

WESTERN ASSET PREMIER BOND FUND

Form N-Q

November 23, 2011

**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

811-10603

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

55 Water Street, New York, NY  
(Address of principal executive offices)

10041  
(Zip code)

Robert I. Frenkel, Esq.  
Legg Mason & Co., LLC  
100 First Stamford Place  
Stamford, CT 06902  
(Name and address of agent for service)

Registrant's telephone number, including area code:

(888) 777-0102

Date of fiscal year end: December 31

Date of reporting period: September 30, 2011

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ITEM 1. SCHEDULE OF INVESTMENTS

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**WESTERN ASSET PREMIER BOND FUND**

**FORM N-Q**

**SEPTEMBER 30, 2011**

## WESTERN ASSET PREMIER BOND FUND

Schedule of investments (unaudited)

September 30, 2011

| SECURITY  | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE        |
|---|---------|------------------|----------------|--------------|
| CORPORATE BONDS & NOTES 49.8%   |         |                  |                |              |
| CONSUMER DISCRETIONARY 7.0%   |         |                  |                |              |
| <b>Automobiles 2.4%</b>   |         |                  |                |              |
| DaimlerChrysler NA Holding Corp., Notes   | 8.500%  | 1/18/31          | 1,000,000      | \$ 1,414,132 |
| DaimlerChrysler North America Holding Corp.,<br>Notes   | 7.300%  | 1/15/12          | 1,000,000      | 1,017,321    |
| Ford Motor Credit Co., LLC, Senior Notes  | 7.500%  | 8/1/12           | 70,000         | 71,391       |
| Ford Motor Credit Co., LLC, Senior Notes  | 12.000% | 5/15/15          | 1,030,000      | 1,236,000    |
| <i>Total Automobiles</i>  |         |                  |                | 3,738,844    |
| <b>Diversified Consumer Services 0.0%</b>   |         |                  |                |              |
| Service Corp. International, Senior Notes   | 7.625%  | 10/1/18          | 5,000          | 5,288        |
| Service Corp. International, Senior Notes   | 7.500%  | 4/1/27           | 60,000         | 55,950       |
| <i>Total Diversified Consumer Services</i>  |         |                  |                | 61,238       |
| <b>Hotels, Restaurants &amp; Leisure 0.8%</b>   |         |                  |                |              |
| Caesars Entertainment Operating Co. Inc., Senior<br>Notes   | 10.750% | 2/1/16           | 300,000        | 217,500      |
| El Pollo Loco Inc., Secured Notes   | 17.000% | 1/1/18           | 380,000        | 325,850(a)   |
| Inn of the Mountain Gods Resort & Casino, Senior<br>Secured Notes   | 8.750%  | 11/30/20         | 146,000        | 140,160(a)   |
| Landry's Restaurants Inc., Senior Secured Notes   | 11.625% | 12/1/15          | 110,000        | 110,550      |
| Mohegan Tribal Gaming Authority, Senior Secured<br>Notes  | 11.500% | 11/1/17          | 170,000        | 154,700(a)   |
| NCL Corp. Ltd., Senior Secured Notes  | 11.750% | 11/15/16         | 170,000        | 191,250      |
| Snoqualmie Entertainment Authority, Senior Secured<br>Notes   | 4.179%  | 2/1/14           | 110,000        | 96,250(a)(b) |
| Station Casinos Inc., Senior Subordinated Notes   | 6.625%  | 3/15/18          | 100,000        | 10(c)(d)(e)  |
| <i>Total Hotels, Restaurants &amp; Leisure</i>  |         |                  |                | 1,236,270    |
| <b>Media 3.4%</b>   |         |                  |                |              |
| Cablevision Systems Corp., Senior Notes   | 7.750%  | 4/15/18          | 30,000         | 30,300       |
| CCH II LLC/CCH II Capital Corp., Senior Notes   | 13.500% | 11/30/16         | 108,083        | 123,215      |
| Cengage Learning Acquisitions Inc., Senior Notes  | 10.500% | 1/15/15          | 270,000        | 172,800(a)   |
| Charter Communications Operating LLC/Charter<br>Communications Operating Capital, Senior Secured<br>Notes | 10.875% | 9/15/14          | 280,000        | 300,300(a)   |
| Comcast Corp.   | 5.900%  | 3/15/16          | 400,000        | 457,626      |
| Comcast Corp., Notes  | 7.050%  | 3/15/33          | 1,000,000      | 1,219,668    |
| CSC Holdings Inc., Senior Notes   | 6.750%  | 4/15/12          | 250,000        | 254,375      |
| DISH DBS Corp., Senior Notes  | 7.000%  | 10/1/13          | 600,000        | 622,500      |
| DISH DBS Corp., Senior Notes  | 7.875%  | 9/1/19           | 385,000        | 392,700      |
| EchoStar DBS Corp., Senior Notes  | 7.125%  | 2/1/16           | 120,000        | 121,500      |
| News America Inc.   | 8.875%  | 4/26/23          | 400,000        | 529,464      |
| Time Warner Inc., Senior Debentures   | 7.700%  | 5/1/32           | 980,000        | 1,243,547    |
| <i>Total Media</i>  |         |                  |                | 5,467,995    |
| <b>Multiline Retail 0.2%</b>  |         |                  |                |              |
| Neiman Marcus Group Inc., Senior Secured Notes  | 7.125%  | 6/1/28           | 330,000        | 287,100      |

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|  |         |          |           |              |
|--|---------|----------|-----------|--------------|
| <b>Specialty Retail 0.0%</b>                     |         |          |           |              |
| American Greetings Corp., Senior Notes           | 7.375%  | 6/1/16   | 20,000    | 20,350       |
| <b>Textiles, Apparel &amp; Luxury Goods 0.2%</b> |         |          |           |              |
| Oxford Industries Inc., Senior Secured Notes     | 11.375% | 7/15/15  | 255,000   | 280,500      |
| TOTAL CONSUMER DISCRETIONARY                     |         |          |           | 11,092,297   |
| CONSUMER STAPLES 5.8%                            |         |          |           |              |
| <b>Food &amp; Staples Retailing 5.2%</b>         |         |          |           |              |
| CVS Corp., Pass-Through Trust                    | 9.350%  | 1/10/23  | 700,000   | 805,273(a)   |
| CVS Corp., Pass-Through Trust, Secured Bonds     | 5.789%  | 1/10/26  | 776,560   | 826,648(a)   |
| CVS Corp., Pass-Through Trust, Secured Notes     | 6.943%  | 1/10/30  | 1,637,094 | 1,839,504    |
| CVS Pass-Through Trust                           | 7.507%  | 1/10/32  | 1,938,346 | 2,284,244(a) |
| CVS Pass-Through Trust, Secured Notes            | 5.880%  | 1/10/28  | 885,209   | 923,689      |
| CVS Pass-Through Trust, Secured Notes            | 6.036%  | 12/10/28 | 765,017   | 805,142      |
| Delhaize Group, Senior Notes                     | 5.700%  | 10/1/40  | 235,000   | 243,510      |
| Safeway Inc., Notes                              | 5.800%  | 8/15/12  | 500,000   | 519,185      |
| <i>Total Food &amp; Staples Retailing</i>        |         |          |           | 8,247,195    |

*See Notes to Schedule of Investments.*

## WESTERN ASSET PREMIER BOND FUND

Schedule of investments (unaudited) (cont d)

September 30, 2011

| SECURITY  | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE         |
|---|---------|------------------|----------------|---------------|
| <b>Food Products 0.5%</b>   |         |                  |                |               |
| Ahold Lease USA Inc., Pass-Through Certificates                       | 8.620%  | 1/2/25           | 714,462        | \$ 864,571(d) |
| <b>Tobacco 0.1%</b>   |         |                  |                |               |
| Alliance One International Inc., Senior Notes                         | 10.000% | 7/15/16          | 160,000        | 132,000       |
| <b>TOTAL CONSUMER STAPLES</b>   |         |                  |                | 9,243,766     |
| <b>ENERGY 5.9%</b>  |         |                  |                |               |
| <b>Energy Equipment &amp; Services 0.4%</b>                           |         |                  |                |               |
| Complete Production Services Inc., Senior Notes                       | 8.000%  | 12/15/16         | 150,000        | 150,000       |
| GulfMark Offshore Inc., Senior Subordinated Notes                     | 7.750%  | 7/15/14          | 270,000        | 264,600       |
| Hercules Offshore LLC, Senior Secured Notes                           | 10.500% | 10/15/17         | 155,000        | 146,475(a)    |
| <i>Total Energy Equipment &amp; Services</i>                          |         |                  |                | 561,075       |
| <b>Oil, Gas &amp; Consumable Fuels 5.5%</b>                           |         |                  |                |               |
| Anadarko Finance Co., Senior Notes                                    | 7.500%  | 5/1/31           | 570,000        | 675,005       |
| Arch Coal Inc., Senior Notes  | 7.000%  | 6/15/19          | 750,000        | 712,500(a)    |
| Berry Petroleum Co., Senior Notes                                     | 10.250% | 6/1/14           | 160,000        | 179,200       |
| Burlington Resources Finance Co.                                      | 7.400%  | 12/1/31          | 450,000        | 631,428       |
| Chesapeake Energy Corp., Senior Notes                                 | 7.250%  | 12/15/18         | 300,000        | 319,500       |
| Colorado Interstate Gas Co., Senior Notes                             | 6.800%  | 11/15/15         | 150,000        | 170,035       |
| Compagnie Generale de Geophysique-Veritas, Senior Notes               | 6.500%  | 6/1/21           | 750,000        | 675,000(a)    |
| CONSOL Energy Inc., Senior Notes                                      | 8.250%  | 4/1/20           | 440,000        | 463,100       |
| Devon Energy Corp., Debentures  | 7.950%  | 4/15/32          | 310,000        | 440,715       |
| El Paso Corp., Medium-Term Notes                                      | 7.800%  | 8/1/31           | 190,000        | 220,793       |
| EXCO Resources Inc., Senior Notes                                     | 7.500%  | 9/15/18          | 500,000        | 440,000       |
| Hess Corp., Notes   | 7.875%  | 10/1/29          | 350,000        | 470,996       |
| Kinder Morgan Energy Partners LP, Senior Notes                        | 7.125%  | 3/15/12          | 390,000        | 400,004       |
| LUKOIL International Finance BV, Bonds                                | 6.356%  | 6/7/17           | 340,000        | 340,000(a)    |
| Plains Exploration & Production Co., Senior Notes                     | 10.000% | 3/1/16           | 140,000        | 151,900       |
| Plains Exploration & Production Co., Senior Notes                     | 8.625%  | 10/15/19         | 125,000        | 134,375       |
| Quicksilver Resources Inc., Senior Notes                              | 11.750% | 1/1/16           | 185,000        | 199,800       |
| Regency Energy Partners LP/Regency Energy Finance Corp., Senior Notes | 6.500%  | 7/15/21          | 750,000        | 753,750       |
| Teekay Corp., Senior Notes  | 8.500%  | 1/15/20          | 310,000        | 296,825       |
| TNK-BP Finance SA, Senior Notes                                       | 7.875%  | 3/13/18          | 220,000        | 228,800(a)    |
| Williams Cos. Inc., Debentures  | 7.500%  | 1/15/31          | 668,000        | 781,481       |
| Williams Cos. Inc., Senior Notes                                      | 8.750%  | 3/15/32          | 63,000         | 82,353        |
| <i>Total Oil, Gas &amp; Consumable Fuels</i>                          |         |                  |                | 8,767,560     |
| <b>TOTAL ENERGY</b>   |         |                  |                | 9,328,635     |
| <b>FINANCIALS 8.7%</b>  |         |                  |                |               |
| <b>Capital Markets 1.2%</b>   |         |                  |                |               |
| Goldman Sachs Group Inc., Senior Notes                                | 6.600%  | 1/15/12          | 900,000        | 912,932(f)    |
| Morgan Stanley, Notes   | 6.600%  | 4/1/12           | 1,000,000      | 1,021,721(f)  |
| <i>Total Capital Markets</i>  |         |                  |                | 1,934,653     |
| <b>Consumer Finance 1.8%</b>  |         |                  |                |               |
| Ally Financial Inc., Senior Notes                                     | 8.000%  | 3/15/20          | 350,000        | 323,967       |

