

Western Asset Income Fund
Form N-Q
May 29, 2012

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

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-02351

Western Asset Income Fund
(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY
(Address of principal executive offices)

10018
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

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

Registrant's telephone number, including area code: 1-888-777-0102

Date of fiscal year end: December 31

Date of reporting period: March 31, 2012

ITEM 1.

SCHEDULE OF INVESTMENTS.

WESTERN ASSET INCOME FUND

FORM N-Q

MARCH 31, 2012

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited)

March 31, 2012

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|---------------|--------------|---------------|
| CORPORATE BONDS & NOTES 93.6% | | | | |
| CONSUMER DISCRETIONARY 6.2% | | | | |
| Automobiles 0.0% | | | | |
| Escrow GCB General Motors | | | \$ 2,710,000 | \$ 37,263(e)* |
| Hotels, Restaurants & Leisure 0.4% | | | | |
| NCL Corp. Ltd., Senior Secured Notes | 11.750% | 11/15/16 | 180,000 | 208,350 |
| Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., Senior Secured Notes | 5.375% | 3/15/22 | 250,000 | 243,750(a) |
| <i>Total Hotels, Restaurants & Leisure</i> | | | | 452,100 |
| Media 4.8% | | | | |
| Comcast Corp., Bonds | 6.400% | 5/15/38 | 950,000 | 1,132,820 |
| Comcast Corp., Notes | 6.450% | 3/15/37 | 120,000 | 143,618 |
| Comcast Corp., Senior Notes | 6.950% | 8/15/37 | 160,000 | 202,572 |
| News America Inc., Senior Notes | 6.550% | 3/15/33 | 545,000 | 598,168 |
| News America Inc., Senior Notes | 7.750% | 12/1/45 | 130,000 | 152,220 |
| Nielsen Finance LLC/Nielsen Finance Co., Senior Notes | 11.500% | 5/1/16 | 100,000 | 115,250 |
| TCI Communications Inc. | 8.750% | 8/1/15 | 160,000 | 197,035 |
| Time Warner Cable Inc., Senior Notes | 8.750% | 2/14/19 | 520,000 | 677,875 |
| Time Warner Entertainment Co., LP, Senior Notes | 8.375% | 7/15/33 | 530,000 | 708,005 |
| Time Warner Inc., Senior Debentures | 7.700% | 5/1/32 | 595,000 | 776,023 |
| United Business Media Ltd., Notes | 5.750% | 11/3/20 | 640,000 | 632,810(a) |
| WPP Finance 2010, Senior Notes | 4.750% | 11/21/21 | 840,000 | 878,415(a) |
| WPP Finance UK, Senior Notes | 8.000% | 9/15/14 | 180,000 | 206,374 |
| <i>Total Media</i> | | | | 6,421,185 |
| Multiline Retail 0.3% | | | | |
| Macy's Retail Holdings Inc., Notes | 5.750% | 7/15/14 | 400,000 | 438,456 |
| Specialty Retail 0.7% | | | | |
| American Greetings Corp., Senior Notes | 7.375% | 12/1/21 | 160,000 | 164,000 |
| Gap Inc., Senior Notes | 5.950% | 4/12/21 | 730,000 | 736,677 |
| <i>Total Specialty Retail</i> | | | | 900,677 |
| TOTAL CONSUMER DISCRETIONARY | | | | 8,249,681 |
| CONSUMER STAPLES 4.5% | | | | |
| Beverages 1.2% | | | | |
| Anheuser-Busch InBev Worldwide Inc., Senior Notes | 5.375% | 1/15/20 | 260,000 | 305,551 |
| Pernod-Ricard SA, Senior Bonds | 5.750% | 4/7/21 | 530,000 | 586,978(a) |
| Pernod-Ricard SA, Senior Notes | 5.500% | 1/15/42 | 670,000 | 673,561(a) |
| <i>Total Beverages</i> | | | | 1,566,090 |
| Food & Staples Retailing 0.2% | | | | |
| Delhaize Group, Senior Notes | 6.500% | 6/15/17 | 290,000 | 335,139 |
| Food Products 0.2% | | | | |
| Flowers Foods Inc., Senior Notes | 4.375% | 4/1/22 | 160,000 | 159,321 |
| Kraft Foods Inc., Senior Notes | 5.375% | 2/10/20 | 150,000 | 173,407 |
| <i>Total Food Products</i> | | | | 332,728 |
| Tobacco 2.9% | | | | |

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| | | | | |
|--|--------|----------|-----------|-----------|
| Altria Group Inc., Senior Notes | 9.700% | 11/10/18 | 160,000 | 217,412 |
| Altria Group Inc., Senior Notes | 4.750% | 5/5/21 | 250,000 | 268,733 |
| Lorillard Tobacco Co., Senior Notes | 8.125% | 6/23/19 | 300,000 | 372,479 |
| Lorillard Tobacco Co., Senior Notes | 8.125% | 5/1/40 | 270,000 | 326,153 |
| Lorillard Tobacco Co., Senior Notes | 7.000% | 8/4/41 | 320,000 | 344,207 |
| Philip Morris International Inc., Senior Notes | 6.875% | 3/17/14 | 490,000 | 549,417 |
| Philip Morris International Inc., Senior Notes | 4.500% | 3/20/42 | 390,000 | 384,747 |
| Reynolds American Inc., Senior Notes | 7.250% | 6/1/12 | 1,360,000 | 1,372,620 |
| <i>Total Tobacco</i> | | | | 3,835,768 |
| TOTAL CONSUMER STAPLES | | | | 6,069,725 |

See Notes to Schedule of Investments.

