

Western Asset Income Fund
Form N-Q
November 28, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-02351

Western Asset Income Fund

(Exact Name of Registrant as Specified In Its Charter)

385 East Colorado Boulevard

Pasadena, CA 91101

Address of Principal Executive Offices:

Charles A. Ruys de Perez

385 East Colorado Boulevard

Edgar Filing: Western Asset Income Fund - Form N-Q

Pasadena, CA 91101

Name and address of agent for service:

Registrant's telephone number, including area code: (410) 539-0000

Date of fiscal year end: December 31, 2008

Date of reporting period: September 30, 2008

Item 1 Schedule of Investments

Page 1 of 3

Western Asset Income Fund

September 30, 2008 (Unaudited)

| | Rate | Maturity Date | Par/Shares | Value |
|--|--------|---------------|------------|------------------------|
| Long-Term Securities 94.5% | | | | |
| Corporate Bonds and Notes 70.6% | | | | |
| Aerospace and Defense 0.2% | | | | |
| L-3 Communications Corp. | 7.625% | 6/15/12 | \$ 275,000 | \$ 270,875 |
| Airlines 0.6% | | | | |
| Continental Airlines Inc. | 6.545% | 2/2/19 | 163,905 | 139,319 |
| Continental Airlines Inc. | 7.256% | 3/15/20 | 185,435 | 165,501 |
| Delta Air Lines Inc. | 7.111% | 9/18/11 | 400,000 | 369,000 |
| | | | | 673,820 |
| Automobiles 4.2% | | | | |
| Ford Motor Co. | 7.450% | 7/16/31 | 8,050,000 | 3,461,500 ^A |
| General Motors Corp. | 8.250% | 7/15/23 | 3,450,000 | 1,354,125 ^A |
| | | | | 4,815,625 |
| Beverages 0.2% | | | | |
| Dr Pepper Snapple Group Inc. Senior Notes | 6.820% | 5/1/18 | 240,000 | 231,662 ^B |
| Building Products 0.6% | | | | |
| American Standard Inc. | 8.250% | 6/1/09 | 500,000 | 507,998 |
| Nortek Inc. | 8.500% | 9/1/14 | 225,000 | 128,250 |
| | | | | 636,248 |
| Capital Markets 3.5% | | | | |
| BankAmerica Capital III | 3.361% | 1/15/27 | 215,000 | 159,896 ^{A,C} |
| Goldman Sachs Capital II | 5.793% | 12/29/49 | 920,000 | 404,165 ^D |
| Lehman Brothers Holdings Capital Trust VII | 5.857% | 12/31/49 | 1,745,000 | 175 ^{D,E} |
| Lehman Brothers Holdings Inc. | 5.750% | 5/17/13 | 350,000 | 43,750 ^E |
| Lehman Brothers Holdings Inc. | 6.500% | 7/19/17 | 110,000 | 138 ^E |
| Merrill Lynch and Co. Inc. | 6.050% | 8/15/12 | 400,000 | 375,053 |
| Merrill Lynch and Co. Inc. | 5.700% | 5/2/17 | 1,000,000 | 818,515 |
| Merrill Lynch and Co. Inc. | 6.400% | 8/28/17 | 300,000 | 259,476 |
| Merrill Lynch and Co. Inc. | 6.110% | 1/29/37 | 320,000 | 222,149 |
| Morgan Stanley | 5.050% | 1/21/11 | 780,000 | 561,651 |
| Morgan Stanley | 4.750% | 4/1/14 | 60,000 | 31,806 |
| Morgan Stanley | 6.625% | 4/1/18 | 100,000 | 66,179 |
| The Bear Stearns Cos. Inc. | 5.550% | 1/22/17 | 720,000 | 618,293 ^A |
| The Goldman Sachs Group Inc. | 6.345% | 2/15/34 | 555,000 | 364,674 ^A |
| | | | | 3,925,920 |
| Chemicals 0.7% | | | | |
| The Dow Chemical Co. | 7.375% | 11/1/29 | 800,000 | 775,454 |

Edgar Filing: Western Asset Income Fund - Form N-Q

| | | | | | |
|------------------------------------|--------|----------|-----------|-----------|-----|
| Commercial Banks | 3.8% | | | | |
| Comerica Capital Trust II | 6.576% | 2/20/37 | 360,000 | 165,376 | D |
| Rabobank Capital Funding Trust II | 5.260% | 12/31/49 | 115,000 | 106,458 | B,D |
| Rabobank Capital Funding Trust III | 5.254% | 12/31/16 | 1,145,000 | 986,926 | B,D |
| RBS Capital Trust III | 5.512% | 9/29/49 | 1,460,000 | 1,179,743 | D |
| SunTrust Capital VIII | 6.100% | 12/15/36 | 560,000 | 345,122 | D |
| Wachovia Bank NA | 7.800% | 8/18/10 | 650,000 | 541,351 | |
| Wachovia Capital Trust III | 5.800% | 3/15/42 | 410,000 | 172,200 | D |