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|  |        |          |           |              |
|--|--------|----------|-----------|--------------|
| Ford Motor Credit Co., LLC, Senior Notes             | 8.000% | 12/15/16 | 680,000   | 742,023      |
| HSBC Finance Corp.                                   | 4.750% | 7/15/13  | 1,670,000 | 1,726,496(f) |
| <i>Total Consumer Finance</i>                        |        |          |           | 2,792,486    |
| <b>Diversified Financial Services 5.1%</b>           |        |          |           |              |
| Air 2 US, Notes                                      | 8.027% | 10/1/19  | 2,553,635 | 2,528,099(a) |
| Citigroup Inc.                                       | 6.625% | 6/15/32  | 1,000,000 | 966,601      |
| International Lease Finance Corp., Senior Notes      | 8.750% | 3/15/17  | 1,380,000 | 1,386,900    |
| JPMorgan Chase & Co., Subordinated Notes             | 5.125% | 9/15/14  | 1,300,000 | 1,369,090(f) |
| Liberty Media LLC                                    | 3.750% | 2/15/30  | 1,860,000 | 990,450      |
| Smurfit Kappa Funding PLC, Senior Subordinated Notes | 7.750% | 4/1/15   | 150,000   | 144,000      |
| UFJ Finance Aruba AEC                                | 6.750% | 7/15/13  | 500,000   | 537,299      |
| Unitymedia GmbH, Senior Secured Bonds                | 8.125% | 12/1/17  | 100,000   | 100,000(a)   |
| <i>Total Diversified Financial Services</i>          |        |          |           | 8,022,439    |
| <b>Insurance 0.6%</b>                                |        |          |           |              |
| XL Capital Ltd.                                      | 5.250% | 9/15/14  | 1,000,000 | 1,041,199    |
| <b>TOTAL FINANCIALS</b>                              |        |          |           | 13,790,777   |

*See Notes to Schedule of Investments.*

## WESTERN ASSET PREMIER BOND FUND

Schedule of investments (unaudited) (cont d)

September 30, 2011

| SECURITY  | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE             |
|---|---------|------------------|----------------|-------------------|
| HEALTH CARE 0.9%  |         |                  |                |                   |
| <b>Health Care Providers &amp; Services 0.9%</b>                                    |         |                  |                |                   |
| Community Health Systems Inc., Senior Notes   | 8.875%  | 7/15/15          | 200,000        | \$ 196,500        |
| HCA Inc., Debentures  | 7.500%  | 11/15/95         | 185,000        | 138,750           |
| HCA Inc., Notes   | 6.375%  | 1/15/15          | 430,000        | 418,175           |
| HCA Inc., Notes   | 7.690%  | 6/15/25          | 90,000         | 81,000            |
| HCA Inc., Senior Notes  | 6.250%  | 2/15/13          | 85,000         | 86,169            |
| HCA Inc., Senior Secured Notes  | 6.500%  | 2/15/20          | 310,000        | 303,025           |
| Vanguard Health Holdings Co., II LLC, Senior Notes                                  | 8.000%  | 2/1/18           | 215,000        | 197,262           |
| <b>TOTAL HEALTH CARE</b>  |         |                  |                | <b>1,420,881</b>  |
| INDUSTRIALS 11.4%   |         |                  |                |                   |
| <b>Aerospace &amp; Defense 0.8%</b>   |         |                  |                |                   |
| Boeing Co., Notes   | 6.125%  | 2/15/33          | 600,000        | 748,110           |
| L-3 Communications Corp., Senior Subordinated Notes                                 | 6.375%  | 10/15/15         | 535,000        | 546,369           |
| <i>Total Aerospace &amp; Defense</i>  |         |                  |                | <i>1,294,479</i>  |
| <b>Airlines 9.8%</b>  |         |                  |                |                   |
| America West Airlines Inc., Ambac Assurance Corp.                                   | 8.057%  | 7/2/20           | 2,224,780      | 2,224,780         |
| Continental Airlines Inc.   | 7.160%  | 9/24/14          | 223,664        | 216,955(d)        |
| Continental Airlines Inc.   | 6.820%  | 5/1/18           | 913,728        | 936,571           |
| Continental Airlines Inc., Pass-Through Certificates                                | 6.900%  | 1/2/18           | 822,945        | 839,404           |
| Continental Airlines Inc., Pass-Through Certificates                                | 6.545%  | 2/2/19           | 1,090,437      | 1,101,341         |
| Continental Airlines Inc., Pass-Through Certificates                                | 6.703%  | 6/15/21          | 675,130        | 692,008           |
| Continental Airlines Inc., Pass-Through Certificates, 2000-1 A-1                    | 8.048%  | 11/1/20          | 524,480        | 545,459           |
| DAE Aviation Holdings Inc., Senior Notes  | 11.250% | 8/1/15           | 250,000        | 252,500(a)        |
| Delta Air Lines Inc., Pass-Through Certificates, Secured Notes                      | 8.021%  | 8/10/22          | 164,920        | 160,797           |
| Delta Air Lines Inc., Senior Secured Notes  | 9.500%  | 9/15/14          | 67,000         | 69,010(a)         |
| JetBlue Airways Corp., Pass-Through Certificates                                    | 0.736%  | 11/15/16         | 1,050,000      | 960,750(b)        |
| Northwest Airlines Corp., Pass-Through Certificates                                 | 7.575%  | 9/1/20           | 477,027        | 485,971(d)        |
| Northwest Airlines Inc.   | 0.758%  | 2/6/15           | 2,537,494      | 2,372,557(b)(d)   |
| US Airways Pass-Through Trust   | 6.850%  | 1/30/18          | 2,765,427      | 2,696,291(d)      |
| US Airways Pass-Through Trust, Secured Notes  | 7.125%  | 10/22/23         | 2,000,000      | 1,900,000         |
| <i>Total Airlines</i>   |         |                  |                | <i>15,454,394</i> |
| <b>Building Products 0.0%</b>   |         |                  |                |                   |
| Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, step bond | 0.000%  | 6/30/15          | 65,000         | 45,500(a)(e)      |
| <b>Commercial Services &amp; Supplies 0.3%</b>                                      |         |                  |                |                   |
| Altegrity Inc., Senior Subordinated Notes   | 10.500% | 11/1/15          | 310,000        | 288,300(a)        |
| RSC Equipment Rental Inc./RSC Holdings III LLC, Senior Secured Notes                | 10.000% | 7/15/17          | 170,000        | 178,500(a)        |
| <i>Total Commercial Services &amp; Supplies</i>                                     |         |                  |                | <i>466,800</i>    |
| <b>Road &amp; Rail 0.2%</b>   |         |                  |                |                   |
| Kansas City Southern de Mexico, Senior Notes  | 12.500% | 4/1/16           | 111,000        | 127,373           |



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|   |         |          |         |            |
|---|---------|----------|---------|------------|
| RailAmerica Inc., Senior Secured Notes            | 9.250%  | 7/1/17   | 208,000 | 225,160    |
| <i>Total Road &amp; Rail</i>                      |         |          |         | 352,533    |
| <b>Trading Companies &amp; Distributors 0.3%</b>  |         |          |         |            |
| Ashtead Capital Inc., Notes                       | 9.000%  | 8/15/16  | 129,000 | 127,710(a) |
| H&E Equipment Services Inc., Senior Notes         | 8.375%  | 7/15/16  | 245,000 | 235,200    |
| <i>Total Trading Companies &amp; Distributors</i> |         |          |         | 362,910    |
| <b>TOTAL INDUSTRIALS</b>                          |         |          |         | 17,976,616 |
| <b>INFORMATION TECHNOLOGY 0.5%</b>                |         |          |         |            |
| <b>IT Services 0.4%</b>                           |         |          |         |            |
| Ceridian Corp., Senior Notes                      | 12.250% | 11/15/15 | 138,450 | 111,452(g) |
| Electronic Data Systems Corp., Notes              | 7.450%  | 10/15/29 | 500,000 | 617,166    |
| <i>Total IT Services</i>                          |         |          |         | 728,618    |

*See Notes to Schedule of Investments.*

## WESTERN ASSET PREMIER BOND FUND

Schedule of investments (unaudited) (cont d)

September 30, 2011

| SECURITY   | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE      |
|--|---------|------------------|----------------|------------|
| <b>Semiconductors &amp; Semiconductor Equipment 0.1%</b> |         |                  |                |            |
| Freescall Semiconductor Inc., Senior Subordinated Notes  | 10.125% | 12/15/16         | 80,000         | \$ 81,400  |
| <b>TOTAL INFORMATION TECHNOLOGY MATERIALS 2.6%</b>       |         |                  |                | 810,018    |
| <b>Chemicals 0.7%</b>                                    |         |                  |                |            |
| Dow Chemical Co.   | 6.000%  | 10/1/12          | 1,000,000      | 1,045,640  |
| <b>Metals &amp; Mining 0.8%</b>                          |         |                  |                |            |
| Freeport-McMoRan Copper & Gold Inc., Senior Notes        | 8.375%  | 4/1/17           | 730,000        | 782,925    |
| Metals USA Inc., Senior Secured Notes                    | 11.125% | 12/1/15          | 445,000        | 452,788    |
| Vedanta Resources PLC, Senior Notes                      | 8.750%  | 1/15/14          | 130,000        | 124,150(a) |
| <i>Total Metals &amp; Mining</i>                         |         |                  |                | 1,359,863  |
| <b>Paper &amp; Forest Products 1.1%</b>                  |         |                  |                |            |
| Appleton Papers Inc., Senior Secured Notes               | 11.250% | 12/15/15         | 235,000        | 227,950    |
| NewPage Corp., Senior Secured Notes                      | 11.375% | 12/31/14         | 595,000        | 441,787(c) |
| PE Paper Escrow GmbH, Senior Secured Notes               | 12.000% | 8/1/14           | 100,000        | 104,750(a) |
| Weyerhaeuser Co., Debentures                             | 7.375%  | 3/15/32          | 940,000        | 937,482    |
| <i>Total Paper &amp; Forest Products</i>                 |         |                  |                | 1,711,969  |
| <b>TOTAL MATERIALS</b>                                   |         |                  |                | 4,117,472  |
| <b>TELECOMMUNICATION SERVICES 3.1%</b>                   |         |                  |                |            |
| <b>Diversified Telecommunication Services 1.5%</b>       |         |                  |                |            |
| AT&T Inc., Senior Notes                                  | 5.350%  | 9/1/40           | 170,000        | 177,702    |
| Cincinnati Bell Telephone Co., Senior Debentures         | 6.300%  | 12/1/28          | 25,000         | 18,875     |
| Deutsche Telekom International Finance BV                | 5.250%  | 7/22/13          | 600,000        | 633,646    |
| France Telecom SA, Notes                                 | 8.500%  | 3/1/31           | 600,000        | 830,941    |
| Intelsat Jackson Holdings Ltd., Senior Notes             | 9.500%  | 6/15/16          | 35,000         | 35,481     |
| Intelsat Jackson Holdings Ltd., Senior Notes             | 11.250% | 6/15/16          | 340,000        | 346,800    |
| Qwest Communications International Inc., Senior Notes    | 7.500%  | 2/15/14          | 140,000        | 140,000    |
| Qwest Corp., Senior Notes                                | 7.500%  | 10/1/14          | 150,000        | 162,000    |
| <i>Total Diversified Telecommunication Services</i>      |         |                  |                | 2,345,445  |
| <b>Wireless Telecommunication Services 1.6%</b>          |         |                  |                |            |
| Cingular Wireless LLC                                    | 6.500%  | 12/15/11         | 250,000        | 252,806    |
| Sprint Capital Corp., Senior Notes                       | 8.375%  | 3/15/12          | 1,450,000      | 1,464,500  |
| True Move Co., Ltd.                                      | 10.750% | 12/16/13         | 590,000        | 625,400(a) |
| True Move Co., Ltd., Notes                               | 10.750% | 12/16/13         | 200,000        | 212,000(a) |
| <i>Total Wireless Telecommunication Services</i>         |         |                  |                | 2,554,706  |
| <b>TOTAL TELECOMMUNICATION SERVICES</b>                  |         |                  |                | 4,900,151  |
| <b>UTILITIES 3.9%</b>                                    |         |                  |                |            |
| <b>Electric Utilities 1.7%</b>                           |         |                  |                |            |
| Duke Energy Corp., Notes                                 | 6.250%  | 1/15/12          | 250,000        | 253,692    |