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

March 31, 2012

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|--------|---------------|-------------|-------------------|
| ENERGY 15.6% | | | | |
| Energy Equipment & Services 0.6% | | | | |
| Baker Hughes Inc., Senior Notes | 7.500% | 11/15/18 | \$ 370,000 | \$ 488,153 |
| Baker Hughes Inc., Senior Notes | 5.125% | 9/15/40 | 240,000 | 273,043 |
| <i>Total Energy Equipment & Services</i> | | | | <i>761,196</i> |
| Oil, Gas & Consumable Fuels 15.0% | | | | |
| Anadarko Finance Co., Senior Notes | 7.500% | 5/1/31 | 465,000 | 574,435 |
| Anadarko Petroleum Corp., Senior Notes | 6.375% | 9/15/17 | 35,000 | 41,588 |
| Apache Corp. | 6.900% | 9/15/18 | 100,000 | 126,238 |
| Apache Corp., Senior Notes | 6.000% | 1/15/37 | 190,000 | 231,548 |
| Apache Corp., Senior Notes | 5.100% | 9/1/40 | 80,000 | 87,338 |
| Apache Corp., Senior Notes | 5.250% | 2/1/42 | 90,000 | 100,649 |
| Arch Coal Inc., Senior Notes | 7.000% | 6/15/19 | 260,000 | 239,850(a) |
| ConocoPhillips, Notes | 6.500% | 2/1/39 | 810,000 | 1,075,774 |
| ConocoPhillips, Senior Notes | 6.000% | 1/15/20 | 310,000 | 384,093 |
| DCP Midstream Partners LP, Senior Notes | 4.950% | 4/1/22 | 520,000 | 521,268 |
| Devon Energy Corp., Senior Notes | 5.600% | 7/15/41 | 320,000 | 360,068 |
| Devon Financing Corp. ULC, Debentures | 7.875% | 9/30/31 | 380,000 | 524,277 |
| Duke Capital LLC, Senior Notes | 6.250% | 2/15/13 | 800,000 | 835,486 |
| El Paso Corp., Medium-Term Notes | 7.800% | 8/1/31 | 2,000,000 | 2,273,218 |
| Enbridge Energy Partners LP | 9.875% | 3/1/19 | 120,000 | 159,642 |
| Energy Transfer Partners LP, Senior Notes | 9.700% | 3/15/19 | 170,000 | 217,344 |
| Enterprise Products Operating LLC, Senior Notes | 6.125% | 10/15/39 | 320,000 | 360,369 |
| EOG Resources Inc., Senior Notes | 5.875% | 9/15/17 | 540,000 | 646,800 |
| Hess Corp., Notes | 7.875% | 10/1/29 | 1,180,000 | 1,570,314 |
| Hess Corp., Senior Bonds | 6.000% | 1/15/40 | 300,000 | 343,617 |
| Kerr-McGee Corp., Notes | 6.950% | 7/1/24 | 1,080,000 | 1,304,369 |
| LUKOIL International Finance BV, Bonds | 6.356% | 6/7/17 | 310,000 | 338,762(a) |
| Noble Energy Inc., Senior Notes | 6.000% | 3/1/41 | 390,000 | 432,426 |
| Pemex Project Funding Master Trust, Senior Bonds | 6.625% | 6/15/35 | 2,635,000 | 3,003,900 |
| Petrobras International Finance Co., Global Notes | 5.875% | 3/1/18 | 879,000 | 985,937 |
| Petrobras International Finance Co., Senior Notes | 6.750% | 1/27/41 | 1,180,000 | 1,368,523 |
| Petroplus Finance Ltd., Senior Notes | 7.000% | 5/1/17 | 600,000 | 231,000(a)(b) |
| Phillips 66, Senior Notes | 5.875% | 5/1/42 | 280,000 | 286,837(a) |
| Shell International Finance BV, Senior Notes | 6.375% | 12/15/38 | 250,000 | 330,764 |
| Transcontinental Gas Pipe Line Co. LLC, Senior Notes | 5.400% | 8/15/41 | 310,000 | 326,841(a) |
| Williams Cos. Inc., Debentures | 7.500% | 1/15/31 | 47,000 | 56,408 |
| Williams Cos. Inc., Senior Notes | 7.750% | 6/15/31 | 37,000 | 45,074 |
| Williams Cos. Inc., Senior Notes | 8.750% | 3/15/32 | 610,000 | 804,173 |
| <i>Total Oil, Gas & Consumable Fuels</i> | | | | <i>20,188,930</i> |
| TOTAL ENERGY | | | | 20,950,126 |
| FINANCIALS 39.6% | | | | |
| Capital Markets 5.6% | | | | |
| GFI Group Inc., Senior Notes | 8.375% | 7/19/18 | 470,000 | 447,675 |

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|--|--------|---------|-----------|------------------|
| Goldman Sachs Capital I, Capital Securities | 6.345% | 2/15/34 | 555,000 | 517,888 |
| Goldman Sachs Capital II, Junior Subordinated Bonds | 5.793% | 6/1/12 | 880,000 | 603,900(c) |
| Goldman Sachs Group Inc., Senior Notes | 6.000% | 5/1/14 | 40,000 | 42,882 |
| Goldman Sachs Group Inc., Senior Notes | 5.375% | 3/15/20 | 270,000 | 274,476 |
| Goldman Sachs Group Inc., Senior Notes | 5.250% | 7/27/21 | 510,000 | 504,857 |
| Goldman Sachs Group Inc., Senior Notes | 6.250% | 2/1/41 | 570,000 | 562,961 |
| Goldman Sachs Group Inc., Subordinated Notes | 6.750% | 10/1/37 | 640,000 | 625,327 |
| Kaupthing Bank HF, Senior Notes | 5.750% | 10/4/11 | 480,000 | 127,200(a)(d)(e) |
| Kaupthing Bank HF, Senior Notes | 7.625% | 2/28/15 | 620,000 | 164,300(a)(b)(e) |
| Kaupthing Bank HF, Subordinated Notes | 7.125% | 5/19/16 | 1,250,000 | 0(a)(b)(e)(f)(g) |
| Merrill Lynch & Co. Inc., Senior Notes | 6.400% | 8/28/17 | 300,000 | 327,160 |
| Merrill Lynch & Co. Inc., Senior Notes, Medium-Term Notes | 6.050% | 8/15/12 | 400,000 | 406,948 |
| Merrill Lynch & Co. Inc., Subordinated Notes | 5.700% | 5/2/17 | 1,000,000 | 1,025,510 |
| Merrill Lynch & Co. Inc., Subordinated Notes | 6.110% | 1/29/37 | 320,000 | 304,575 |

See Notes to Schedule of Investments.