Edgar Filing: Western Asset Income Fund - Form N-Q

| | Rate | Maturity Date | Par/Shares | Value |
|---|--------|---------------|------------|--------------------------|
| Long-Term Securities Continued | | | | |
| Corporate Bonds and Notes Continued | | | | |
| Commercial Banks Continued | | | | |
| Wells Fargo Capital X | 5.950% | 12/15/36 | \$ 450,000 | \$ 370,952 _D |
| Wells Fargo Capital XIII | 7.700% | 12/29/49 | 500,000 | 436,005 _D |
| | | | | 4,304,133 |
| Commercial Services and Supplies 0.3% | | | | |
| Waste Management Inc. | 7.375% | 5/15/29 | 415,000 | 392,951 |
| Communications Equipment 0.1% | | | | |
| Motorola Inc. | 7.625% | 11/15/10 | 56,000 | 56,579 |
| Consumer Finance 2.6% | | | | |
| American Express Co. | 6.800% | 9/1/66 | 1,120,000 | 957,359 _D |
| Capital One Financial Corp. | 6.750% | 9/15/17 | 230,000 | 202,469 |
| GMAC LLC | 8.000% | 11/1/31 | 1,610,000 | 607,416 |
| Nelnet Inc. | 7.400% | 9/29/36 | 460,000 | 310,670 _D |
| SLM Corp. | 5.000% | 10/1/13 | 810,000 | 502,200 |
| SLM Corp. | 5.050% | 11/14/14 | 130,000 | 79,300 |
| SLM Corp. | 8.450% | 6/15/18 | 230,000 | 156,400 |
| SLM Corp. | 5.625% | 8/1/33 | 180,000 | 90,000 |
| | | | | 2,905,814 |
| Containers and Packaging 0.2% | | | | |
| Graphic Packaging International Corp. | 9.500% | 8/15/13 | 200,000 | 181,000 _A |
| Diversified Financial Services 8.9% | | | | |
| AGFC Capital Trust I | 6.000% | 1/15/67 | 300,000 | 80,582 _{B,D} |
| AIG SunAmerica Global Financing VI | 6.300% | 5/10/11 | 1,880,000 | 1,523,432 _B |
| BAC Capital Trust XIV | 5.630% | 12/31/49 | 585,000 | 302,726 _D |
| Bank of America Corp. | 8.000% | 12/29/49 | 150,000 | 118,780 _D |
| Beaver Valley II Funding | 9.000% | 6/1/17 | 272,000 | 290,787 |
| Capital One Bank | 6.500% | 6/13/13 | 330,000 | 281,052 |
| Capmark Financial Group Inc. | 5.875% | 5/10/12 | 350,000 | 174,473 _F |
| Chase Capital II | 3.301% | 2/1/27 | 725,000 | 572,375 _C |
| Citigroup Capital XXI | 8.300% | 12/21/57 | 320,000 | 238,420 _D |
| Citigroup Inc. | 6.125% | 8/25/36 | 550,000 | 357,256 |
| Citigroup Inc. | 8.400% | 4/29/49 | 200,000 | 136,132 _D |
| General Electric Capital Corp. | 6.375% | 11/15/67 | 600,000 | 485,503 _D |
| Glen Meadow Pass-Through Certificates | 6.505% | 2/12/67 | 310,000 | 243,350 _{B,D} |
| HSBC Finance Capital Trust IX | 5.911% | 11/30/35 | 1,350,000 | 1,014,020 _D |
| HSBC Finance Corp. | 5.700% | 6/1/11 | 1,380,000 | 1,373,391 |
| ILFC E-Capital Trust II | 6.250% | 12/21/65 | 790,000 | 236,095 _{B,D} |
| Kaupthing Bank Hf | 7.625% | 2/28/15 | 620,000 | 580,320 _{B,G,H} |
| Liberty Media LLC | 8.500% | 7/15/29 | 130,000 | 91,865 |
| Liberty Media LLC | 8.250% | 2/1/30 | 65,000 | 43,861 |
| TNK-BP Finance SA | 7.875% | 3/13/18 | 100,000 | 70,000 _B |
| UBS Preferred Funding Trust V | 6.243% | 5/12/49 | 1,120,000 | 863,005 _D |
| ZFS Finance USA Trust II | 6.450% | 12/15/65 | 1,440,000 | 1,036,810 _{B,D} |
| | | | | 10,114,235 |
| Diversified Telecommunication Services 1.6% | | | | |
| AT&T Corp. | 8.000% | 11/15/31 | 440,000 | 445,610 |

Edgar Filing: Western Asset Income Fund - Form N-Q

| | | | | |
|--------------|--------|---------|-----------|---------|
| Embarq Corp. | 7.082% | 6/1/16 | 330,000 | 267,445 |
| Qwest Corp. | 6.875% | 9/15/33 | 1,000,000 | 672,500 |