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|  |         |          |           |            |
|--|---------|----------|-----------|------------|
| EEB International Ltd., Senior Bonds   | 8.750%  | 10/31/14 | 820,000   | 836,400(a) |
| FirstEnergy Corp., Notes   | 6.450%  | 11/15/11 | 27,000    | 27,147     |
| FirstEnergy Corp., Notes   | 7.375%  | 11/15/31 | 1,020,000 | 1,258,010  |
| MidAmerican Energy Holdings Co., Senior Notes                                      | 5.875%  | 10/1/12  | 250,000   | 262,079    |
| <i>Total Electric Utilities</i>  |         |          |           | 2,637,328  |
| <b>Gas Utilities 0.0%</b>  |         |          |           |            |
| Southern Natural Gas Co., Senior Notes   | 8.000%  | 3/1/32   | 20,000    | 25,793     |
| <b>Independent Power Producers &amp; Energy Traders 1.7%</b>                       |         |          |           |            |
| AES Corp., Senior Notes  | 9.750%  | 4/15/16  | 360,000   | 387,000    |
| AES Corp., Senior Notes  | 8.000%  | 10/15/17 | 525,000   | 527,625    |
| AES Corp., Senior Notes  | 8.000%  | 6/1/20   | 100,000   | 100,000    |
| Calpine Corp., Senior Secured Notes  | 7.875%  | 1/15/23  | 700,000   | 675,500(a) |
| Edison Mission Energy, Senior Notes  | 7.750%  | 6/15/16  | 180,000   | 120,600    |
| Edison Mission Energy, Senior Notes  | 7.625%  | 5/15/27  | 179,000   | 98,450     |
| Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes | 10.000% | 12/1/20  | 885,000   | 862,875    |
| <i>Total Independent Power Producers &amp; Energy Traders</i>                      |         |          |           | 2,772,050  |

*See Notes to Schedule of Investments.*

## WESTERN ASSET PREMIER BOND FUND

Schedule of investments (unaudited) (cont d)

September 30, 2011

| SECURITY  | RATE   | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE           |
|---|--------|------------------|----------------|-----------------|
| <b>Multi-Utilities 0.5%</b>   |        |                  |                |                 |
| Dominion Resources Inc., Senior<br>Notes                                | 5.700% | 9/17/12          | 770,000        | \$ 803,722      |
| TOTAL UTILITIES   |        |                  |                | 6,238,893       |
| TOTAL CORPORATE BONDS & NOTES (Cost \$76,060,241)                       |        |                  |                | 78,919,506      |
| <b>ASSET-BACKED SECURITIES</b>  |        |                  |                |                 |
| <b>34.0%</b>  |        |                  |                |                 |
| ABFS Mortgage Loan Trust, 2002-3<br>M1                                  | 5.902% | 9/15/33          | 1,121,581      | 836,809         |
| Amerquest Mortgage Securities Inc.,<br>2004-R1 A1B                      | 0.635% | 2/25/34          | 639,536        | 498,248(b)      |
| Amerquest Mortgage Securities Inc.,<br>2004-R9 M1                       | 0.855% | 10/25/34         | 400,000        | 334,226(b)      |
| Amortizing Residential Collateral<br>Trust, 2004-1 A5                   | 0.735% | 10/25/34         | 257,673        | 222,243(b)      |
| Argent Securities Inc., 2003-W3 M1                                      | 1.360% | 9/25/33          | 212,413        | 186,839(b)      |
| Associates Manufactured Housing<br>Pass Through Certificates, 1997-CLB2 | 8.900% | 6/15/28          | 2,801,274      | 2,829,287(d)    |
| Associates Manufactured Housing<br>Pass-Through Certificates, 1997-1 B1 | 7.600% | 6/15/28          | 360,315        | 387,883(b)(e)   |
| Bank of America Manufactured<br>Housing Contract Trust, 1997-2M         | 6.900% | 4/10/28          | 100,000        | 145,886(b)      |
| Bayview Financial Acquisition Trust,<br>2007-B 2A1                      | 0.537% | 8/28/47          | 457,600        | 443,002(b)      |
| Bayview Financial Asset Trust,<br>2004-SSRA A1                          | 0.835% | 12/25/39         | 361,190        | 283,534(a)(b)   |
| Bayview Financial Asset Trust,<br>2007-SR1A A                           | 0.685% | 3/25/37          | 2,122,421      | 1,477,735(a)(b) |
| Bayview Financial Asset Trust,<br>2007-SR1A M1                          | 1.035% | 3/25/37          | 1,395,696      | 893,246(a)(b)   |
| Bayview Financial Asset Trust,<br>2007-SR1A M3                          | 1.385% | 3/25/37          | 529,403        | 269,995(a)(b)   |
| Bayview Financial Asset Trust,<br>2007-SR1A M4                          | 1.735% | 3/25/37          | 144,382        | 60,641(a)(b)    |
| Bear Stearns Asset Backed Securities<br>Trust, 2006-SD3 1P0, STRIPS, PO | 0.000% | 8/25/36          | 1,053,963      | 776,560(d)      |
| Bear Stearns Asset Backed Securities<br>Trust, 2007-SD1 1A3A            | 6.500% | 10/25/36         | 1,294,793      | 953,317         |
| Centex Home Equity Loan Trust,<br>2003-B AF4                            | 3.735% | 2/25/32          | 349,152        | 303,083         |
| Citigroup Mortgage Loan Trust Inc.,<br>2006-SHL1 A1                     | 0.435% | 11/25/45         | 189,190        | 133,696(a)(b)   |
| Contimortgage Home Equity Trust,<br>1997-4 B1F                          | 7.330% | 10/15/28         | 395,018        | 404,551         |
|   | 0.615% | 8/25/34          | 375,763        | 332,876(b)      |

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|  |        |          |           |                 |
|--|--------|----------|-----------|-----------------|
| Countrywide Asset-Backed Certificates, 2004-3 3A3                |        |          |           |                 |
| Countrywide Asset-Backed Certificates, 2006-3 3A1                | 0.355% | 6/25/36  | 786,544   | 505,506(b)      |
| Countrywide Asset-Backed Certificates, 2007-13 2A1               | 1.135% | 10/25/47 | 1,155,359 | 821,772(b)      |
| Countrywide Asset-Backed Certificates, 2007-SEA2 1A1             | 1.235% | 8/25/47  | 57,923    | 35,912(a)(b)(d) |
| Countrywide Home Equity Loan Trust, 2006-HW 2A1B                 | 0.357% | 11/15/36 | 529,736   | 402,098(b)      |
| Countrywide Home Equity Loan Trust, 2007-B A                     | 0.379% | 2/15/37  | 610,515   | 432,232(b)      |
| Countrywide Home Equity Loan Trust, 2007-GW A                    | 0.979% | 8/15/37  | 1,223,902 | 977,352(b)      |
| Credit-Based Asset Servicing & Securitization, 2005-CB4 M1       | 0.655% | 8/25/35  | 2,000,000 | 1,355,946(b)    |
| Credit-Based Asset Servicing & Securitization LLC, 2004-CB2 M1   | 1.015% | 7/25/33  | 2,209,205 | 1,554,662(b)    |
| Credit-Based Asset Servicing and Securitization LLC, 2005-RP1 M1 | 0.855% | 1/25/35  | 780,000   | 695,580(a)(b)   |
| Credit-Based Asset Servicing and Securitization LLC, 2007-SP1 A4 | 6.020% | 12/25/37 | 900,000   | 718,000(a)      |
| CS First Boston Mortgage Securities Corp., 2004-CF2 2A1          | 0.705% | 5/25/44  | 27,768    | 26,977(a)(b)    |
| Educap Student Loan Asset-Backed Notes, 2004-1 B                 | 2.030% | 6/25/38  | 1,500,000 | 1,320,000(b)(d) |
| Ellington Loan Acquisition Trust, 2007-1 A2A1                    | 1.235% | 5/26/37  | 152,112   | 136,549(a)(b)   |
| EMC Mortgage Loan Trust, 2003-B A1                               | 0.785% | 11/25/41 | 85,243    | 74,819(a)(b)    |
| First Horizon ABS Trust, 2007-HE1 A                              | 0.365% | 9/25/29  | 778,873   | 564,129(b)      |
| Firstfed Corp. Manufactured Housing Contract, 1996-1 B           | 8.060% | 10/15/22 | 1,747,652 | 1,629,905(a)    |
| Fremont Home Loan Trust, 2006-2 2A2                              | 0.345% | 2/25/36  | 109,408   | 108,330(b)      |

*See Notes to Schedule of Investments.*

## WESTERN ASSET PREMIER BOND FUND

Schedule of investments (unaudited) (cont d)