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

March 31, 2012

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|------------------|----------------|---------------------|
| Capital Markets continued | | | | |
| Morgan Stanley, Medium-Term Notes | 6.625% | 4/1/18 | \$ 100,000 | \$ 105,301 |
| Morgan Stanley, Senior Notes | 6.000% | 5/13/14 | 860,000 | 900,116 |
| Morgan Stanley, Senior Notes | 5.500% | 7/24/20 | 100,000 | 97,599 |
| State Street Corp., Junior Subordinated Notes | 4.956% | 3/15/18 | 480,000 | 501,249 |
| <i>Total Capital Markets</i> | | | | <i>7,539,924</i> |
| Commercial Banks 12.0% | | | | |
| BankAmerica Capital III, Junior Subordinated Notes | 1.137% | 1/15/27 | 215,000 | 150,708(c) |
| BankAmerica Institutional Capital A, Junior Subordinated Bonds | 8.070% | 12/31/26 | 830,000 | 834,150(a) |
| BankAmerica Institutional Capital B, Junior Subordinated Bonds | 7.700% | 12/31/26 | 480,000 | 477,600(a) |
| Barclays Bank PLC, Subordinated Notes | 10.179% | 6/12/21 | 240,000 | 282,254(a) |
| BBVA US Senior SAU, Senior Notes | 3.250% | 5/16/14 | 500,000 | 498,489 |
| BNP Paribas, Senior Notes | 5.000% | 1/15/21 | 210,000 | 211,946 |
| CIT Group Inc., Secured Notes | 5.250% | 4/1/14 | 370,000 | 377,863(a) |
| Cooperatieve Centrale Raiffeisen-Boerenleenbank BA, Senior Notes | 5.250% | 5/24/41 | 570,000 | 582,600 |
| Credit Agricole SA, Subordinated Notes | 8.375% | 10/13/19 | 1,050,000 | 976,500(a)(c)(h) |
| Gliitnir Banki HF, Subordinated Bonds | 7.451% | 9/14/16 | 210,000 | 0(a)(b)(e)(f)(g)(h) |
| Gliitnir Banki HF, Subordinated Notes | 6.693% | 6/15/16 | 680,000 | 0(a)(b)(e)(f)(g) |
| HBOS Capital Funding LP, Tier 1 Notes, Perpetual Bonds | 6.071% | 6/30/14 | 560,000 | 396,200(a)(c)(h) |
| HSBC Finance Capital Trust IX, Junior Subordinated Notes | 5.911% | 11/30/35 | 1,350,000 | 1,266,516(c) |
| ING Bank NV, Notes | 3.750% | 3/7/17 | 350,000 | 346,665(a) |
| Intesa Sanpaolo SpA, Senior Notes | 3.625% | 8/12/15 | 1,180,000 | 1,127,304(a) |
| Intesa Sanpaolo SpA, Senior Notes | 6.500% | 2/24/21 | 180,000 | 173,896(a) |
| Landsbanki Islands HF | 7.431% | 10/19/17 | 730,000 | 0(a)(b)(e)(f)(g)(h) |
| Lloyds TSB Bank PLC, Senior Notes | 4.200% | 3/28/17 | 360,000 | 362,704 |
| Mizuho Financial Group Cayman Ltd. | 5.790% | 4/15/14 | 550,000 | 579,137(a) |
| NB Capital Trust IV, Junior Subordinated Notes | 8.250% | 4/15/27 | 590,000 | 601,800 |
| Nordea Bank AB, Subordinated Notes | 4.875% | 5/13/21 | 510,000 | 496,338(a) |
| Rabobank Nederland NV, Junior Subordinated Notes | 11.000% | 6/30/19 | 858,000 | 1,089,660(a)(c)(h) |
| Resona Preferred Global Securities Cayman Ltd., Junior Subordinated Bonds | 7.191% | 7/30/15 | 1,095,000 | 1,144,275(a)(c)(h) |
| Royal Bank of Scotland Group PLC, Junior Subordinated Bonds | 7.648% | 9/30/31 | 1,260,000 | 1,067,850(c)(h) |
| Royal Bank of Scotland Group PLC, Subordinated Notes | 5.000% | 10/1/14 | 700,000 | 691,502 |
| Royal Bank of Scotland Group PLC, Subordinated Notes | 5.050% | 1/8/15 | 170,000 | 166,326 |
| Societe Generale, Senior Notes | 5.200% | 4/15/21 | 250,000 | 240,108(a) |
| | 5.570% | 5/21/12 | 1,120,000 | 1,058,400(c)(h) |

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|---|--------|----------|-----------|------------|
| Wachovia Capital Trust III, Junior Subordinated | | | | |
| Bonds | | | | |
| Wells Fargo & Co., Senior Notes | 3.500% | 3/8/22 | 360,000 | 354,409 |
| Wells Fargo Capital X, Capital Securities | 5.950% | 12/1/36 | 450,000 | 454,095 |
| <i>Total Commercial Banks</i> | | | | 16,009,295 |
| Consumer Finance 5.2% | | | | |
| Ally Financial Inc., Senior Notes | 7.500% | 12/31/13 | 1,551,000 | 1,647,937 |
| Ally Financial Inc., Senior Notes | 8.300% | 2/12/15 | 370,000 | 402,838 |
| Ally Financial Inc., Senior Notes | 8.000% | 11/1/31 | 728,000 | 802,620 |
| Ally Financial Inc., Subordinated Notes | 8.000% | 12/31/18 | 201,000 | 213,563 |
| American Express Co., Senior Notes | 8.125% | 5/20/19 | 220,000 | 287,604 |
| American Express Co., Subordinated Debentures | 6.800% | 9/1/66 | 370,000 | 377,400(c) |
| Capital One Financial Corp., Senior Notes | 6.750% | 9/15/17 | 230,000 | 270,866 |
| Ford Motor Credit Co., LLC, Senior Notes | 7.000% | 4/15/15 | 610,000 | 666,339 |
| HSBC Finance Corp., Senior Notes | 6.676% | 1/15/21 | 1,300,000 | 1,387,664 |
| SLM Corp., Senior Notes | 7.250% | 1/25/22 | 830,000 | 867,204 |
| <i>Total Consumer Finance</i> | | | | 6,924,035 |
| Diversified Financial Services 12.0% | | | | |
| AES El Salvador Trust, Senior Notes | 6.750% | 2/1/16 | 750,000 | 757,500(a) |

See Notes to Schedule of Investments.