Edgar Filing: Western Asset Income Fund - Form N-Q

| | Rate | Maturity Date | Par/Shares | Value |
|---|--------|---------------|------------|------------------------|
| Long-Term Securities Continued | | | | |
| Corporate Bonds and Notes Continued | | | | |
| Diversified Telecommunication Services Continued | | | | |
| Verizon Global Funding Corp. | 5.850% | 9/15/35 | \$ 570,000 | \$ 445,700 |
| | | | | 1,831,255 |
| Electric Utilities 5.2% | | | | |
| Commonwealth Edison Co. | 5.800% | 3/15/18 | 560,000 | 513,178 |
| Exelon Corp. | 6.750% | 5/1/11 | 550,000 | 554,136 |
| FirstEnergy Corp. | 6.450% | 11/15/11 | 60,000 | 60,286 |
| FirstEnergy Corp. | 7.375% | 11/15/31 | 395,000 | 367,248 |
| Pacific Gas and Electric Co. | 6.050% | 3/1/34 | 800,000 | 706,144 |
| PNPP II Funding Corp. | 9.120% | 5/30/16 | 2,090,000 | 2,340,491 ^A |
| Sithe/Independence Funding Corp. | 9.000% | 12/30/13 | 1,345,881 | 1,356,756 |
| | | | | 5,898,239 |
| Energy Equipment and Services 0.2% | | | | |
| EEB International Ltd. | 8.750% | 10/31/14 | 260,000 | 258,700 ^{A,B} |
| Food and Staples Retailing 0.3% | | | | |
| Wal-Mart Stores Inc. | 6.500% | 8/15/37 | 380,000 | 356,540 |
| Food Products 0.2% | | | | |
| Tyson Foods Inc. | 7.350% | 4/1/16 | 340,000 | 280,500 ^F |
| Gas Utilities 0.1% | | | | |
| Southern Natural Gas Co. | 5.900% | 4/1/17 | 170,000 | 150,449 ^B |
| Health Care Equipment and Supplies 0.2% | | | | |
| Hospira Inc. | 6.050% | 3/30/17 | 290,000 | 276,499 |
| Health Care Providers and Services 5.6% | | | | |
| Aetna Inc. | 6.500% | 9/15/18 | 240,000 | 236,241 |
| Cardinal Health Inc. | 5.500% | 6/15/13 | 210,000 | 200,930 |
| Cardinal Health Inc. | 5.800% | 10/15/16 | 410,000 | 383,006 |
| Coventry Health Care Inc. | 5.950% | 3/15/17 | 440,000 | 366,766 |
| HCA Inc. | 7.875% | 2/1/11 | 250,000 | 241,250 |
| HCA Inc. | 6.300% | 10/1/12 | 180,000 | 155,250 |
| HCA Inc. | 6.250% | 2/15/13 | 930,000 | 776,550 |
| HCA Inc. | 5.750% | 3/15/14 | 65,000 | 50,700 |
| HCA Inc. | 9.125% | 11/15/14 | 400,000 | 389,000 |
| HCA Inc. | 9.250% | 11/15/16 | 500,000 | 486,250 |
| Humana Inc. | 6.450% | 6/1/16 | 220,000 | 201,802 |
| Tenet Healthcare Corp. | 6.375% | 12/1/11 | 1,465,000 | 1,351,462 |
| UnitedHealth Group Inc. | 6.000% | 11/15/17 | 520,000 | 475,837 |
| Universal Health Services Inc. | 7.125% | 6/30/16 | 520,000 | 527,190 |
| WellPoint Inc. | 5.875% | 6/15/17 | 540,000 | 499,851 |
| | | | | 6,342,085 |
| Hotels, Restaurants and Leisure 0.1% | | | | |
| Caesars Entertainment Inc. | 8.125% | 5/15/11 | 250,000 | 147,500 ^A |
| Independent Power Producers and Energy Traders 2.9% | | | | |

Edgar Filing: Western Asset Income Fund - Form N-Q

| | | | | |
|----------------------|--------|----------|-----------|----------------------|
| Dynegy Holdings Inc. | 6.875% | 4/1/11 | 1,300,000 | 1,183,000 |
| Dynegy Holdings Inc. | 8.750% | 2/15/12 | 735,000 | 694,575 ^A |
| TXU Corp. | 5.550% | 11/15/14 | 1,500,000 | 1,119,386 |

