however certain credit default swaps will be cleared through swaps clearing houses. EHI may exit its obligations under a credit default swap only by terminating the contract and paying applicable breakage fees, or by entering into an offsetting credit default swap position, which may cause EHI to incur more losses.

Repurchase Agreements Risk. Subject to its investment objectives and policies, EHI may invest in repurchase agreements for investment purposes. Repurchase agreements typically involve the acquisition by EHI of debt securities from a selling financial institution such as a bank, savings and loan association or broker-dealer. The agreement provides that EHI will sell the securities back to the institution at a fixed time in the future. EHI does not bear the risk of a decline in the value of the underlying security unless the seller defaults under its repurchase obligation. In the event of the bankruptcy or other default of a seller of a repurchase agreement, EHI could experience both delays in liquidating the underlying securities and losses, including possible decline in the value of the underlying security during the period in which EHI seeks to enforce its rights thereto; possible lack of access to income on the underlying security during this period; and expenses of enforcing its rights. In addition, as described above, the value of the collateral underlying the repurchase agreement will be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement. In the event of a default or bankruptcy by a selling financial institution, EHI generally will seek to liquidate such collateral. However, the exercise of EHI s right to liquidate such collateral could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase are less than the repurchase price, EHI could suffer a loss.

Reverse Repurchase Agreements Risk. To the extent that EHI utilizes reverse repurchase agreements, such agreements are subject to many of the same risks involved in EHI s use of leverage described above, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities sold by EHI in the reverse repurchase agreement may decline below the price at which EHI remains obligated to repurchase such securities. In addition, there is a risk that the market value of the securities retained by EHI may decline. If the buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experience insolvency, EHI may be adversely affected. Also, in entering into reverse repurchase agreements, EHI would bear the risk of loss to the extent that the proceeds of the reverse repurchase agreement are less than the value of the underlying securities. In addition, due to the interest costs associated with reverse repurchase agreement transactions, EHI s net asset value (NAV) will decline, and, in some cases, EHI may be worse off than if it had not used such instruments.

Senior Loans Risk. EHI may invest in first lien senior secured loans (Senior Loans) issued by banks, other financial institutions, and other investors to corporations, partnerships, limited liability companies and other entities to finance leveraged buyouts, recapitalizations, mergers, acquisitions, stock repurchases, debt refinancings and, to a lesser extent, for general operating and other purposes. An investment in Senior Loans involves risk that the borrowers under Senior Loans may default on their obligations to pay principal or interest when due. In the event a borrower fails to pay scheduled interest or principal payments on a Senior Loan held by EHI, EHI will experience a reduction in its income and a decline in the market value of the Senior Loan, which will likely reduce dividends and lead to a decline in the net asset value of EHI. If EHI acquires a Senior Loan from another lender, for example, by acquiring a participation, EHI may also be subject to credit risk with respect to that lender.

EHI will generally invest in Senior Loans that are secured with specific collateral. However, there can be no assurance that liquidation of collateral would satisfy the borrower s obligation in the event of non-payment or that such collateral could be readily liquidated. In the event of the bankruptcy of a borrower, EHI could experience delays and limitations on its ability to realize the benefits of the collateral securing the Senior Loan. Senior Loans are typically structured as floating rate instruments in which the interest rate payable on the obligation fluctuates with interest rate changes. As a result, the yield on Senior Loans will generally decline in a falling interest rate environment causing EHI to experience a reduction in the income it receives from a Senior Loan. Senior Loans are generally of below investment grade quality and may be unrated at the time of investment; are generally not registered with the SEC or state securities commissions; and are generally not listed on any securities exchange. In addition, the amount of public information available on Senior Loans is generally less extensive than that available for other types of assets.

Second Lien Loans Risk. Second senior secured lien loans (Second Lien Loans) generally are subject to similar risks as those associated with investments in Senior Loans. Because Second Lien Loans are subordinated or unsecured and thus lower in priority of payment to Senior Loans, they are subject to the additional risk that the cash flow of the borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured obligations of the borrower. This risk is generally higher for subordinated unsecured loans or debt, which are not backed by a security interest in any specific collateral. Second Lien Loans generally have greater price volatility than Senior Loans and may be less liquid. There is also a possibility that originators will not be able to sell participations in Second Lien Loans, which would create greater credit risk exposure for the holders of such loans. Second Lien Loans share the same risks as other below investment grade securities.