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

March 31, 2012

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|--------|------------------|----------------|-------------------|
| Diversified Financial Services continued | | | | |
| Bank of America Corp., Senior Notes | 6.500% | 8/1/16 | \$ 70,000 | \$ 76,964 |
| Bank of America Corp., Senior Notes | 7.625% | 6/1/19 | 70,000 | 80,718 |
| Bank of America Corp., Senior Notes | 5.625% | 7/1/20 | 30,000 | 31,276 |
| Bank of America Corp., Senior Notes | 5.875% | 2/7/42 | 590,000 | 586,820 |
| Beaver Valley Funding Corp., Senior Secured Bonds | 9.000% | 6/1/17 | 154,000 | 160,392 |
| Capital One Capital VI | 8.875% | 5/15/40 | 190,000 | 191,277 |
| Citigroup Inc., Senior Notes | 6.375% | 8/12/14 | 620,000 | 672,702 |
| Citigroup Inc., Senior Notes | 5.500% | 10/15/14 | 270,000 | 289,686 |
| Citigroup Inc., Senior Notes | 6.010% | 1/15/15 | 210,000 | 228,166 |
| Citigroup Inc., Senior Notes | 8.500% | 5/22/19 | 1,280,000 | 1,578,084 |
| Citigroup Inc., Senior Notes | 8.125% | 7/15/39 | 450,000 | 583,195 |
| Citigroup Inc., Senior Notes | 5.875% | 1/30/42 | 240,000 | 248,673 |
| Citigroup Inc., Subordinated Notes | 6.125% | 8/25/36 | 550,000 | 528,590 |
| General Electric Capital Corp., Notes | 5.300% | 2/11/21 | 1,450,000 | 1,570,398 |
| General Electric Capital Corp., Senior Notes | 5.900% | 5/13/14 | 600,000 | 659,480 |
| General Electric Capital Corp., Senior Notes | 6.000% | 8/7/19 | 1,120,000 | 1,307,891 |
| General Electric Capital Corp., Subordinated Debentures | 6.375% | 11/15/67 | 600,000 | 612,000(c) |
| ILFC E-Capital Trust II, Bonds | 6.250% | 12/21/65 | 790,000 | 578,675(a)(c) |
| International Lease Finance Corp., Senior Notes | 8.750% | 3/15/17 | 190,000 | 211,375 |
| International Lease Finance Corp., Senior Notes | 8.875% | 9/1/17 | 470,000 | 524,050 |
| International Lease Finance Corp., Senior Notes | 6.250% | 5/15/19 | 130,000 | 128,320 |
| International Lease Finance Corp., Senior Notes | 8.250% | 12/15/20 | 190,000 | 209,040 |
| International Lease Finance Corp., Senior Secured Notes | 7.125% | 9/1/18 | 600,000 | 654,000(a) |
| JPMorgan Chase & Co., Subordinated Notes | 6.125% | 6/27/17 | 720,000 | 821,691 |
| JPMorgan Chase Capital XXV, Junior Subordinated Notes | 6.800% | 10/1/37 | 1,000,000 | 1,005,600 |
| UFJ Finance Aruba AEC | 6.750% | 7/15/13 | 355,000 | 376,769 |
| ZFS Finance USA Trust II, Bonds | 6.450% | 12/15/65 | 1,440,000 | 1,425,600(a)(c) |
| <i>Total Diversified Financial Services</i> | | | | <i>16,098,932</i> |
| Insurance 4.6% | | | | |
| Allstate Corp., Junior Subordinated Debentures | 6.500% | 5/15/57 | 480,000 | 471,600(c) |
| American International Group Inc., Junior Subordinated Debentures | 6.250% | 3/15/37 | 80,000 | 72,000 |
| American International Group Inc., Senior Notes | 6.400% | 12/15/20 | 90,000 | 101,856 |
| AXA SA, Subordinated Bonds | 8.600% | 12/15/30 | 200,000 | 220,855 |
| Delphi Financial Group Inc., Senior Notes | 7.875% | 1/31/20 | 170,000 | 198,689 |
| ING Capital Funding Trust III, Junior Subordinated Bonds | 4.070% | 6/30/12 | 1,470,000 | 1,265,411(c)(h) |
| Liberty Mutual Group, Junior Subordinated Bonds | 7.800% | 3/7/37 | 300,000 | 292,500(a) |
| Liberty Mutual Group, Senior Notes | 5.750% | 3/15/14 | 270,000 | 284,577(a) |
| MetLife Inc., Junior Subordinated Debentures | 6.400% | 12/15/36 | 1,160,000 | 1,136,800 |
| Mitsui Sumitomo Insurance Co., Ltd., Notes | 7.000% | 3/15/72 | 650,000 | 655,307(a)(c) |

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| Prudential Financial Inc., Junior Subordinated Debentures | 8.875% | 6/15/38 | 340,000 | 401,200(c) |
| Prudential Holdings LLC, Bonds, AGM-Insured | 7.245% | 12/18/23 | 260,000 | 308,612(a) |
| Teachers Insurance & Annuity Association of America - College Retirement Equity Fund, Notes | 6.850% | 12/16/39 | 400,000 | 495,372(a) |
| Willis North America Inc., Senior Notes | 5.625% | 7/15/15 | 230,000 | 247,926 |
| <i>Total Insurance</i> | | | | <i>6,152,705</i> |
| Real Estate Investment Trusts (REITs) 0.1% | | | | |
| Health Care REIT Inc., Senior Notes | 5.875% | 5/15/15 | 130,000 | 141,326 |
| Thriffs & Mortgage Finance 0.1% | | | | |
| Santander Holdings USA Inc., Senior Notes | 4.625% | 4/19/16 | 160,000 | 162,133 |
| TOTAL FINANCIALS | | | | 53,028,350 |
| HEALTH CARE 3.9% | | | | |
| Biotechnology 0.8% | | | | |
| Amgen Inc., Senior Notes | 5.150% | 11/15/41 | 580,000 | 582,338 |
| Gilead Sciences Inc., Senior Notes | 4.400% | 12/1/21 | 220,000 | 230,928 |

See Notes to Schedule of Investments.