September 30, 2011

| SECURITY  | RATE   | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE            |
|---|--------|------------------|----------------|------------------|
| ASSET-BACKED SECURITIES Continued                               |        |                  |                |                  |
| Global Franchise Trust, 1998-1 A2                               | 6.659% | 10/10/11         | 42,425         | \$ 42,035(a)     |
| GMAC Mortgage Corp. Loan Trust, 2004-VF1 A1                     | 0.985% | 2/25/31          | 428,641        | 353,002(a)(b)    |
| Green Tree Financial Corp., 1992-2 B                            | 9.150% | 1/15/18          | 93,374         | 41,128           |
| Green Tree Financial Corp., 1993-1 B                            | 8.450% | 4/15/18          | 140,245        | 117,244          |
| Green Tree Home Improvement Loan Trust, 1996-D HIB2             | 8.000% | 9/15/27          | 39,713         | 27,920           |
| Green Tree Recreational Equipment & Consumer Trust, 1996-C CTFS | 7.650% | 10/15/17         | 7,567          | 6,920            |
| Greenpoint Manufactured Housing, 1999-2 A2                      | 3.099% | 3/18/29          | 275,000        | 220,000(b)       |
| Greenpoint Manufactured Housing, 1999-3 2A2                     | 3.731% | 6/19/29          | 125,000        | 100,000(b)       |
| Greenpoint Manufactured Housing, 1999-4 A2                      | 3.731% | 2/20/30          | 125,000        | 100,000(b)       |
| Greenpoint Manufactured Housing, 1999-5 A5                      | 7.820% | 12/15/29         | 706,000        | 772,209(b)       |
| Greenpoint Manufactured Housing, 2000-4 A3                      | 2.187% | 8/21/31          | 800,000        | 645,600(b)(d)    |
| Greenpoint Manufactured Housing, 2000-6 A3                      | 2.215% | 11/22/31         | 225,000        | 186,440(b)       |
| Greenpoint Manufactured Housing, 2001-2 IA2                     | 3.706% | 2/20/32          | 300,000        | 196,234(b)       |
| Greenpoint Manufactured Housing, 2001-2 IIA2                    | 3.687% | 3/13/32          | 375,000        | 238,244(b)       |
| GSAA Home Equity Trust, 2004-8 A3A                              | 0.605% | 9/25/34          | 236,780        | 207,890(b)       |
| GSAA Home Equity Trust, 2006-19 A3A                             | 0.475% | 12/25/36         | 808,638        | 354,052(b)       |
| GSAMP Trust, 2003-SEA2 A1                                       | 4.422% | 7/25/33          | 1,965,962      | 1,657,479        |
| GSRPM Mortgage Loan Trust, 2006-1 A1                            | 0.535% | 3/25/35          | 150,545        | 126,403(a)(b)    |
| GSRPM Mortgage Loan Trust, 2006-2 A2                            | 0.535% | 9/25/36          | 300,167        | 231,721(a)(b)    |
| Indymac Manufactured Housing Contract, 1997-1 A5                | 6.970% | 2/25/28          | 218,722        | 217,883          |
| Lehman XS Trust, 2006-GP4 3A1A                                  | 1.465% | 8/25/46          | 9              | 9(b)             |
| Lehman XS Trust, 2007-1 WF1                                     | 5.694% | 1/25/37          | 897,779        | 499,333(b)       |
| Merit Securities Corp., 13 A4                                   | 7.925% | 12/28/33         | 2,595,665      | 2,795,653(b)     |
| Morgan Stanley ABS Capital I, 2003-SD1 A1                       | 1.235% | 3/25/33          | 22,647         | 19,537(b)        |
| Morgan Stanley Capital Inc., 2003-NC9 M                         | 1.360% | 9/25/33          | 1,936,619      | 1,383,922(b)     |
| MSDWCC Heloc Trust, 2003-2 A                                    | 0.740% | 4/25/16          | 111,003        | 101,399(b)       |
| New Century Home Equity Loan Trust, 2004-2 A2                   | 0.605% | 8/25/34          | 475,320        | 358,925(b)       |
| New Century Home Equity Loan Trust, 2004-3 M1                   | 1.165% | 11/25/34         | 917,006        | 616,664(b)       |
| Oakwood Mortgage Investors Inc., 2002-B A3                      | 6.060% | 3/15/25          | 257,139        | 249,636(b)       |
| Option One Mortgage Loan Trust, 2003-2 A2                       | 0.835% | 4/25/33          | 412,859        | 335,876(b)       |
| Origen Manufactured Housing, 2006-A A2                          | 3.708% | 10/15/37         | 2,700,000      | 1,701,000(b)     |
| Origen Manufactured Housing, 2007-A A2                          | 3.708% | 4/15/37          | 3,600,000      | 2,196,000(b)     |
| PAMCO CLO, 1997-1A B  | 7.910% | 8/6/11           | 775,612        | 286,977(c)(d)(h) |
| Park Place Securities Inc., 2004-WCW1 M2                        | 0.915% | 9/25/34          | 1,900,000      | 1,688,959(b)     |
| Park Place Securities Inc., 2004-WHQ2 M2                        | 0.865% | 2/25/35          | 750,000        | 578,168(b)       |
| Pegasus Aviation Lease Securitization, 2000-1 A2                | 8.370% | 3/25/30          | 1,600,000      | 672,000(a)       |
|   | 2.440% | 7/25/42          | 3,000,000      | 2,385,000(b)     |

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|  |        |          |           |                 |
|--|--------|----------|-----------|-----------------|
| Pennsylvania Higher Education Assistance Agency, 2003-1 B1 |        |          |           |                 |
| People's Choice Home Loan Securities Trust, 2004-1 A3      | 1.275% | 6/25/34  | 400,842   | 329,576(b)      |
| RAAC Series, 2007-RP1 M1                                   | 0.785% | 5/25/46  | 210,000   | 31,649(a)(b)    |
| Renaissance Home Equity Loan Trust, 2004-2 AF4             | 5.392% | 7/25/34  | 558,392   | 550,735         |
| Renaissance Home Equity Loan Trust, 2005-2 AF5             | 5.201% | 8/25/35  | 750,000   | 435,109         |
| Renaissance Home Equity Loan Trust, 2005-3 AV3             | 0.615% | 11/25/35 | 762,235   | 465,185(b)      |
| Residential Asset Mortgage Products Inc., 2004-RZ1 AII     | 0.715% | 3/25/34  | 383,534   | 253,325(b)      |
| Residential Asset Securities Corp., 2001-KS3 AII           | 0.695% | 9/25/31  | 300,571   | 225,148(b)      |
| Residential Asset Securities Corp., 2002-KS2 AI6           | 6.228% | 4/25/32  | 518,709   | 522,720(b)      |
| Residential Asset Securities Corp., 2003-KS8 AI6           | 4.830% | 10/25/33 | 758,937   | 733,665(b)      |
| Settlement Fee Finance LLC, 2004-1A A                      | 9.100% | 7/25/34  | 928,269   | 960,238(a)      |
| SLM Student Loan Trust, 2001-4 B                           | 0.753% | 1/25/21  | 1,000,000 | 998,167(b)      |
| Structured Asset Securities Corp., 2002-AL1 A3             | 3.450% | 2/25/32  | 766,870   | 696,006         |
| Structured Asset Securities Corp., 2003-AL1 A              | 3.357% | 4/25/31  | 110,895   | 107,157(a)      |
| Structured Asset Securities Corp., 2005-4XS 2A1A           | 1.938% | 3/25/35  | 521,283   | 362,536(b)      |
| Structured Asset Securities Corp., 2006-GEL3 A2            | 0.465% | 7/25/36  | 1,800,000 | 1,295,399(a)(b) |
| Structured Asset Securities Corp., 2007-BC1 A2             | 0.285% | 2/25/37  | 394,255   | 376,438(b)      |

*See Notes to Schedule of Investments.*

## WESTERN ASSET PREMIER BOND FUND

Schedule of investments (unaudited) (cont d)

September 30, 2011

| SECURITY  | RATE   | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE              |
|---|--------|------------------|----------------|--------------------|
| ASSET-BACKED SECURITIES   |        |                  |                |                    |
| Continued   |        |                  |                |                    |
| Vanderbilt Mortgage Finance, 2000-B<br>IB2                          | 9.250% | 7/7/30           | 752,608        | \$ 756,641(b)      |
| TOTAL ASSET-BACKED SECURITIES (Cost \$51,772,510)                   |        |                  |                | 53,944,582         |
| COLLATERALIZED MORTGAGE OBLIGATIONS 40.5%                           |        |                  |                |                    |
| American Home Mortgage Investment<br>Trust, 2007-A 4A               | 0.685% | 7/25/46          | 787,887        | 231,563(a)(b)      |
| Banc of America Funding Corp.,<br>2004-B 6A1                        | 3.023% | 12/20/34         | 562,342        | 264,216(b)         |
| Bayview Commercial Asset Trust,<br>2005-3A A2                       | 0.635% | 11/25/35         | 644,680        | 490,043(a)(b)      |
| Bayview Commercial Asset Trust,<br>2005-4A A1                       | 0.535% | 1/25/36          | 366,188        | 263,975(a)(b)      |
| BCAP LLC Trust, 2009-RR12 2A2                                       | 0.578% | 3/26/35          | 1,844,014      | 990,608(a)(b)      |
| Bear Stearns Adjustable Rate<br>Mortgage Trust, 2004-1 23A1         | 5.453% | 4/25/34          | 345,558        | 325,511(b)         |
| Bear Stearns Alt-A Trust, 2004-03 A1                                | 0.875% | 4/25/34          | 459,639        | 379,065(b)         |
| Bear Stearns Alt-A Trust, 2004-08 1A                                | 0.935% | 9/25/34          | 238,085        | 185,334(b)         |
| Bear Stearns Alt-A Trust, 2005-10<br>21A1                           | 3.015% | 1/25/36          | 1,135,728      | 564,301(b)         |
| Bear Stearns Asset Backed Securities<br>Trust, 2002-AC1 B4          | 7.000% | 1/25/32          | 885,456        | 161,153(a)(d)      |
| Bella Vista Mortgage Trust, 2004-2<br>A1                            | 0.605% | 2/25/35          | 2,024,474      | 1,054,512(b)       |
| BlackRock Capital Finance LP,<br>1997-R2 B5                         | 6.188% | 12/25/35         | 312,750        | 11,884(a)(b)(d)    |
| CBA Commercial Small Balance<br>Commercial Trust, 2005-1A           | 0.555% | 7/25/35          | 1,502,608      | 761,704(a)(b)      |
| Chevy Chase Mortgage Funding<br>Corp., 2004-3A A1                   | 0.485% | 8/25/35          | 1,413,138      | 916,010(a)(b)      |
| Chevy Chase Mortgage Funding<br>Corp., 2004-4A A1                   | 0.465% | 10/25/35         | 2,002,668      | 1,350,778(a)(b)    |
| Chevy Chase Mortgage Funding<br>Corp., 2005-4A A1                   | 0.435% | 10/25/36         | 1,785,889      | 1,053,141(a)(b)    |
| CNL Funding, 1998-1 C2  | 0.980% | 9/18/11          | 1,795,195      | 1,593,235(a)(b)(h) |
| Countrywide Home Loan Mortgage<br>Pass-Through Trust, 2004-HYB5 7A1 | 2.254% | 4/20/35          | 2,990,522      | 2,204,275(b)       |
| Countrywide Home Loans, 2004-R1<br>1AF                              | 0.635% | 11/25/34         | 1,518,830      | 1,250,456(a)(b)    |
| Countrywide Home Loans, 2004-R2<br>1AF1                             | 0.655% | 11/25/34         | 455,450        | 375,045(a)(b)      |
| Countrywide Home Loans, 2004-R2<br>1AF2                             | 0.655% | 11/25/34         | 1,024,763      | 843,851(a)(b)      |
|   | 0.505% | 3/25/35          | 1,424,585      | 1,089,816(b)       |