Loan Participations and Assignments Risk. EHI may invest in participations in loans or assignments of all or a portion of loans from third parties. In connection with purchasing participations, EHI generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any rights of set-off against the borrower, and EHI may not directly benefit from any collateral supporting the loan in which it has purchased the participation. As a result, EHI may be subject to the credit risk of both the borrower and the lender that is selling the participation. In the event of the insolvency of the lender selling a participation, EHI may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower. Certain participations may be structured in a manner designed to avoid purchasers of participations being subject to the credit risk of the lender with respect to the participation, but even under such a structure, in the event of the lender s insolvency, the lender s servicing of the participation may be delayed and the assignability of the participation impaired. EHI will acquire participations only if the lender interpositioned between EHI and the borrower is determined by Western Asset to be creditworthy.

Smaller Company Risk. The general risks associated with income-producing securities are particularly pronounced for securities issued by companies with smaller market capitalizations. These companies may have limited product lines, markets or financial resources or they may depend on a few key employees. As a result, they may be subject to greater levels of credit, market and issuer risk. Securities of smaller companies may trade less frequently and in lesser volume than more widely held securities and their values may fluctuate more sharply than other securities. Companies with medium-sized market capitalizations may have risks similar to those of smaller companies.

Management Risk. EHI is subject to management risk because it is an actively managed investment portfolio. Western Asset, Western Asset Management Company Pte. Ltd. in Singapore (Western Singapore) and Western Asset Management Company Limited in London (Western Asset Limited , together with Western Singapore, the Non-U.S. Subadvisers and individually, each a Non-U.S. Subadviser) and each individual investment professional may not be successful in selecting the best performing securities or investment techniques, and EHI s performance may lag behind that of similar funds.

Potential Conflicts of Interest Risk. LMPFA, Western Asset, the Non-U.S. Subadvisers (together with LMPF and Western Asset, the Managers) and EHI s investment professionals have interests which may conflict with the interests of

EHI. In particular, LMPFA also manages, and Western Asset serves as subadviser to, another closed-end investment company listed on the NYSE that has an investment objective and investment strategies that are substantially similar to EHI. Further, the Managers may at some time in the future manage and/or advise other investment funds or accounts with the same investment objective and strategies as EHI. As a result, the Managers and EHI s investment professionals may devote unequal time and attention to the management of EHI and those other funds and accounts, and may not be able to formulate as complete a strategy or identify equally attractive investment opportunities as might be the case if they were to devote substantially more attention to the management of EHI. The Managers and EHI s investment professionals may identify a limited investment opportunity that may be suitable for multiple funds and accounts, and the opportunity may be allocated among these several funds and accounts, which may limit EHI s ability to take full advantage of the investment opportunity. Additionally, transaction orders may be aggregated for multiple accounts for purpose of execution, which may cause the price or brokerage costs to be less favorable to EHI than if similar transactions were not being executed concurrently for other accounts. At times, an investment professional may determine that an investment opportunity may be appropriate for only some accounts for which he or she exercises investment responsibility, or may decide that certain accounts should take differing positions with respect to a particular security. In these cases, the investment professional may place separate transactions for one or more funds or accounts which may affect the market price of the security or the execution of the transaction, or both, to the detriment or benefit of one or more other funds and accounts. For example, an investment professional may determine that it would be in the interest of another account to sell a security that EHI holds, potentially resulting in a decrease in the market value of the security held by EHI.

Rating Agency Risk. Credit ratings are issued by rating agencies which are private services that provide ratings of the credit quality of debt obligations, including convertible securities. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks or the liquidity of securities. Rating agencies may fail to make timely changes in credit ratings and an issuer s current financial condition may be better or worse than a rating indicates. In addition, in recent years there have been instances in which the initial rating assigned by a rating agency to a security failed to take account of adverse economic developments which subsequently occurred, leading to losses that were not anticipated based on the initial rating. To the extent that the issuer of a security pays a rating agency for the analysis of its security, an inherent conflict of interest may exist that could affect the reliability of the rating. The ratings of a debt security may change over time. As a result, debt instruments held by EHI could receive a higher rating or a lower rating during the period in which they are held. EHI will not necessarily sell a security when its rating is reduced below its rating at the time of purchase.