Edgar Filing: Western Asset Income Fund - Form N-Q

| | Rate | Maturity Date | Par/Shares | Value |
|--|--------|---------------|------------|------------------------|
| Long-Term Securities Continued | | | | |
| Corporate Bonds and Notes Continued | | | | |
| Independent Power Producers and Energy Traders Continued | | | | |
| TXU Corp. | 6.500% | 11/15/24 | \$ 520,000 | \$ 331,176 |
| | | | | 3,328,137 |
| Insurance 3.2% | | | | |
| Allstate Corp. | 6.500% | 5/15/57 | 480,000 | 301,115 _{A,D} |
| American International Group Inc. | 6.250% | 3/15/37 | 80,000 | 12,818 _D |
| ASIF Global Financing XIX | 4.900% | 1/17/13 | 30,000 | 24,632 _B |
| Everest Reinsurance Holdings Inc. | 6.600% | 5/15/37 | 260,000 | 151,961 _D |
| Hartford Financial Services Group Inc. | 8.125% | 6/15/68 | 325,000 | 276,810 _{A,D} |
| Liberty Mutual Group | 5.750% | 3/15/14 | 270,000 | 241,187 _B |
| Liberty Mutual Group | 7.800% | 3/15/37 | 300,000 | 181,196 _B |
| MetLife Inc. | 6.400% | 12/15/36 | 1,160,000 | 723,186 _D |
| Prudential Financial Inc. | 8.875% | 6/15/38 | 340,000 | 320,004 _D |
| The Chubb Corp. | 6.375% | 3/29/67 | 320,000 | 244,024 _D |
| The Travelers Cos. Inc. | 6.250% | 3/15/37 | 620,000 | 476,863 _D |
| The Travelers Cos. Inc. | 6.250% | 6/15/37 | 280,000 | 242,742 |
| Willis North America Inc. | 5.125% | 7/15/10 | 280,000 | 277,160 |
| Willis North America Inc. | 5.625% | 7/15/15 | 230,000 | 210,192 |
| | | | | 3,683,890 |
| IT Services 0.9% | | | | |
| Electronic Data Systems Corp. | 7.125% | 10/15/09 | 600,000 | 609,671 |
| Electronic Data Systems Corp. | 7.450% | 10/15/29 | 420,000 | 431,272 |
| | | | | 1,040,943 |
| Leisure Equipment and Products 0.3% | | | | |
| Hasbro Inc. | 6.300% | 9/15/17 | 320,000 | 308,766 _F |
| Media 2.5% | | | | |
| Clear Channel Communications Inc. | 5.500% | 9/15/14 | 365,000 | 113,150 |
| Comcast Cable Holdings LLC | 9.800% | 2/1/12 | 375,000 | 410,025 |
| Comcast Corp. | 6.450% | 3/15/37 | 120,000 | 96,788 |
| Comcast Corp. | 6.950% | 8/15/37 | 160,000 | 136,472 |
| Comcast Corp. | 6.400% | 5/15/38 | 260,000 | 207,987 |
| News America Inc. | 6.550% | 3/15/33 | 545,000 | 488,461 |
| TCI Communications Inc. | 8.750% | 8/1/15 | 160,000 | 169,923 |
| Time Warner Entertainment Co. LP | 8.375% | 7/15/33 | 530,000 | 503,848 |
| Time Warner Inc. | 9.125% | 1/15/13 | 240,000 | 251,998 |
| Time Warner Inc. | 7.700% | 5/1/32 | 595,000 | 519,875 |
| | | | | 2,898,527 |
| Metals and Mining 2.4% | | | | |
| Barrick Gold Finance Co. | 6.125% | 9/15/13 | 300,000 | 294,824 |
| Freeport-McMoRan Copper & Gold Inc. | 8.375% | 4/1/17 | 1,730,000 | 1,704,050 |
| GTL Trade Finance Inc. | 7.250% | 10/20/17 | 737,000 | 706,628 _B |
| | | | | 2,705,502 |
| Multi-Utilities 1.2% | | | | |

Edgar Filing: Western Asset Income Fund - Form N-Q

| | | | | |
|-------------------------|--------|--------|-----------|-----------|
| Centerpoint Energy Inc. | 6.850% | 6/1/15 | 1,150,000 | 1,069,960 |
| DTE Energy Co. | 6.350% | 6/1/16 | 260,000 | 242,422 |
| | | | | 1,312,382 |