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

March 31, 2012

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|---------------|-------------|------------|
| Biotechnology continued | | | | |
| Gilead Sciences Inc., Senior Notes | 5.650% | 12/1/41 | \$ 240,000 | \$ 256,369 |
| <i>Total Biotechnology</i> | | | | 1,069,635 |
| Health Care Equipment & Supplies 0.6% | | | | |
| Hospira Inc., Senior Notes | 6.050% | 3/30/17 | 210,000 | 233,789 |
| Medtronic Inc., Senior Notes | 3.125% | 3/15/22 | 480,000 | 482,287 |
| <i>Total Health Care Equipment & Supplies</i> | | | | 716,076 |
| Health Care Providers & Services 2.5% | | | | |
| Aetna Inc., Senior Notes | 6.500% | 9/15/18 | 240,000 | 295,514 |
| HCA Inc., Senior Notes | 6.250% | 2/15/13 | 930,000 | 954,412 |
| HCA Inc., Senior Notes | 5.750% | 3/15/14 | 65,000 | 67,438 |
| Humana Inc. | 8.150% | 6/15/38 | 190,000 | 246,851 |
| Humana Inc., Senior Notes | 6.450% | 6/1/16 | 220,000 | 250,173 |
| Tenet Healthcare Corp., Senior Secured Notes | 10.000% | 5/1/18 | 732,000 | 838,140 |
| Tenet Healthcare Corp., Senior Secured Notes | 8.875% | 7/1/19 | 300,000 | 336,000 |
| UnitedHealth Group Inc., Senior Notes | 6.000% | 11/15/17 | 31,000 | 37,458 |
| WellPoint Inc., Notes | 5.875% | 6/15/17 | 290,000 | 338,613 |
| <i>Total Health Care Providers & Services</i> | | | | 3,364,599 |
| TOTAL HEALTH CARE | | | | 5,150,310 |
| INDUSTRIALS 6.2% | | | | |
| Aerospace & Defense 1.6% | | | | |
| Esterline Technologies Corp., Senior Notes | 7.000% | 8/1/20 | 750,000 | 828,750 |
| Exelis Inc., Senior Notes | 4.250% | 10/1/16 | 470,000 | 477,258(a) |
| Exelis Inc., Senior Notes | 5.550% | 10/1/21 | 520,000 | 540,685(a) |
| L-3 Communications Corp., Senior Subordinated Notes | 6.375% | 10/15/15 | 317,000 | 324,529 |
| <i>Total Aerospace & Defense</i> | | | | 2,171,222 |
| Airlines 1.9% | | | | |
| Continental Airlines Inc., Pass-Through Certificates | 9.250% | 5/10/17 | 209,556 | 225,273 |
| Continental Airlines Inc., Pass-Through Certificates | 6.545% | 2/2/19 | 132,767 | 142,884 |
| Continental Airlines Inc., Pass-Through Certificates, Senior Secured Notes | 7.250% | 11/10/19 | 203,909 | 228,378 |
| Continental Airlines Inc., Secured Notes | 6.250% | 4/11/20 | 170,000 | 172,550 |
| Continental Airlines Inc., Senior Secured Notes | 7.256% | 3/15/20 | 173,217 | 188,807 |
| Delta Air Lines, Pass-Through Trust, Senior Secured Notes | 7.750% | 12/17/19 | 271,946 | 310,019 |
| Delta Air Lines, Secured Notes | 4.950% | 5/23/19 | 362,223 | 382,145 |
| Delta Air Lines Inc., Pass-Through Certificates, Secured Notes | 8.021% | 8/10/22 | 108,702 | 110,735 |
| United Air Lines Inc., Senior Secured Notes | 9.875% | 8/1/13 | 280,000 | 294,000(a) |
| United Air Lines Inc., Senior Secured Notes | 12.000% | 11/1/13 | 340,000 | 360,400(a) |
| United Airlines, Pass-Through Trust, Pass-Through Certificates, Secured Notes | 9.750% | 1/15/17 | 116,884 | 133,832 |
| <i>Total Airlines</i> | | | | 2,549,023 |
| Commercial Services & Supplies 0.4% | | | | |

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| | | | | |
|---|--------|----------|-----------|-----------|
| Republic Services Inc., Senior Notes | 5.500% | 9/15/19 | 130,000 | 150,436 |
| Republic Services Inc., Senior Notes | 5.250% | 11/15/21 | 330,000 | 376,267 |
| <i>Total Commercial Services & Supplies</i> | | | | 526,703 |
| Industrial Conglomerates 0.2% | | | | |
| United Technologies Corp., Senior Notes | 6.125% | 2/1/19 | 200,000 | 245,674 |
| Machinery 0.7% | | | | |
| Valmont Industries Inc., Senior Notes | 6.625% | 4/20/20 | 790,000 | 904,070 |
| Road & Rail 1.4% | | | | |
| Burlington Northern Santa Fe LLC, Senior Notes | 4.400% | 3/15/42 | 2,030,000 | 1,919,144 |
| TOTAL INDUSTRIALS | | | | 8,315,836 |

See Notes to Schedule of Investments.