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|   |        |          |            |                 |
|---|--------|----------|------------|-----------------|
| Countrywide Home Loans, 2005-7<br>1A1                               |        |          |            |                 |
| Countrywide Home Loans, 2005-R2<br>2A1                              | 7.000% | 6/25/35  | 1,347,945  | 1,322,562(a)    |
| Countrywide Home Loans,<br>2006-HYB4 3B                             | 5.227% | 6/20/36  | 1,261,393  | 667,947(b)      |
| Countrywide Home Loans Mortgage<br>Pass-Through Trust, 2005-09 1A1  | 0.535% | 5/25/35  | 1,596,246  | 1,017,599(b)    |
| Countrywide Home Loans Mortgage<br>Pass-Through Trust, 2005-R1 1AF1 | 0.595% | 3/25/35  | 758,964    | 615,903(a)(b)   |
| Credit Suisse Mortgage Capital<br>Certificates, 2007-C3 A4          | 5.903% | 6/15/39  | 242,000    | 252,015(b)      |
| Credit Suisse Mortgage Capital<br>Certificates, 2009-16R 4A1        | 2.530% | 3/26/35  | 427,790    | 399,984(a)(b)   |
| Extended Stay America Trust,<br>2010-ESHA XB1, IO                   | 1.368% | 1/5/16   | 20,500,000 | 294,851(a)(b)   |
| Federal Home Loan Mortgage Corp.<br>(FHLMC), K007 X1, IO            | 1.411% | 4/25/20  | 11,226,405 | 846,877(b)      |
| Federal Home Loan Mortgage Corp.<br>(FHLMC), K008 X1, IO            | 1.841% | 6/25/20  | 991,230    | 100,502(b)      |
| Federal Home Loan Mortgage Corp.<br>(FHLMC), K009 X1, IO            | 1.684% | 8/25/20  | 5,860,311  | 543,868(b)      |
| GMAC Commercial Mortgage<br>Securities Inc., 1998-C2 F              | 6.500% | 5/15/35  | 955,836    | 989,546(a)      |
| Greenpoint Mortgage Funding Trust,<br>2005-AR5 2A2                  | 0.505% | 11/25/46 | 1,686,682  | 793,078(b)      |
| Greenpoint Mortgage Funding Trust,<br>2005-AR5 3A2                  | 0.505% | 11/25/46 | 1,540,267  | 739,328(b)      |
| GS Mortgage Securities Corp.,<br>2010-C1 X, IO                      | 1.706% | 8/10/43  | 12,856,542 | 1,218,234(a)(b) |
| GS Mortgage Securities Corp., IO                                    | 2.370% | 2/10/21  | 6,193,228  | 246,603(a)(b)   |
| GS Mortgage Securities Corp., IO                                    | 1.336% | 3/10/44  | 16,115,053 | 953,608(a)(b)   |

*See Notes to Schedule of Investments.*

## WESTERN ASSET PREMIER BOND FUND

Schedule of investments (unaudited) (cont d)

September 30, 2011

| SECURITY  | RATE      | MATURITY DATE | FACE AMOUNT | VALUE              |
|---|-----------|---------------|-------------|--------------------|
| COLLATERALIZED MORTGAGE OBLIGATIONS                     | Continued |               |             |                    |
| GSMPS Mortgage Loan Trust, 2001-2 A                     | 7.500%    | 6/19/32       | 1,524,037   | \$ 1,524,287(a)(b) |
| GSMPS Mortgage Loan Trust, 2004-4 1AF                   | 0.635%    | 6/25/34       | 946,353     | 763,713(a)(b)      |
| GSMPS Mortgage Loan Trust, 2005-RP1 1AF                 | 0.585%    | 1/25/35       | 268,011     | 221,769(a)(b)      |
| GSMPS Mortgage Loan Trust, 2005-RP1 2A1                 | 3.828%    | 1/25/35       | 1,507,686   | 1,366,889(a)(b)    |
| GSMPS Mortgage Loan Trust, 2005-RP3 1AF                 | 0.585%    | 9/25/35       | 1,229,763   | 990,567(a)(b)      |
| Harborview Mortgage Loan Trust, 2004-08 3A2             | 0.630%    | 11/19/34      | 161,380     | 90,395(b)          |
| Harborview Mortgage Loan Trust, 2004-10 4A              | 2.642%    | 1/19/35       | 405,228     | 363,372(b)         |
| Harborview Mortgage Loan Trust, 2005-9 B10              | 1.963%    | 6/20/35       | 1,079,207   | 76,537(b)          |
| Impac CMB Trust, 2004-9 1A1                             | 0.995%    | 1/25/35       | 52,977      | 38,558(b)          |
| IMPAC CMB Trust, 2005-2 2A2                             | 0.635%    | 4/25/35       | 328,597     | 260,971(b)         |
| Impac CMB Trust, 2A-10                                  | 0.875%    | 3/25/35       | 428,311     | 283,686(b)         |
| Indymac Index Mortgage Loan Trust, 2007-AR15 2A1        | 5.109%    | 8/25/37       | 4,434,152   | 2,682,307(b)       |
| Indymac Manufactured Housing Contract, A2-2             | 6.170%    | 12/25/11      | 235,241     | 234,334            |
| Jefferies & Co., 2009-B 9A                              | 0.561%    | 11/21/35      | 157,881     | 303,226(a)(b)(d)   |
| JP Morgan Mortgage Trust, 2005-A6 3A3                   | 2.778%    | 9/25/35       | 630,000     | 435,115(b)         |
| JPMorgan Alternative Loan Trust, 2006-S1 3A4            | 6.180%    | 3/25/36       | 1,100,000   | 527,824(b)         |
| JPMorgan Mortgage Trust, 2007-A2 4A2                    | 5.862%    | 4/25/37       | 300,000     | 236,836(b)         |
| JPMorgan Reremic, 2009-5 6A1                            | 5.862%    | 4/26/37       | 138,494     | 137,364(a)(b)      |
| LB-UBS Commercial Mortgage Trust, 2001-C3 X, IO, STRIPS | 0.879%    | 6/15/36       | 433,612     | 179(a)(b)(e)       |
| Luminent Mortgage Trust, 2006-6 A1                      | 0.435%    | 10/25/46      | 1,031,935   | 625,680(b)         |
| MASTR Adjustable Rate Mortgages Trust, 2004-13 3A7      | 2.721%    | 11/21/34      | 2,000,000   | 1,864,158(b)       |
| MASTR Alternative Loans Trust, PAC, 2003-7 7A1          | 0.635%    | 11/25/33      | 173,848     | 166,921(b)         |
| MASTR ARM Trust, 2004-7 6M1                             | 0.885%    | 8/25/34       | 800,000     | 614,839(b)         |
| Merit Securities Corp., 11PA 3A1                        | 0.857%    | 4/28/27       | 163,840     | 133,704(a)(b)      |
| Merit Securities Corp., 11PA B3                         | 2.487%    | 9/28/32       | 850,000     | 541,709(a)(b)      |
| Metropolitan Asset Funding Inc., 1998-BI B1             | 8.000%    | 11/20/24      | 837,447     | 507,638(b)         |
| Nomura Asset Acceptance Corp., 2004-AR4 1A1             | 2.428%    | 12/25/34      | 457,473     | 414,317(b)         |
|   | 1.743%    | 10/25/32      | 3,498,381   | 216,550(b)(d)      |

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|  |        |          |           |                 |
|--|--------|----------|-----------|-----------------|
| Prime Mortgage Trust, 2005-2 2XB,<br>STRIPS, IO                        |        |          |           |                 |
| Prime Mortgage Trust, 2005-5 1X,<br>STRIPS, IO                         | 0.908% | 7/25/34  | 7,318,339 | 87,074(b)       |
| Prime Mortgage Trust, 2005-5 1XB,<br>STRIPS, IO                        | 1.291% | 7/25/34  | 2,480,276 | 23,811(b)(d)    |
| Regal Trust IV, 1999-1 A   | 2.838% | 9/29/31  | 92,587    | 82,547(a)(b)    |
| Residential Asset Mortgage Products Inc., 2004-SL4 A5                  | 7.500% | 7/25/32  | 1,221,191 | 1,217,726       |
| Residential Asset Mortgage Products, Inc., 2005-SL2<br>AP0, STRIPS, PO | 0.000% | 2/25/32  | 217,104   | 180,301         |
| Residential Asset Securitization Trust,<br>2003-A1 A2                  | 0.735% | 3/25/33  | 25,193    | 25,149(b)       |
| Sequoia Mortgage Trust, 2003-2 A2                                      | 1.115% | 6/20/33  | 46,476    | 36,759(b)       |
| Sequoia Mortgage Trust, 2004-10<br>A1A                                 | 0.523% | 11/20/34 | 28,520    | 24,735(b)       |
| Sequoia Mortgage Trust, 2004-11 A1                                     | 0.513% | 12/20/34 | 42,705    | 34,987(b)       |
| Sequoia Mortgage Trust, 2004-12 A1                                     | 0.483% | 1/20/35  | 343,942   | 260,619(b)      |
| Structured Asset Securities Corp.,<br>1998-RF2 A                       | 7.862% | 7/15/27  | 423,119   | 428,031(a)(b)   |
| Structured Asset Securities Corp.,<br>2002-9 A2                        | 0.535% | 10/25/27 | 937,441   | 786,987(b)      |
| Structured Asset Securities Corp.,<br>2003-9A 2A2                      | 2.386% | 3/25/33  | 239,553   | 211,622(b)      |
| Structured Asset Securities Corp.,<br>2004-NP1 A                       | 0.635% | 9/25/33  | 253,067   | 219,415(a)(b)   |
| Structured Asset Securities Corp.,<br>2005-4XS 3A4                     | 4.790% | 3/25/35  | 890,000   | 869,473         |
| Structured Asset Securities Corp.,<br>2005-RF2 A                       | 0.585% | 4/25/35  | 1,217,134 | 971,182(a)(b)   |
| Structured Asset Securities Corp.,<br>2005-RF3 2A                      | 3.910% | 6/25/35  | 2,030,466 | 1,680,995(a)(b) |
| Thornburg Mortgage Securities Trust,<br>2003-4 A1                      | 0.875% | 9/25/43  | 846,023   | 759,231(b)      |
| Thornburg Mortgage Securities Trust,<br>2004-03 A                      | 0.975% | 9/25/44  | 860,571   | 780,062(b)      |
| Thornburg Mortgage Securities Trust,<br>2007-4 2A1                     | 6.145% | 9/25/37  | 615,475   | 573,297(b)      |
| Thornburg Mortgage Securities Trust,<br>2007-4 3A1                     | 6.153% | 9/25/37  | 624,461   | 607,502(b)      |
| WaMu Mortgage Pass-Through Certificates,<br>2004-AR06 A                | 0.670% | 5/25/44  | 695,856   | 539,338(b)      |
| WaMu Mortgage Pass-Through Certificates,<br>2004-AR08 A1               | 0.608% | 6/25/44  | 440,882   | 307,734(b)      |

*See Notes to Schedule of Investments.*

## WESTERN ASSET PREMIER BOND FUND

Schedule of investments (unaudited) (cont d)