Edgar Filing: Western Asset Income Fund - Form N-Q

| | Rate | Maturity Date | Par/Shares | Value |
|---|--------|---------------|------------|--------------------------|
| Long-Term Securities Continued | | | | |
| Corporate Bonds and Notes Continued | | | | |
| Multiline Retail 0.9% | | | | |
| Federated Retail Holdings Inc. | 5.350% | 3/15/12 | \$ 270,000 | \$ 248,640 |
| Macy's Retail Holdings Inc. | 5.875% | 1/15/13 | 330,000 | 299,056 |
| May Department Stores Co. | 5.750% | 7/15/14 | 400,000 | 347,072 |
| May Department Stores Co. | 6.650% | 7/15/24 | 180,000 | 141,930 |
| | | | | 1,036,698 |
| Oil, Gas and Consumable Fuels 9.3% | | | | |
| Apache Corp. | 6.000% | 1/15/37 | 230,000 | 194,402 |
| DCP Midstream LLC | 6.750% | 9/15/37 | 420,000 | 349,066 ^B |
| Devon Financing Corp. ULC | 7.875% | 9/30/31 | 350,000 | 355,413 |
| Duke Capital LLC | 6.250% | 2/15/13 | 800,000 | 794,355 ^A |
| El Paso Corp. | 7.800% | 8/1/31 | 2,000,000 | 1,685,034 |
| EOG Resources Inc. | 5.875% | 9/15/17 | 540,000 | 507,756 |
| Hess Corp. | 7.875% | 10/1/29 | 1,450,000 | 1,417,314 |
| Kerr-McGee Corp. | 6.950% | 7/1/24 | 300,000 | 283,588 |
| Kinder Morgan Energy Partners LP | 7.125% | 3/15/12 | 530,000 | 535,860 |
| Peabody Energy Corp. | 6.875% | 3/15/13 | 285,000 | 275,025 |
| Pemex Project Funding Master Trust | 6.625% | 6/15/35 | 2,635,000 | 2,413,107 ^A |
| The Williams Cos. Inc. | 7.500% | 1/15/31 | 102,000 | 92,818 |
| The Williams Cos. Inc. | 8.750% | 3/15/32 | 1,250,000 | 1,281,700 |
| XTO Energy Inc. | 6.100% | 4/1/36 | 440,000 | 364,325 |
| | | | | 10,549,763 |
| Paper and Forest Products 0.7% | | | | |
| Georgia-Pacific Corp. | 9.500% | 12/1/11 | 325,000 | 321,750 |
| Georgia-Pacific Corp. | 7.375% | 12/1/25 | 250,000 | 201,875 |
| Weyerhaeuser Co. | 6.750% | 3/15/12 | 235,000 | 232,259 |
| | | | | 755,884 |
| Pharmaceuticals 0.1% | | | | |
| Wyeth | 5.950% | 4/1/37 | 170,000 | 153,284 |
| Real Estate Investment Trusts (REITs) 0.4% | | | | |
| Health Care REIT Inc. | 5.875% | 5/15/15 | 130,000 | 114,427 |
| iStar Financial Inc. | 5.950% | 10/15/13 | 590,000 | 306,800 |
| | | | | 421,227 |
| Real Estate Management and Development 0.2% | | | | |
| Forest City Enterprises Inc. | 7.625% | 6/1/15 | 225,000 | 180,000 |
| Thrifts and Mortgage Finance 3.5% | | | | |
| BB&T Capital Trust II | 6.750% | 6/7/36 | 640,000 | 459,946 |
| Countrywide Financial Corp. | 5.800% | 6/7/12 | 950,000 | 802,522 |
| Countrywide Financial Corp. | 6.250% | 5/15/16 | 500,000 | 355,961 ^A |
| Residential Capital LLC | 8.500% | 5/15/10 | 3,536,000 | 1,944,800 ^{A,B} |
| Residential Capital LLC | 9.625% | 5/15/15 | 1,416,000 | 339,840 ^B |
| Washington Mutual Inc. | 7.250% | 11/1/17 | 620,000 | 102,300 ^{A,E} |
| | | | | 4,005,369 |

Edgar Filing: Western Asset Income Fund - Form N-Q

Tobacco 1.2%

| | | | | |
|------------------------|--------|--------|-----------|-----------|
| Reynolds American Inc. | 7.250% | 6/1/12 | 1,360,000 | 1,396,362 |
|------------------------|--------|--------|-----------|-----------|