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

March 31, 2012

| | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|--------|------------------|----------------|------------------|
| SECURITY | | | | |
| INFORMATION TECHNOLOGY 0.7% | | | | |
| IT Services 0.6% | | | | |
| Electronic Data Systems Corp., Notes | 7.450% | 10/15/29 | \$ 420,000 | \$ 500,637 |
| Mantech International Corp., Senior Notes | 7.250% | 4/15/18 | 320,000 | 340,800 |
| <i>Total IT Services</i> | | | | <i>841,437</i> |
| Semiconductors & Semiconductor Equipment 0.1% | | | | |
| National Semiconductor Corp., Senior Notes | 6.600% | 6/15/17 | 110,000 | 135,700 |
| TOTAL INFORMATION TECHNOLOGY | | | | 977,137 |
| MATERIALS 6.6% | | | | |
| Chemicals 1.0% | | | | |
| Dow Chemical Co., Debentures | 7.375% | 11/1/29 | 800,000 | 1,033,355 |
| Ecolab Inc., Senior Notes | 5.500% | 12/8/41 | 140,000 | 151,831 |
| Syngenta AG, Notes | 3.125% | 3/28/22 | 80,000 | 80,527 |
| <i>Total Chemicals</i> | | | | <i>1,265,713</i> |
| Containers & Packaging 0.6% | | | | |
| Rock-Tenn Co., Senior Notes | 4.450% | 3/1/19 | 470,000 | 472,112(a) |
| Rock-Tenn Co., Senior Notes | 4.900% | 3/1/22 | 370,000 | 369,457(a) |
| <i>Total Containers & Packaging</i> | | | | <i>841,569</i> |
| Metals & Mining 4.8% | | | | |
| ArcelorMittal, Senior Notes | 3.750% | 2/25/15 | 340,000 | 345,533 |
| ArcelorMittal, Senior Notes | 3.750% | 8/5/15 | 600,000 | 609,469 |
| Barrick Gold Corp., Senior Notes | 5.250% | 4/1/42 | 560,000 | 558,836(a) |
| Barrick Gold Financeco LLC, Senior Notes | 6.125% | 9/15/13 | 250,000 | 268,143 |
| Cliffs Natural Resources Inc., Senior Notes | 4.875% | 4/1/21 | 290,000 | 300,399 |
| Freeport-McMoRan Copper & Gold Inc., Senior Notes | 2.150% | 3/1/17 | 300,000 | 297,200 |
| Freeport-McMoRan Copper & Gold Inc., Senior Notes | 3.550% | 3/1/22 | 380,000 | 364,959 |
| Rio Tinto Finance USA Ltd., Senior Notes | 9.000% | 5/1/19 | 660,000 | 891,746 |
| Rio Tinto Finance USA Ltd., Senior Notes | 3.500% | 3/22/22 | 460,000 | 460,842 |
| Southern Copper Corp., Senior Notes | 5.375% | 4/16/20 | 150,000 | 163,855 |
| Vale Overseas Ltd., Notes | 6.875% | 11/21/36 | 1,148,000 | 1,331,495 |
| Xstrata Canada Financial Corp., Senior Notes | 3.600% | 1/15/17 | 360,000 | 371,599(a) |
| Xstrata Finance Canada Ltd., Senior Notes | 6.900% | 11/15/37 | 430,000 | 489,957(a) |
| <i>Total Metals & Mining</i> | | | | <i>6,454,033</i> |
| Paper & Forest Products 0.2% | | | | |
| Georgia-Pacific Corp. | 7.375% | 12/1/25 | 250,000 | 304,938 |
| TOTAL MATERIALS | | | | 8,866,253 |
| TELECOMMUNICATION SERVICES 5.8% | | | | |
| Diversified Telecommunication Services 4.6% | | | | |
| AT&T Corp., Senior Notes | 8.000% | 11/15/31 | 9,000 | 12,643 |
| AT&T Inc., Global Notes | 6.550% | 2/15/39 | 1,230,000 | 1,496,859 |
| AT&T Inc., Senior Notes | 5.350% | 8/15/41 | 340,000 | 376,864 |
| British Telecommunications PLC, Bonds | 9.875% | 12/15/30 | 330,000 | 485,536 |

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| | | | | |
|--|--------|---------|-----------|------------------|
| Deutsche Telekom International Finance BV, Senior Notes | 5.750% | 3/23/16 | 160,000 | 180,682 |
| Koninklijke KPN NV, Senior Notes | 8.375% | 10/1/30 | 200,000 | 256,789 |
| Qwest Corp., Debentures | 6.875% | 9/15/33 | 1,000,000 | 990,000 |
| Telecom Italia Capital SA, Senior Notes | 7.721% | 6/4/38 | 390,000 | 380,250 |
| Telecom Italia Capital SpA, Senior Notes | 7.200% | 7/18/36 | 20,000 | 19,400 |
| Telefonica Emisiones SAU, Senior Notes | 5.877% | 7/15/19 | 230,000 | 233,497 |
| Verizon Communications Inc., Senior Notes | 8.950% | 3/1/39 | 720,000 | 1,112,623 |
| Verizon Global Funding Corp., Senior Notes | 5.850% | 9/15/35 | 570,000 | 654,281 |
| <i>Total Diversified Telecommunication Services</i> | | | | <i>6,199,424</i> |
| Wireless Telecommunication Services 1.2% | | | | |
| America Movil SAB de CV, Senior Notes | 6.125% | 3/30/40 | 850,000 | 987,120 |
| Rogers Wireless Inc., Secured Notes | 6.375% | 3/1/14 | 300,000 | 330,414 |

See Notes to Schedule of Investments.