September 30, 2011

| SECURITY   | RATE      | MATURITY DATE | FACE AMOUNT | VALUE           |
|--|-----------|---------------|-------------|-----------------|
| COLLATERALIZED MORTGAGE OBLIGATIONS  | Continued |               |             |                 |
| WaMu Mortgage Pass-Through Certificates, 2004-AR13 A2A                       | 0.620%    | 11/25/34      | 1,849,389   | \$ 1,408,388(b) |
| WaMu Mortgage Pass-Through Certificates, 2007-HY7 2A3                        | 5.441%    | 7/25/37       | 1,747,027   | 1,012,338(b)    |
| WaMu Mortgage Pass-Through Certificates, 2007-OA3 2A                         | 1.012%    | 4/25/47       | 1,110,884   | 642,874(b)      |
| Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-5 3A3 | 6.221%    | 7/25/36       | 823,392     | 431,438         |
| Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-7 A2A | 5.667%    | 9/25/36       | 1,344,170   | 776,604         |
| Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-7 A3  | 6.081%    | 9/25/36       | 164,438     | 92,719          |
| Washington Mutual Inc., 2004-AR11  | 2.492%    | 10/25/34      | 500,591     | 446,781(b)      |
| Washington Mutual Inc., 2004-AR12 A2A  | 0.640%    | 10/25/44      | 534,866     | 406,567(b)      |
| Washington Mutual Inc., 2005-AR8 2A1A  | 0.525%    | 7/25/45       | 433,025     | 337,514(b)      |
| Washington Mutual Inc., Mortgage Pass-Through Certificates, 2004-AR02 A      | 1.642%    | 4/25/44       | 311,780     | 240,076(b)      |
| Washington Mutual Inc., Mortgage Pass-Through Certificates, 2004-AR13 A1A    | 0.595%    | 11/25/34      | 1,315,049   | 1,009,473(b)    |
| Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR06 2A1A   | 0.465%    | 4/25/45       | 387,902     | 301,224(b)      |
| Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR08 1A1A   | 0.505%    | 7/25/45       | 29,357      | 22,118(b)       |
| Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR09 A1A    | 0.555%    | 7/25/45       | 195,991     | 152,319(b)      |
| Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR13 A1A1   | 0.525%    | 10/25/45      | 355,217     | 272,765(b)      |
| Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR19 A1A1   | 0.505%    | 12/25/45      | 724,179     | 575,313(b)      |
| Washington Mutual Inc., MSC Pass-Through Certificates, 2004-RA1 2A           | 7.000%    | 3/25/34       | 44,428      | 45,921          |

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|   |         |          |           |                 |
|---|---------|----------|-----------|-----------------|
| Washington Mutual Mortgage<br>Pass-Through Certificates, 2006-AR5<br>3A | 1.182%  | 7/25/46  | 1,321,643 | 480,084(b)      |
| Wells Fargo Mortgage Loan Trust,<br>2010-RR2 1A2                        | 5.169%  | 9/27/35  | 2,418,992 | 1,931,609(a)(b) |
| TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (Cost \$62,785,249)           |         |          |           | 64,281,128      |
| COLLATERALIZED SENIOR LOANS 6.0%  |         |          |           |                 |
| CONSUMER DISCRETIONARY 2.3%   |         |          |           |                 |
| Carmike Cinemas Inc., Term Loan   | 5.500%  | 1/27/16  | 887,589   | 865,399(i)      |
| Getty Images Inc., Term Loan B  | 5.250%  | 11/7/16  | 980,689   | 974,560(i)      |
| Las Vegas Sands LLC, Delayed Draw<br>Term Loan                          | 2.740%  | 11/23/16 | 166,092   | 154,880(i)      |
| Las Vegas Sands LLC, Term Loan B  | 2.740%  | 11/23/16 | 826,389   | 769,723(i)      |
| Univision Communications Inc.   | 4.489%  | 3/31/17  | 990,478   | 839,017(i)      |
| TOTAL CONSUMER<br>DISCRETIONARY   |         |          |           | 3,603,579       |
| HEALTH CARE 2.4%  |         |          |           |                 |
| Community Health Systems Inc.,<br>Delayed Draw Term Loan                | 2.569%  | 7/25/14  | 72,865    | 68,078(i)       |
| Community Health Systems Inc., Term<br>Loan B                           | 2.569%  | 7/25/14  | 1,419,235 | 1,326,000(i)    |
| Grifols Inc., Term Loan B   | 6.000%  | 6/1/17   | 1,500,000 | 1,468,500(i)    |
| MedAssets Inc., Term Loan B   | 5.250%  | 11/16/16 | 916,260   | 895,644(i)      |
| TOTAL HEALTH CARE   |         |          |           | 3,758,222       |
| INDUSTRIALS 0.0%  |         |          |           |                 |
| Trico Shipping AS, Term Loan A  | 10.000% | 5/12/14  | 33,104    | 33,104(e)(i)    |
| Trico Shipping AS, Term Loan B  | 1.000%  | 5/13/14  | 33,104    | 33,104(e)(i)    |
| TOTAL INDUSTRIALS   |         |          |           | 66,208          |
| INFORMATION TECHNOLOGY<br>1.3%  |         |          |           |                 |
| First Data Corp., Term Loan B   | 4.235%  | 3/23/18  | 424,158   | 348,074(i)      |
| First Data Corp., Term Loan B2  | 2.985%  | 9/24/14  | 514,436   | 449,060(i)      |
| Freescall Semiconductor Inc., Term<br>Loan                              | 4.472%  | 12/1/16  | 1,478,386 | 1,350,875(i)    |
| TOTAL INFORMATION<br>TECHNOLOGY   |         |          |           | 2,148,009       |
| TOTAL COLLATERALIZED SENIOR LOANS (Cost \$10,042,816)                   |         |          |           | 9,576,018       |

See Notes to Schedule of Investments.

## WESTERN ASSET PREMIER BOND FUND

Schedule of investments (unaudited) (cont d)

September 30, 2011

| SECURITY   | RATE   | MATURITY DATE | FACE AMOUNT | VALUE             |
|--|--------|---------------|-------------|-------------------|
| MORTGAGE-BACKED SECURITIES   |        |               |             |                   |
| 0.3%   |        |               |             |                   |
| <b>FNMA 0.3%</b>   |        |               |             |                   |
| Federal National Mortgage Association (FNMA), Whole Loan (Cost - \$456,065)  | 6.500% | 8/25/44       | 443,900     | \$ 508,585        |
| MUNICIPAL BONDS 6.7%   |        |               |             |                   |
| Florida 1.7%   |        |               |             |                   |
| Florida Educational Loan Marketing Corp., 2002-1 B   | 0.543% | 12/1/36       | 700,000     | 551,250(b)(d)(j)  |
| Florida Educational Loan Marketing Corp., Education Loan Revenue   | 0.495% | 12/1/18       | 2,500,000   | 2,081,250(b)(j)   |
| <i>Total Florida</i>   |        |               |             | <i>2,632,500</i>  |
| Kentucky 0.9%  |        |               |             |                   |
| Carroll County, KY, PCR, Kentucky Utilities Co. Project, AMBAC   | 0.282% | 10/1/32       | 1,800,000   | 1,404,000(b)      |
| Nevada 0.8%  |        |               |             |                   |
| Washoe County, NV, Pollution Control, Gas & Water Facilities Revenue, Sierra Pacific Power Co., AMBAC                      | 0.642% | 3/1/36        | 1,700,000   | 1,326,000(b)(j)   |
| New York 0.8%  |        |               |             |                   |
| New York State Energy Research & Development Authority Facilities Revenue, Consolidated Edison Co. of New York Inc., AMBAC | 0.263% | 10/1/36       | 1,600,000   | 1,120,000(b)(j)   |
| New York State Energy Research & Development Authority, Gas Facilities Revenue, Brooklyn Union Gas Project, NATL-RE        | 0.280% | 12/1/20       | 200,000     | 156,000(b)(d)     |
| <i>Total New York</i>  |        |               |             | <i>1,276,000</i>  |
| Pennsylvania 2.5%  |        |               |             |                   |
| Pennsylvania State Higher Education Assistance Agency, Student Loan Revenue  | 0.926% | 6/1/47        | 4,325,000   | 4,016,844(b)(d)   |
| <b>TOTAL MUNICIPAL BONDS (Cost \$10,825,889)</b>   |        |               |             | <b>10,655,344</b> |
| NON-U.S. TREASURY INFLATION PROTECTED SECURITIES 5.2%  |        |               |             |                   |
| Brazil Nota do Tesouro Nacional  | 5.952% | 5/15/45       | 4,700,000   | 5,313,403         |
| Brazil Nota do Tesouro Nacional, Notes   | 5.905% | 8/15/50       | 5,388,963   | 2,951,471         |
| <b>TOTAL NON-U.S. TREASURY INFLATION PROTECTED SECURITIES (Cost \$8,063,134)</b>   |        |               |             | <b>8,264,874</b>  |
| SOVEREIGN BONDS 1.6%   |        |               |             |                   |
| <b>Brazil 0.4%</b>   |        |               |             |                   |
| Brazil Nota do Tesouro Nacional, Notes   | 9.762% | 1/1/14        | 280,000BRL  | 145,774           |
| Brazil Nota do Tesouro Nacional, Notes   | 9.762% | 1/1/17        | 826,000BRL  | 413,037           |
| <i>Total Brazil</i>  |        |               |             | <i>558,811</i>    |
| <b>Honduras 0.0%</b>   |        |               |             |                   |
| Republic of Honduras   | 0.235% | 10/1/11       | 17,624      | 17,624(b)         |
| <b>India 0.1%</b>  |        |               |             |                   |

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|   |         |         |               |               |
|---|---------|---------|---------------|---------------|
| ICICI Bank Ltd., Junior Subordinated<br>Bonds | 6.375%  | 4/30/22 | 184,000USD    | 152,720(a)(b) |
| <b>Malaysia 0.4%</b>                          |         |         |               |               |
| Government of Malaysia, Senior Bonds          | 3.835%  | 8/12/15 | 1,500,000MYR  | 477,361       |
| Government of Malaysia, Senior Bonds          | 4.262%  | 9/15/16 | 290,000MYR    | 94,251        |
| <i>Total Malaysia</i>                         |         |         |               | 571,612       |
| <b>Mexico 0.7%</b>                            |         |         |               |               |
| Mexican Bonos, Bonds                          | 8.000%  | 6/11/20 | 11,147,000MXN | 890,005       |
| United Mexican States, Bonds                  | 10.000% | 12/5/24 | 2,750,000MXN  | 252,881       |
| <i>Total Mexico</i>                           |         |         |               | 1,142,886     |

*See Notes to Schedule of Investments.*

## WESTERN ASSET PREMIER BOND FUND

Schedule of investments (unaudited) (cont d)