Edgar Filing: Western Asset Income Fund - Form N-Q

| | Rate | Maturity Date | Par/Shares | Value |
|--|---------|---------------|------------|--------------------------|
| Long-Term Securities Continued | | | | |
| Corporate Bonds and Notes Continued | | | | |
| Wireless Telecommunication Services 1.5% | | | | |
| New Cingular Wireless Services Inc. | 8.750% | 3/1/31 | \$ 475,000 | \$ 525,189 |
| Nextel Communications Inc. | 5.950% | 3/15/14 | 88,000 | 58,960 |
| Nextel Communications Inc. | 7.375% | 8/1/15 | 285,000 | 188,100 |
| Sprint Capital Corp. | 6.900% | 5/1/19 | 330,000 | 255,750 |
| Sprint Capital Corp. | 8.750% | 3/15/32 | 940,000 | 733,200 |
| | | | | 1,761,199 |
| Total Corporate Bonds and Notes (Cost \$102,181,847) | | | | 80,364,016 |
| Mortgage-Backed Securities 0.7% | | | | |
| Variable Rate Securities ¹ 0.7% | | | | |
| Thornburg Mortgage Securities Trust 2007-4 2A1 | 6.217% | 9/25/37 | 469,656 | 401,455 |
| Thornburg Mortgage Securities Trust 2007-4 3A1 | 6.214% | 9/25/37 | 449,678 | 377,079 |
| Total Mortgage-Backed Securities (Cost \$911,062) | | | | 778,534 |
| U.S. Government Agency Mortgage-Backed Securities N.M. | | | | |
| Fixed Rate Securities N.M. | | | | |
| Freddie Mac | 10.250% | 5/1/09 | 497 | 512 |
| Total U.S. Government Agency Mortgage-Backed Securities (Cost \$484) | | | | 512 |
| Yankee Bonds ¹ 23.0% | | | | |
| Aerospace and Defense 0.3% | | | | |
| Systems 2001 Asset Trust | 6.664% | 9/15/13 | 352,531 | 368,370 _B |
| Commercial Banks 9.8% | | | | |
| AES El Salvador Trust | 6.750% | 2/1/16 | 750,000 | 625,175 _B |
| ATF Capital BV | 9.250% | 2/21/14 | 810,000 | 599,400 _{A,B} |
| Banco Mercantil del Norte SA | 6.135% | 10/13/16 | 750,000 | 715,015 _{B,D} |
| Barclays Bank PLC | 7.434% | 9/29/49 | 910,000 | 741,027 _{B,D} |
| Barclays Bank PLC | 7.700% | 12/31/49 | 300,000 | 263,631 _{B,D} |
| Glitnir Banki Hf | 6.330% | 7/28/11 | 400,000 | 316,416 _{B,H} |
| Glitnir Banki Hf | 6.693% | 6/15/16 | 680,000 | 359,985 _{B,D,H} |
| Glitnir Banki Hf | 7.451% | 12/14/49 | 210,000 | 108,034 _{B,D,H} |
| HBOS Capital Funding LP | 6.071% | 6/30/49 | 560,000 | 362,087 _{B,D} |
| HSBK Europe BV | 7.250% | 5/3/17 | 490,000 | 294,000 _B |
| ICICI Bank Ltd. | 6.375% | 4/30/22 | 100,000 | 75,927 _{B,D} |
| ICICI Bank Ltd. | 6.375% | 4/30/22 | 200,000 | 138,046 _{B,D} |
| Kaupthing Bank Hf | 5.750% | 10/4/11 | 480,000 | 381,538 _{B,H} |
| Kaupthing Bank Hf | 7.125% | 5/19/16 | 1,250,000 | 761,107 _{B,H} |
| Landsbanki Islands Hf | 7.431% | 12/31/49 | 730,000 | 403,482 _{B,D,H} |
| Mizuho Financial Group | 5.790% | 4/15/14 | 1,100,000 | 1,109,599 _B |
| Natixis | 10.000% | 4/29/49 | 460,000 | 443,900 _{B,D} |
| Resona Preferred Global Securities | 7.191% | 12/29/49 | 1,095,000 | 812,918 _{B,D} |
| Royal Bank of Scotland Group PLC | 7.640% | 3/31/49 | 100,000 | 74,502 _D |
| RSHB Capital SA | 7.175% | 5/16/13 | 970,000 | 822,269 _B |
| RSHB Capital SA | 7.125% | 1/14/14 | 370,000 | 306,175 _B |
| RSHB Capital SA | 6.299% | 5/15/17 | 380,000 | 271,282 _B |
| Shinsei Finance Cayman Ltd. | 6.418% | 1/29/49 | 1,210,000 | 507,363 _{B,D} |
| Sumitomo Mitsui Banking Corp. | 5.625% | 12/31/49 | 270,000 | 215,697 _{B,D} |