Investments in mortgage-related securities may involve particularly high levels of risk under current market conditions.

Inflation/Deflation Risk. Inflation risk is the risk that the value of certain assets or income from EHI s investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of EHI Common Shares and distributions on EHI Common Shares can decline. Deflation risk is the risk that prices throughout the economy decline over time the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer defaults more likely, which may result in a decline in the value of EHI s portfolio.

Counterparty Risk. Changes in the credit quality of the companies that serve as EHI s counterparties (whether a clearing corporation in the case of cleared instruments or another third party in the case of uncleared instruments) with respect to derivatives or other transactions supported by another party s credit will affect the value of those instruments. Certain entities that have served as counterparties in the markets for these transactions have recently incurred significant financial hardships including bankruptcy and losses as a result of exposure to sub-prime mortgages and other lower quality credit investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, EHI may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy dissolution, assignment for the benefit of creditors, liquidation, winding-up or analogous or other reorganization proceeding. EHI may obtain only a limited recovery or may obtain no recovery in such circumstances. Some, but not all, derivative transactions may be cleared, in which case a central clearing counterparty stands between the direct parties to the derivative transaction and effectively guarantees performance of each contract, to the extent of its available resources for such purpose. Uncleared derivative transactions have no such protection; each party bears the risk that its direct counterparty will default. Counterparty risk with respect to certain exchange-traded and over-the-counter derivatives may be further complicated by recently enacted U.S. financial reform legislation. See Derivatives Risk above for more information.

When-Issued and Delayed-Delivery Transactions Risk. EHI may purchase fixed income securities on a when-issued basis, and may purchase or sell those securities for delayed delivery. When-issued and delayed-delivery transactions occur when securities are purchased or sold by EHI with payment and delivery taking place in the future to secure an advantageous yield or price. Securities purchased on a when-issued or delayed-delivery basis may expose EHI to counterparty risk of default as well as the risk that securities may experience fluctuations in value prior to their actual delivery. EHI will not accrue income with respect to a when-issued or delayed-delivery security prior to its stated delivery date. Purchasing securities on a when-issued or delayed-delivery basis can involve the additional risk that the price or yield available in the market when the delivery takes place may not be as favorable as that obtained in the transaction itself.

Leverage Risk. EHI has borrowings in the form of a revolving credit agreement with State Street Bank and Trust Co. that allows the Fund to borrow up to an aggregate amount of $125,000,000 ($100,000,000 prior to March 2, 2015) and renews daily for a 270-day term unless notice to the contrary is given to the Fund. EHI may elect to utilize leverage in an amount up to 33 1/3% of the Fund s total assets through borrowings, including loans from certain financial institutions, mortgage dollar rolls, reverse repurchase agreements and debt securities, and 50% of EHI s total assets through the issuance of preferred stock. Leverage may result in greater volatility of the net asset value, distributions on EHI Common Shares and market price of EHI Common Shares because changes in the value of EHI s portfolio investments, including investments purchased with the proceeds from borrowings or the issuance of preferred stock, if any, are borne entirely by holders of EHI Common Shares. Common Stock income may fall if the interest rate on borrowings or the dividend rate on preferred stock rises, and may fluctuate as the interest rate on borrowings or the dividend rate on preferred stock varies. On the other hand, EHI s use of leverage results in increased operating costs. Thus, to the extent that the then-current cost of any leverage, together with other related expenses, approaches the net return on EHI s investment portfolio, the benefit of leverage to holders of EHI Common Shares will be reduced, and if the then-current cost of any leverage together with related expenses were to exceed the net return on EHI s portfolio, EHI s leveraged capital structure would result in a lower rate of return to holders of EHI Common Shares than if EHI were not so leveraged. In addition, the costs associated with EHI s incursion and maintenance of leverage could increase over time. There can be no assurance that EHI s leveraging strategy will be successful.

Portfolio Turnover Risk. Changes to the investments of EHI may be made regardless of the length of time particular investments have been held. A high portfolio turnover rate may result in increased transaction costs for EHI in the form of increased dealer spreads and other transactional costs, which may have an adverse impact on EHI s performance. In addition, high portfolio turnover may result in the realization of net short-term capital gains by EHI which, when distributed to stockholders, will be taxable as ordinary income. A high portfolio turnover may increase EHI s current and accumulated earnings and profits, resulting in a greater portion of EHI s distributions being treated