September 30, 2011

| SECURITY  | RATE   | MATURITY DATE | FACE AMOUNT | VALUE        |
|---|--------|---------------|-------------|--------------|
| <b>Venezuela 0.0%</b><br>Bolivarian Republic of Venezuela,<br>Collective Action Securities, Global Senior<br>Bonds    | 9.375% | 1/13/34       | 2,000       | \$ 1,235     |
| TOTAL SOVEREIGN BONDS (Cost \$2,741,714)  |        |               |             | 2,444,888    |
|   |        |               | SHARES      |              |
| COMMON STOCKS 0.5%  |        |               |             |              |
| CONSUMER DISCRETIONARY 0.3%   |        |               |             |              |
| <b>Automobiles 0.1%</b><br>General Motors Co.   |        |               | 8,815       | 177,887*     |
| <b>Media 0.2%</b><br>Charter Communications Inc., Class A<br>Shares   |        |               | 4,936       | 231,202*     |
| TOTAL CONSUMER DISCRETIONARY  |        |               |             | 409,089      |
| ENERGY 0.0%   |        |               |             |              |
| <b>Oil, Gas &amp; Consumable Fuels 0.0%</b><br>SemGroup Corp., Class A Shares   |        |               | 789         | 15,748*      |
| INDUSTRIALS 0.1%  |        |               |             |              |
| <b>Building Products 0.0%</b><br>Ashton Woods USA LLC, Class B<br>Membership  |        |               | 20          | 12,900(d)(e) |
| Nortek Inc.   |        |               | 1,206       | 22,914*      |
| <i>Total Building Products</i>  |        |               |             | 35,814       |
| <b>Marine 0.1%</b><br>DeepOcean Group Holding AS  |        |               | 8,860       | 124,040(d)   |
| TOTAL INDUSTRIALS   |        |               |             | 159,854      |
| MATERIALS 0.1%  |        |               |             |              |
| <b>Chemicals 0.1%</b><br>Georgia Gulf Corp.   |        |               | 8,950       | 123,779*     |
| TOTAL COMMON STOCKS (Cost \$1,365,326)  |        |               |             | 708,470      |
| CONVERTIBLE PREFERRED STOCKS<br>0.1%  |        |               |             |              |
| FINANCIALS 0.1%   |        |               |             |              |
| <b>Thriffs &amp; Mortgage Finance 0.1%</b><br>Federal National Mortgage Association<br>(FNMA)<br>(Cost - \$1,357,500) | 5.375% |               | 15          | 87,000*      |
| PREFERRED STOCKS 0.0%   |        |               |             |              |
| CONSUMER DISCRETIONARY 0.0%   |        |               |             |              |
| <b>Automobiles 0.0%</b><br>Escrow GCB General Motors  | 0.000% |               | 55,025      | 13,756(d)(e) |
| FINANCIALS 0.0%   |        |               |             |              |



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**Diversified Financial Services 0.0%**

|  |        |        |               |
|--|--------|--------|---------------|
| Corporate-Backed Trust Certificates,<br>Series 2001-8, Class A-1 | 7.375% | 33,900 | 30,510*(c)(e) |
|--|--------|--------|---------------|

**Thrifts & Mortgage Finance 0.0%**

|   |        |     |         |
|---|--------|-----|---------|
| Federal Home Loan Mortgage Corp.<br>(FHLMC) | 0.000% | 100 | 270*(b) |
|---|--------|-----|---------|

|   |        |     |      |
|---|--------|-----|------|
| Federal Home Loan Mortgage Corp.<br>(FHLMC) | 5.000% | 200 | 522* |
|---|--------|-----|------|

|   |  |  |     |
|---|--|--|-----|
| <i>Total Thrifts &amp; Mortgage Finance</i> |  |  | 792 |
|---|--|--|-----|

|                  |  |  |        |
|------------------|--|--|--------|
| TOTAL FINANCIALS |  |  | 31,302 |
|------------------|--|--|--------|

|   |  |  |        |
|---|--|--|--------|
| TOTAL PREFERRED STOCKS (Cost<br>\$12,240) |  |  | 45,058 |
|---|--|--|--------|

|                                    | EXPIRATION<br>DATE | WARRANTS |                  |
|------------------------------------|--------------------|----------|------------------|
| <b>WARRANTS 0.1%</b>               |                    |          |                  |
| Buffets Restaurant Holdings        | 4/28/14            | 223      | 2*(d)(e)         |
| Charter Communications Inc.        | 11/30/14           | 265      | 2,981*(d)        |
| CMP Susquehanna Radio Holdings Co. | 3/23/19            | 3,624    | 15,909*(a)(d)(e) |
| General Motors Co.                 | 7/10/16            | 8,062    | 93,842*          |
| General Motors Co.                 | 7/10/19            | 8,062    | 63,932*          |
| Nortek Inc.                        | 12/7/14            | 576      | 1,152*(d)(e)     |

*See Notes to Schedule of Investments.*

**WESTERN ASSET PREMIER BOND FUND**

Schedule of investments (unaudited) (cont d)

September 30, 2011

| SECURITY  | EXPIRATION<br>DATE | WARRANTS         | VALUE          |
|---|--------------------|------------------|----------------|
| SemGroup Corp.  | 11/30/14           | 830 \$           | 3,403*(e)      |
| TOTAL WARRANTS (Cost \$749,867)   |                    |                  | 181,221        |
| TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost \$226,232,551)  |                    |                  | 229,616,674    |
|   | RATE               | MATURITY<br>DATE | FACE<br>AMOUNT |
| SHORT-TERM INVESTMENTS 2.2%   |                    |                  |                |
| <b>Repurchase Agreements 2.2%</b>   |                    |                  |                |
| Deutsche Bank Securities Inc. repurchase agreement dated 9/30/11; Proceeds at maturity - \$3,532,012; (Fully collateralized by U.S. government agency obligations, 0.440% due 8/28/12; Market value - \$3,602,640) (Cost - \$3,532,000) | 0.040%             | 10/3/11          | 3,532,000      |
| TOTAL INVESTMENTS 147.0% (Cost \$229,764,551#)  |                    |                  | 233,148,674    |
| Liabilities in Excess of Other Assets (1.6%)  |                    |                  | (2,555,801)    |
| Liquidation value of Preferred Shares (45.4%)   |                    |                  | (72,000,000)   |
| TOTAL NET ASSETS 100.0%   |                    |                  | \$ 158,592,873 |

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

\* 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 Trustees, unless otherwise noted.
- (b) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (c) The coupon payment on these securities is currently in default as of September 30, 2011.
- (d) Security is valued in good faith in accordance with procedures approved by the Board of Trustees (See Note 1).
- (e) Illiquid security.
- (f) All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.
- (g) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (h) The maturity principal is currently in default as of September 30, 2011.
- (i) Interest rates disclosed represent the effective rates on collateralized senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
- (j) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax ( AMT ).
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

|     |                            |
|-----|----------------------------|
| ARM | - Adjustable Rate Mortgage |
| BRL | - Brazilian Real           |
| CMB | - Cash Management Bill     |

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|        |  |
|--------|--|
| IO     | - Interest Only  |
| MXN    | - Mexican Peso   |
| MYR    | - Malaysian Ringgit  |
| PAC    | - Planned Amortization Class                                       |
| PO     | - Principal Only   |
| STRIPS | - Separate Trading of Registered Interest and Principal Securities |

*See Notes to Schedule of Investments.*

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

**1. Organization and significant accounting policies**

Western Asset Premier Bond Fund (the Fund) is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a diversified, closed-end management investment company. The Fund commenced investment operations on March 28, 2002.

The Fund's investment objective is to provide current income and capital appreciation by investing primarily in a diversified portfolio of investment grade bonds. The Fund currently seeks to achieve its investment objective by investing substantially all of its assets in bonds, including corporate bonds, U.S. government and agency securities and mortgage-related securities. The ability of the issuers of the securities held by the Fund to meet their obligations might be affected by, among other things, economic developments in a specific state, industry or region.

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

The Fund has adopted Financial Accounting Standards Board Codification Topic 820 (ASC Topic 820). ASC Topic 820 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)

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The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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.

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

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

| <b>ASSETS</b>   |  |  |  |                |
|---|--|--|--|----------------|
| <b>DESCRIPTION</b>  | <b>QUOTED<br/>PRICES<br/>(LEVEL 1)</b> | <b>OTHER<br/>SIGNIFICANT<br/>OBSERVABLE<br/>INPUTS<br/>(LEVEL 2)</b> | <b>SIGNIFICANT<br/>UNOBSERVABLE<br/>INPUTS<br/>(LEVEL 3)</b> | <b>TOTAL</b>   |
| Long-term investments :                                   |  |  |  |                |
| Corporate bonds & notes                                   |  | \$ 72,986,077  | \$ 5,933,429   | \$ 78,919,506  |
| Asset-backed securities                                   |  | 48,731,758   | 5,212,824  | 53,944,582     |
| Collateralized mortgage obligations                       |  | 63,867,730   | 413,398  | 64,281,128     |
| Collateralized senior loans                               |  | 9,576,018  |  | 9,576,018      |
| Mortgage-backed securities                                |  | 508,585  |  | 508,585        |
| Municipal bonds   |  | 10,499,344   | 156,000  | 10,655,344     |
| Non-U.S. treasury inflation protected securities          |  | 8,264,874  |  | 8,264,874      |
| Sovereign bonds   |  | 2,444,888  |  | 2,444,888      |
| Common stocks   | \$ 571,530                             |  | 136,940  | 708,470        |
| Convertible preferred stocks                              |  | 87,000   |  | 87,000         |
| Preferred stocks  |  | 31,302   | 13,756   | 45,058         |
| Warrants  | 157,774                                | 19,312   | 4,135  | 181,221        |
| Total long-term investments                               | \$ 729,304                             | \$ 217,016,888   | \$ 11,870,482  | \$ 229,616,674 |
| Short-term investments                                    |  | 3,532,000  |  | 3,532,000      |
| Total investments   | \$ 729,304                             | \$ 220,548,888   | \$ 11,870,482  | \$ 233,148,674 |
| Other financial instruments:                              |  |  |  |                |
| Credit default swaps on corporate issues - buy protection |  | \$ 63,519  |  | \$ 63,519      |
| Credit default swaps on credit indices - sell protection  |  | 111,675  |  | 111,675        |
| Credit default swaps on credit indices - buy protection   |  | 107,480  |  | 107,480        |
| Total other financial instruments                         |  | \$ 282,674   |  | \$ 282,674     |
| Total   | \$ 729,304                             | \$ 220,831,562   | \$ 11,870,482  | \$ 233,431,348 |

**LIABILITIES**

| <b>DESCRIPTION</b>  | <b>QUOTED<br/>PRICES<br/>(LEVEL 1)</b> | <b>OTHER<br/>SIGNIFICANT<br/>OBSERVABLE<br/>INPUTS<br/>(LEVEL 2)</b> | <b>SIGNIFICANT<br/>UNOBSERVABLE<br/>INPUTS<br/>(LEVEL 3)</b> | <b>TOTAL</b> |
|---|--|--|--|--------------|
| Other financial instruments:                              |  |  |  |              |
| Credit default swaps on corporate issues - buy protection |  | \$ 99,739  |  | \$ 99,739    |
| Credit default swaps on credit indices - sell protection  |  | 96,530   |  | 96,530       |
| Total   |  | \$ 196,269   |  | \$ 196,269   |

See Schedule of Investments for additional detailed categorizations.

Values include any premiums paid or received with respect to swap contracts.