Edgar Filing: Western Asset Income Fund - Form N-Q

| | Rate | Maturity Date | Par/Shares | Value |
|--|--------|---------------|------------|-------------------------|
| Long-Term Securities Continued | | | | |
| Yankee Bonds Continued | | | | |
| Commercial Banks Continued | | | | |
| TuranAlem Finance BV | 8.250% | 1/22/37 | \$ 740,000 | \$ 414,400 ^B |
| | | | | 11,122,975 |
| Consumer Finance 0.6% | | | | |
| Aiful Corp. | 6.000% | 12/12/11 | 865,000 | 673,169 ^B |
| Diversified Financial Services 1.4% | | | | |
| Lukoil International Finance BV | 6.356% | 6/7/17 | 310,000 | 235,600 ^B |
| Petroplus Finance Ltd. | 7.000% | 5/1/17 | 600,000 | 498,000 ^B |
| SMFG Preferred Capital | 6.078% | 1/29/49 | 380,000 | 271,339 ^{B,D} |
| TNK-BP Finance SA | 7.500% | 7/18/16 | 360,000 | 252,000 ^B |
| UFJ Finance Aruba AEC | 6.750% | 7/15/13 | 355,000 | 372,220 |
| | | | | 1,629,159 |
| Diversified Telecommunication Services 2.6% | | | | |
| British Telecommunications PLC | 9.125% | 12/15/30 | 330,000 | 329,203 ^F |
| Deutsche Telekom International Finance BV | 5.750% | 3/23/16 | 160,000 | 142,725 |
| Deutsche Telekom International Finance BV | 8.750% | 6/15/30 | 580,000 | 560,895 ^F |
| Koninklijke (Royal) KPN NV | 8.375% | 10/1/30 | 240,000 | 257,097 |
| Telecom Italia Capital | 7.200% | 7/18/36 | 760,000 | 599,001 |
| Telecom Italia Capital | 7.721% | 6/4/38 | 390,000 | 323,240 |
| Telefonica Emisiones S.A.U. | 7.045% | 6/20/36 | 600,000 | 542,670 |
| VIP Finance Ireland Ltd | 8.375% | 4/30/13 | 250,000 | 198,767 ^B |
| | | | | 2,953,598 |
| Electric Utilities 0.7% | | | | |
| Enersis SA | 7.375% | 1/15/14 | 317,000 | 320,098 |
| Enersis SA/Cayman Island | 7.400% | 12/1/16 | 452,000 | 456,751 |
| | | | | 776,849 |
| Food and Staples Retailing 0.2% | | | | |
| Delhaize Group | 6.500% | 6/15/17 | 290,000 | 274,676 |
| Foreign Governments 1.0% | | | | |
| Quebec Province | 7.970% | 7/22/36 | 650,000 | 895,135 |
| Russian Federation | 7.500% | 3/31/30 | 53,190 | 54,453 ^B |
| United Mexican States | 6.750% | 9/27/34 | 235,000 | 236,175 |
| | | | | 1,185,763 |
| Gas Utilities 0.2% | | | | |
| Intergas Finance BV | 6.375% | 5/14/17 | 270,000 | 194,400 ^B |
| Industrial Conglomerates 1.3% | | | | |
| Tyco International Group SA | 6.375% | 10/15/11 | 1,450,000 | 1,461,803 |
| Insurance 0.5% | | | | |
| Axa | 8.600% | 12/15/30 | 550,000 | 534,123 |

Edgar Filing: Western Asset Income Fund - Form N-Q

| | | | | | |
|-------------------|------|--------|---------|---------|----------------------|
| Media | 0.2% | | | | |
| Rogers Cable Inc. | | 6.250% | 6/15/13 | 250,000 | 250,012 |
| Metals and Mining | 1.1% | | | | |
| Evraz Group SA | | 8.875% | 4/24/13 | 260,000 | 197,600 ^B |

Edgar Filing: Western Asset Income Fund - Form N-Q

| | Rate | Maturity Date | Par/Shares | Value |
|--|--------|---------------|--------------|------------------------|
| Long-Term Securities Continued | | | | |
| Yankee Bonds Continued | | | | |
| Metals and Mining Continued | | | | |
| Vale Overseas Ltd. | 6.875% | 11/21/36 | \$ 1,148,000 | \$ 1,021,843 |
| | | | | 1,219,443 |
| Oil, Gas and Consumable Fuels 2.4% | | | | |
| Anadarko Finance Co. | 7.500% | 5/1/31 | 1,355,000 | 1,242,517 |
| Gazprom | 9.625% | 3/1/13 | 20,000 | 19,500 ^B |
| Gazprom | 9.625% | 3/1/13 | 50,000 | 50,146 ^B |
| Gazprom | 6.212% | 11/22/16 | 450,000 | 355,842 ^B |
| Gazprom | 6.510% | 3/7/22 | 400,000 | 288,000 ^B |
| Petrobras International Finance Co. | 5.875% | 3/1/18 | 879,000 | 798,907 |
| | | | | 2,754,912 |
| Wireless Telecommunication Services 0.7% | | | | |
| America Movil SA de CV | 5.625% | 11/15/17 | 520,000 | 487,159 |
| Rogers Wireless Inc. | 6.375% | 3/1/14 | 300,000 | 286,915 |
| | | | | 774,074 |
| Total Yankee Bonds (Cost \$32,200,291) | | | | 26,173,326 |
| Preferred Stocks 0.2% | | | | |
| Fannie Mae | 8.250% | | 11,700 shs | 25,506 ^{A,D} |
| Freddie Mac | 8.375% | | 96,825 | 157,825 ^{A,D} |
| Total Preferred Stocks (Cost \$1,463,444) | | | | 183,331 |
| Total Long-Term Securities (Cost \$136,757,128) | | | | 107,499,719 |
| Investment of Collateral From Securities Lending 10.3% | | | | |
| State Street Navigator Securities Lending Prime Portfolio | | | 11,759,995 | 11,759,995 |
| Total Investment of Collateral From Securities Lending (Cost \$11,759,995) | | | | 11,759,995 |
| Short-Term Securities 3.3% | | | | |
| Repurchase Agreements 3.3% | | | | |
| Goldman Sachs & Co. 1.00%, dated 9/30/08, to be repurchased at \$3,810,106 on 10/1/08 (Collateral: \$3,015,000 Tennessee Valley Authority bond, 7.125%, due 5/1/30, value \$3,889,350) | | | \$ 3,810,000 | 3,810,000 |
| Total Short-Term Securities (Cost \$3,810,000) | | | | 3,810,000 |
| Total Investments 108.1% (Cost \$152,327,123) | | | | 123,069,714 |
| Obligation to Return Collateral For Securities Loaned (10.3%) | | | | (11,759,995) |
| Other Assets Less Liabilities 2.2% | | | | 2,513,756 |
| Net Assets 100.0% | | | | \$ 113,823,475 |
| Net Asset Value Per Share: | | | | \$ 12.12 |

Edgar Filing: Western Asset Income Fund - Form N-Q

N.M. Not Meaningful.