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WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

March 31, 2012

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|--------|---------------|-------------|--------------------|
| Wireless Telecommunication Services continued | | | | |
| Sprint Capital Corp., Global Notes | 6.900% | 5/1/19 | \$ 330,000 | \$ 285,450 |
| <i>Total Wireless Telecommunication Services</i> | | | | <i>1,602,984</i> |
| TOTAL TELECOMMUNICATION SERVICES | | | | 7,802,408 |
| UTILITIES 4.5% | | | | |
| Electric Utilities 2.8% | | | | |
| Duke Energy Corp., Senior Notes | 6.300% | 2/1/14 | 500,000 | 548,008 |
| Enersis SA, Notes | 7.400% | 12/1/16 | 452,000 | 533,054 |
| FirstEnergy Corp., Notes | 7.375% | 11/15/31 | 110,000 | 135,417 |
| IPALCO Enterprises Inc., Senior Secured Notes | 5.000% | 5/1/18 | 470,000 | 467,650 |
| Pacific Gas & Electric Co., First Mortgage Bonds | 6.050% | 3/1/34 | 140,000 | 170,180 |
| PNPP II Funding Corp. | 9.120% | 5/30/16 | 1,258,000 | 1,335,505 |
| Virginia Electric and Power Co., Senior Notes | 8.875% | 11/15/38 | 390,000 | 621,322 |
| <i>Total Electric Utilities</i> | | | | <i>3,811,136</i> |
| Gas Utilities 0.1% | | | | |
| Southern Natural Gas Co., Senior Notes | 5.900% | 4/1/17 | 170,000 | 192,512(a) |
| Independent Power Producers & Energy Traders 0.1% | | | | |
| Energy Future Holdings Corp., Senior Notes | 5.550% | 11/15/14 | 120,000 | 87,900 |
| Multi-Utilities 1.5% | | | | |
| CenterPoint Energy Inc. | 6.850% | 6/1/15 | 1,150,000 | 1,304,485 |
| Dominion Resources Inc., Senior Notes | 8.875% | 1/15/19 | 250,000 | 335,517 |
| DTE Energy Co. | 6.350% | 6/1/16 | 260,000 | 299,602 |
| <i>Total Multi-Utilities</i> | | | | <i>1,939,604</i> |
| TOTAL UTILITIES | | | | 6,031,152 |
| TOTAL CORPORATE BONDS & NOTES (Cost \$118,773,240) | | | | 125,440,978 |
| ASSET-BACKED SECURITIES 0.2% | | | | |
| SLM Student Loan Trust, 2011-A A3 (Cost - \$330,000) | 2.742% | 1/15/43 | 330,000 | 323,754(a)(c) |
| COLLATERALIZED MORTGAGE OBLIGATIONS 0.3% | | | | |
| Thornburg Mortgage Securities Trust, 2007-4 2A1 | 6.147% | 9/25/37 | 231,626 | 218,762(c) |
| Thornburg Mortgage Securities Trust, 2007-4 3A1 | 6.155% | 9/25/37 | 221,416 | 221,739(c) |
| TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (Cost \$449,145) | | | | 440,501 |
| MUNICIPAL BONDS 0.5% | | | | |
| Illinois 0.5% | | | | |
| Illinois State, GO | 5.665% | 3/1/18 | 310,000 | 338,132 |
| Illinois State, GO | 5.877% | 3/1/19 | 310,000 | 340,960 |
| TOTAL MUNICIPAL BONDS (Cost \$620,000) | | | | 679,092 |
| SOVEREIGN BONDS 0.9% | | | | |

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| | | | | |
|---|--------|----------|---------|------------|
| Canada 0.7% | | | | |
| Quebec Province | 7.970% | 7/22/36 | 650,000 | 971,083 |
| Mexico 0.0% | | | | |
| United Mexican States, Medium-Term Notes | 6.750% | 9/27/34 | 24,000 | 30,840 |
| Russia 0.2% | | | | |
| RSHB Capital, Loan Participation Notes, Secured Notes | 7.125% | 1/14/14 | 200,000 | 212,410(a) |
| Russian Foreign Bond-Eurobond, Senior Bonds | 7.500% | 3/31/30 | 45,090 | 53,939(a) |
| <i>Total Russia</i> | | | | 266,349 |
| TOTAL SOVEREIGN BONDS (Cost \$1,011,460) | | | | 1,268,272 |
| U.S. GOVERNMENT & AGENCY OBLIGATIONS 0.7% | | | | |
| U.S. Government Obligations 0.7% | | | | |
| U.S. Treasury Bonds | 3.125% | 11/15/41 | 60,000 | 57,553 |

See Notes to Schedule of Investments.

WESTERN ASSET INCOME FUND

Schedule of investments (unaudited) (cont d)

March 31, 2012

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|------------------|----------------|----------------|
| U.S. Government Obligations | | | | |
| continued | | | | |
| U.S. Treasury Notes | 0.875% | 1/31/17 | \$ 460,000 | \$ 457,161 |
| U.S. Treasury Notes | 2.000% | 2/15/22 | 440,000 | 431,544 |
| TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS (Cost \$947,459) | | | | 946,258 |
| SHARES | | | | |
| PREFERRED STOCKS 2.2% | | | | |
| FINANCIALS 2.2% | | | | |
| Commercial Banks 0.1% | | | | |
| Santander Finance Preferred SA | | | | |
| Unipersonal | 10.500% | | 4,500 | 120,105 |
| Consumer Finance 1.1% | | | | |
| GMAC Capital Trust I | 8.125% | | 63,250 | 1,461,707(c) |
| Diversified Financial Services 0.9% | | | | |
| Citigroup Capital XII | 8.500% | | 20,825 | 533,120(c) |
| Citigroup Capital XIII | 7.875% | | 22,900 | 622,880(c) |
| <i>Total Diversified Financial Services</i> | | | | 1,156,000 |
| Thriffs & Mortgage Finance 0.1% | | | | |
| Federal Home Loan Mortgage Corp. | | | | |
| (FHLMC) | 8.375% | | 96,825 | 134,587*(c) |
| Federal National Mortgage | | | | |
| Association (FNMA) | 8.250% | | 11,700 | 16,146*(c) |
| <i>Total Thriffs & Mortgage Finance</i> | | | | 150,733 |
| TOTAL PREFERRED STOCKS (Cost \$4,216,341) | | | | 2,888,545 |
| TOTAL INVESTMENTS 98.4% (Cost \$126,347,645#) | | | | 131,987,400 |
| Other Assets in Excess of Liabilities | | | | |
| 1.6% | | | | 2,099,470 |
| TOTAL NET ASSETS 100.0% | | | | \$ 134,086,870 |

* Non-income producing security.