^A All or a portion of this security is on loan.

^B Rule 144a Security - A security purchased pursuant to Rule 144a under the Securities Act of 1933 which may not be resold subject to that rule except to qualified institutional buyers. These securities, which the Fund's investment adviser has determined to be liquid, represent 21.09% of net assets.

^C Indexed Security - The rates of interest earned on these securities are tied to the London Interbank Offered Rate (LIBOR), the Consumer Price Index (CPI) or the one-year Treasury Bill Rate. The coupon rates are the rates as of September 30, 2008.

Edgar Filing: Western Asset Income Fund - Form N-Q

- D Stepped Coupon Security - A security with a predetermined schedule of interest or dividend rate changes at which time it begins to accrue interest or pay dividends according to the predetermined schedule.
- E Bond is in default as of September 30, 2008.
- F Credit Linked Security - The rates of interest earned on these securities are tied to the credit rating assigned by Standard & Poor's Rating Service and/or Moody's Investors Services.
- G Illiquid security valued at fair value under the procedures approved by the Board of Directors.
- H Bond is in default subsequent to September 30, 2008.
- I The coupon rates shown on variable rate securities are the rates at September 30, 2008. These rates vary with the weighted average coupon of the underlying loans.
- J Yankee Bond - A dollar-denominated bond issued in the U.S. by foreign entities.
- K Aggregate cost for federal income tax purposes is substantially the same as book cost. At September 30, 2008, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

| | |
|---------------------------------|---------------------|
| Gross unrealized appreciation | \$ 832,011 |
| Gross unrealized depreciation | (30,089,420) |
| Net unrealized depreciation | \$ (29,257,409) |

Edgar Filing: Western Asset Income Fund - Form N-Q

Investment Valuation

The Fund's securities are valued under policies approved by and under the general oversight of the Board of Directors. Effective January 1, 2008, the Fund adopted Statement of Financial Accounting Standards No. 157 (FAS 157). FAS 157 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized 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)

Debt securities are valued at the last quoted bid prices provided by an independent pricing service that are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. Equity securities for which market quotations are available are valued at the last sale price or official closing price on the primary market or exchange on which they trade. When prices are not readily available, or are determined not to reflect fair value, 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 may value these securities at fair value as determined in accordance with the procedures approved by the Fund's Board of Directors.

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

| | September 30, 2008 | Quoted Prices (Level 1) | Other Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------------|-----------------------|----------------------------|---|--|
| Investments in Securities | \$ 123,069,714 | \$ 183,331 | \$ 122,886,383 | |
| Total | \$ 123,069,714 | \$ 183,331 | \$ 122,886,383 | |

Securities Lending:

The Fund lends its securities to approved brokers to earn additional income and receives cash and U.S. government securities as collateral against the loans. Cash collateral received is invested in a money market pooled account by the Fund's lending agent. Collateral is maintained over the life of the loan in an amount not less than 100% of the value of loaned securities. At September 30, 2008, the market value of the securities on loan to broker-dealers was \$11,506,620, for which the Fund received collateral of \$11,759,995 in cash. Such collateral is in the possession of the Fund's custodian. The cash was invested in the State Street Navigator Securities Lending Prime Portfolio and is included in the Fund's Portfolio of Investments. As with other extensions of credit, the Fund may bear the risk of delay in recovery or even loss of rights to the collateral should the borrower of the securities fail financially.

Other information regarding the Fund is available in the Fund's most recent Report to Shareholders. This information is available on the Securities and Exchange Commission's website (www.sec.gov).

Item 2 Controls and Procedures

- (a) Western Asset Income Fund (the Registrant) principal executive and principal financial officers have concluded, based on their evaluation of the Registrant s disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the Registrant s disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the Registrant on Form N-Q is recorded, processed, summarized and reported within the required time periods in the Securities and Exchange Commission s rules and forms and that information required to be disclosed by the Registrant in the reports that it files or submits on Form N-Q is accumulated and communicated to the Registrant s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

- (b) There were no changes in the Registrant s internal control over financial reporting during the Registrant s last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

Item 3 Exhibits

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 filed as an exhibit 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
Western Asset Income Fund

Date: November 19, 2008

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
Western Asset Income Fund

Date: November 19, 2008

By: /s/ Marie K. Karpinski
Marie K. Karpinski
Principal Financial and Accounting Officer
Western Asset Income Fund

Date: November 19, 2008