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

(b) The coupon payment on these securities is currently in default as of March 31, 2012.

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

(d) The maturity principal is currently in default as of March 31, 2012.

(e) Illiquid security.

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

(g) Value is less than \$1.

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

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

Abbreviations used in this schedule:

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AGM
GO
REIT

- Assured Guaranty Municipal Corp.
- General Obligation
- Real Estate Investment Trust

See Notes to Schedule of Investments.

Notes to schedule of investments (unaudited)

1. Organization and significant accounting policies

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

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

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

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

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

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer's financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts' research and

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observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

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

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

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Notes to schedule of investments (unaudited) (continued)

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

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

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

| ASSETS | | | | | |
|--------------------------------------|-------------------------------|---|--|-------|-------------|
| DESCRIPTION | QUOTED PRICES (LEVEL 1) | OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | TOTAL | |
| Long-term investments : | | | | | |
| Corporate bonds & notes | | \$ 125,440,978 | \$ 0* | \$ | 125,440,978 |
| Asset-backed securities | | 323,754 | | | 323,754 |
| Collateralized mortgage obligations | | 440,501 | | | 440,501 |
| Municipal bonds | | 679,092 | | | 679,092 |
| Sovereign bonds | | 1,268,272 | | | 1,268,272 |
| U.S. government & agency obligations | | 946,258 | | | 946,258 |
| Preferred stocks | \$ 2,888,545 | | | | 2,888,545 |
| Total investments | \$ 2,888,545 | \$ 129,098,855 | \$ 0* | \$ | 131,987,400 |
| Other financial instruments: | | | | | |
| Futures contracts | \$ 289,664 | | | \$ | 289,664 |
| Total | \$ 3,178,209 | \$ 129,098,855 | \$ 0* | \$ | 132,277,064 |

| LIABILITIES | | | | | |
|--------------------|-------------------------------|---|--|-------|--|
| DESCRIPTION | QUOTED PRICES (LEVEL 1) | OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | TOTAL | |

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Other financial instruments:

| | | | | |
|-------------------|----|--------|----|--------|
| Futures contracts | \$ | 23,934 | \$ | 23,934 |
|-------------------|----|--------|----|--------|

See Schedule of Investments for additional detailed categorizations.

* Value is less than \$1.

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

Notes to schedule of investments (unaudited) (continued)

| INVESTMENTS IN SECURITIES | CORPORATE BONDS & NOTES | |
|---|----------------------------|----|
| Balance as of December 31, 2011 | \$ | 0* |
| Accrued premiums/discounts | | |
| Realized gain (loss) | | |
| Change in unrealized appreciation (depreciation) | | |
| Purchases | | |
| Sales | | |
| Transfers into Level 3 | | |
| Transfers out of Level 3 | | |
| Balance as of March 31, 2012 | \$ | 0* |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at March 31, 2012 | | |

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

* Value is less than \$1.

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

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

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

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

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

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

2. Investments

At March 31, 2012, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

| | |
|-------------------------------|--------------|
| Gross unrealized appreciation | \$12,396,344 |
| Gross unrealized depreciation | (6,756,589) |
| Net unrealized appreciation | \$5,639,755 |

Notes to schedule of investments (unaudited) (continued)

At March 31, 2012, the Fund had the following open futures contracts:

| | NUMBER OF CONTRACTS | EXPIRATION DATE | BASIS VALUE | MARKET VALUE | UNREALIZED GAIN (LOSS) |
|--|------------------------|--------------------|----------------|-----------------|---------------------------|
| Contracts to Buy: | | | | | |
| U.S. Treasury 5-Year Notes | 20 | 6/12 | \$2,454,081 | \$2,450,782 | \$(3,299) |
| U.S. Treasury Ultra Long-Term Bonds | 3 | 6/12 | 473,541 | 452,906 | (20,635) (23,934) |
| Contracts to Sell: | | | | | |
| U.S. Treasury 10-Year Notes | 33 | 6/12 | 4,294,815 | 4,272,985 | 21,830 |
| U.S. Treasury 30-Year Bonds | 63 | 6/12 | 8,946,084 | 8,678,250 | 267,834 289,664 |
| Net unrealized gain on open futures contracts | | | | \$ | 265,730 |

3. Derivative instruments and hedging activities

Financial Accounting Standards Board Codification Topic 815 requires enhanced disclosure about an entity's derivative and hedging activities.

The following is a summary of the Fund's derivative instruments categorized by risk exposure at March 31, 2012.

| Primary Underlying Risk Disclosure | Futures Contracts | | Total |
|------------------------------------|----------------------------|----------------------------|-----------|
| | Unrealized Appreciation | Unrealized Depreciation | |
| Interest Rate Risk | \$289,664 | \$(23,934) | \$265,730 |

During the period ended March 31, 2012, the volume of derivative activity for the Fund was as follows:

| | Average Market Value |
|-----------------------------|-------------------------|
| Futures contracts (to buy) | \$1,083,977 |
| Futures contracts (to sell) | 11,913,688 |

4. Recent accounting pronouncement

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In May 2011, the Financial Accounting Standards Board issued Accounting Standard Update No. 2011-04, Fair Value Measurement (Topic 820) - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU No. 2011-04). ASU No. 2011-04 establishes common requirements for measuring fair value and for disclosing information about fair value measurements. ASU No. 2011-04 is effective during interim and annual periods beginning after December 15, 2011. Management has evaluated ASU No. 2011-04 and concluded that it does not materially impact the financial statement amounts; however, as required, additional disclosure has been included about fair value measurement.

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ITEM 2. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

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

SIGNATURES

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

Western Asset Income Fund

By: /s/ R. Jay Gerken
R. Jay Gerken
President

Date: May 29, 2012

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

By: /s/ R. Jay Gerken
R. Jay Gerken
President

Date: May 29, 2012

By: /s/ Richard F. Sennett
Richard F. Sennett
Principal Financial Officer

Date: May 29, 2012