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)

|  | CORPORATE<br>BONDS &<br>NOTES | ASSET-<br>BACKED<br>SECURITIES | COLLATERALIZED<br>MORTGAGE<br>OBLIGATIONS | MUNICIPAL<br>BONDS |
|--|-------------------------------|--------------------------------|---|--------------------|
| <b>INVESTMENTS IN SECURITIES</b>   |                               |                                |   |                    |
| Balance as of December 31, 2010  | \$ 852,866                    | \$ 5,590,638                   | \$ 19,644                                 |                    |
| Accrued premiums/discounts   | (4,575)                       | 70,811                         | 3,409                                     | \$ 2,263           |
| Realized gain (loss)(1)  | 838                           | (42,930)                       | (48,967)                                  |                    |
| Change in unrealized appreciation (depreciation)(2)  | 29,442                        | (100,621)                      | 43,486                                    | (263)              |
| Net purchases (sales)  | (14,000)                      | (124,838)                      | (5,687)                                   | 154,000            |
| Transfers into Level 3   | 5,068,858                     | 1,063,536                      | 401,513                                   |                    |
| Transfers out of Level 3   |                               | (1,243,772)                    |   |                    |
| Balance as of September 30, 2011   | \$ 5,933,429                  | \$ 5,212,824                   | \$ 413,398                                | 156,000            |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at September 30, 2011(2) | \$ 26,278                     | \$ (120,748)                   | \$ 43,486                                 | (263)              |

|  | COMMON<br>STOCKS | PREFERRED<br>STOCKS | WARRANTS | TOTAL         |
|--|------------------|---------------------|----------|---------------|
| <b>INVESTMENTS IN SECURITIES</b>   |                  |                     |          |               |
| Balance as of December 31, 2010  | \$ 9,001         | \$ 0*               | \$ 4,034 | \$ 6,476,183  |
| Accrued premiums/discounts   |                  |                     |          | 71,908        |
| Realized gain (loss)(1)  |                  | 30,371              | 0*       | (60,688)      |
| Change in unrealized appreciation (depreciation)(2)  | (77,685)         | 15,104              | 13,029   | (77,508)      |
| Net purchases (sales)  | 205,624          | (31,719)            |          | 183,380       |
| Transfers into Level 3   |                  |                     | 2,981    | 6,536,888     |
| Transfers out of Level 3   |                  |                     | (15,909) | (1,259,681)   |
| Balance as of September 30, 2011   | \$ 136,940       | \$ 13,756           | \$ 4,135 | \$ 11,870,482 |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at September 30, 2011(2) | \$ (77,685)      | \$ 13,756           | (2,880)  | (118,056)     |

\* Value is less than \$1.

(1) This amount is included in net realized gain (loss) from investment transactions.

(2) Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

**(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) Inflation-indexed bonds.** Inflation-indexed bonds are fixed-income securities whose principal value or interest rate is periodically adjusted according to the rate of inflation. As the index measuring inflation changes, the principal value or interest rate of inflation-indexed bonds will be adjusted accordingly. Inflation adjustments to the principal amount of inflation-indexed bonds are reflected as an increase or decrease to



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investment income on the Statement of Operations. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds. For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal.

**(d) Reverse repurchase agreements.** The Fund may enter into reverse repurchase agreements. Under the terms of a typical reverse repurchase agreement, a Fund sells a security subject to an obligation to repurchase the security from the buyer at an agreed-upon time and price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Fund's use of the proceeds of the agreement may be restricted pending a determination by the counterparty, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. In entering into reverse repurchase agreements, the Fund will maintain cash, U.S. government securities or other liquid debt obligations at least equal in value to its obligations with respect to reverse repurchase agreements or will take other actions permitted by law to cover its obligations.

**(e) Stripped securities.** The Fund may invest in Stripped Securities, a term used collectively for components, or strips, fixed income securities. Stripped securities can be principal only securities ( PO ), which are debt obligations that have been stripped of unmatured interest coupons or, interest only securities ( IO ), which are unmatured interest coupons that have been stripped from debt obligations. The market value of Stripped Securities will fluctuate in response to changes in economic conditions, rates of pre-payment, interest rates and the market's perception of the securities. However, fluctuations in response to interest rates may be greater in Stripped Securities than for debt obligations of comparable maturities that pay interest currently. The amount of fluctuation may increase with a longer period of maturity.

The yield to maturity on IO's is sensitive to the rate of principal repayments (including prepayments) on the related underlying debt obligation and principal payments may have a material effect on yield to maturity. If the underlying debt obligation experiences greater than anticipated prepayments of principal, the Fund may not fully recoup its initial investment in IO's.

**(f) Swap agreements.** The Fund invests in swaps for the purpose of managing its exposure to interest rate, credit or market risk, or for other purposes. The use of swaps involves risks that are different from those associated with ordinary portfolio transactions.

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or

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

securities, may be required to be held in segregated accounts with the Fund's custodian in compliance with the terms of the swap contracts. Securities posted as collateral for swap contracts are identified in the Schedule of Investments.

The Fund's maximum exposure in the event of a defined credit event on a credit default swap to sell protection is the notional amount. As of September 30, 2011, the total notional value of all credit default swaps to sell protection is \$22,262,202. This amount would be offset by the value of the swap's reference entity, upfront premiums received on the swap and any amounts received from the settlement of a credit default swap where the Fund bought protection for the same referenced security/entity.

**Credit default swaps**

The Fund enters into credit default swap (CDS) contracts for investment purposes, to manage its credit risk or to add leverage. CDS agreements involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party, typically corporate or sovereign issuers, on a specified obligation, or in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising a credit index. The Fund may use a CDS to provide protection against defaults of the issuers (i.e., to reduce risk where the Fund has exposure to an issuer) or to take an active long or short position with respect to the likelihood of a particular issuer's default. As a seller of protection, the Fund generally receives an upfront payment or a stream of payments throughout the term of the swap provided that there is no credit event. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the maximum potential amount of future payments (undiscounted) that the Fund could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. These amounts of potential payments will be partially offset by any recovery of values from the respective referenced obligations. As a seller of protection, the Fund effectively adds leverage to its portfolio because, in addition to its total net assets, the Fund is subject to investment exposure on the notional amount of the swap. As a buyer of protection, the Fund generally receives an amount up to the notional value of the swap if a credit event occurs.

Implied spreads are the theoretical prices a lender receives for credit default protection. When spreads rise, market perceived credit risk rises and when spreads fall, market perceived credit risk falls. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to enter into the agreement. Wider credit spreads and decreasing market values, when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. Credit spreads utilized in determining the period end market value of credit default swap agreements on corporate or sovereign issues are disclosed in the Notes to the Schedule of Investments and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for credit derivatives. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values, particularly in relation to the notional amount of the contract as well as the annual payment rate, serve as an indication of the current status of the payment/performance risk.

The Fund's maximum risk of loss from counterparty risk, as the protection buyer, is the fair value of the contract (this risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty). As the protection seller, the Fund's maximum risk is the notional amount of the contract. Credit default swaps are considered to have credit risk-related contingent features since they require payment by the protection seller to the protection buyer upon the occurrence of a defined credit event.

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Entering into a CDS agreement involves, to varying degrees, elements of credit, market and documentation risk. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreement may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreement, and that there will be unfavorable changes in net interest rates.

**(g) Foreign currency translation.** Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

**(h) Credit and market risk.** The Fund invests in high-yield and emerging market instruments that are subject to certain credit and market risks. The yields of high-yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund's investment in securities rated below investment grade typically involve risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of

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

investments held by the Fund. The Fund's investment in non-U.S. dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

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

**(i) Counterparty risk and credit-risk-related contingent features of derivative instruments.** The Fund may invest in certain securities or engage in other transactions, where the Fund is exposed to counterparty credit risk in addition to broader market risks. The Fund may invest in securities of issuers, which may also be considered counterparties as trading partners in other transactions. This may increase the risk of loss in the event of default or bankruptcy by the counterparty or if the counterparty otherwise fails to meet its contractual obligations. The Fund's investment manager attempts to mitigate counterparty risk by (i) periodically assessing the creditworthiness of its trading partners, (ii) monitoring and/or limiting the amount of its net exposure to each individual counterparty based on its assessment and (iii) requiring collateral from the counterparty for certain transactions. Market events and changes in overall economic conditions may impact the assessment of such counterparty risk by the investment manager. In addition, declines in the values of underlying collateral received may expose the Fund to increased risk of loss.

The Fund has entered into master agreements with certain of its derivative counterparties that provide for general obligations, representations, agreements, collateral, events of default or termination and credit related contingent features. The credit related contingent features include, but are not limited to, a percentage decrease in the Fund's net assets or NAV over a specified period of time. If these credit related contingent features were triggered, the derivatives counterparty could terminate the positions and demand payment or require additional collateral.

As of September 30, 2011, the Fund held credit default swaps with credit related contingent features which had a liability position of \$196,269. If a contingent feature in the master agreements would have been triggered, the Fund would have been required to pay this amount to its derivatives counterparties. As of September 30, 2011, the Fund had posted with its counterparties cash and/or securities as collateral to cover the net liability of these derivatives amounting to \$100,000, which could be used to reduce the required payment.

**(j) Foreign investment risks.** The Fund's investments in foreign securities may involve risks not present in domestic investments. Since securities may be denominated in foreign currencies, may require settlement in foreign currencies or pay interest or dividends in foreign currencies, changes in the relationship of these foreign currencies to the U.S. dollar can significantly affect the value of the investments and earnings of the Fund. Foreign investments may also subject the Fund to foreign government exchange restrictions, expropriation, taxation or other political, social or economic developments, all of which affect the market and/or credit risk of the investments.

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

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**2. Investments**

At September 30, 2011, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

|                               |    |              |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 18,368,045   |
| Gross unrealized depreciation |    | (14,983,922) |
| Net unrealized appreciation   | \$ | 3,384,123    |

Transactions in reverse repurchase agreements for the Fund during the period ended September 30, 2011 were as follows:

|                                       |  |   |
|---------------------------------------|--|---|
| <b>Average<br/>Daily<br/>Balance*</b> | <b>Weighted<br/>Average<br/>Interest Rate*</b> | <b>Maximum<br/>Amount<br/>Outstanding</b> |
| \$4,897,168                           | 1.09%  | \$4,947,389                               |

\* Average based on the number of days the Fund had reverse repurchase agreements outstanding.

Interest rates on reverse repurchase agreements ranged from 0.38% to 1.56% during the period ended September 30, 2011. Interest expense incurred on reverse repurchase agreements totaled \$40,309.

At September 30, 2011, the Fund had the following open reverse repurchase agreements:

| Counterparty                   | Rate  | Effective Date | Maturity Date |    | Face Amount of Reverse<br>Repurchase Agreements |
|--------------------------------|-------|----------------|---------------|----|---|
| Deutsche Bank Securities, Inc. | 0.40% | 9/27/2011      | 10/27/2011    | \$ | 1,301,430                                       |
| Deutsche Bank Securities, Inc. | 0.40% | 9/27/2011      | 10/27/2011    |    | 1,511,183                                       |
| Deutsche Bank Securities, Inc. | 0.40% | 9/27/2011      | 10/27/2011    |    | 869,940   |
| Deutsche Bank Securities, Inc. | 0.40% | 9/27/2011      | 10/27/2011    |    | 1,005,800                                       |
|                                |       |                |               | \$ | 4,688,353                                       |

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

On September 30, 2011, the total market value of underlying collateral (refer to the Schedule of Investments for positions held at the counterparty as collateral for reverse repurchase agreements) for open reverse repurchase agreements was \$5,030,239.

At September 30, 2011, the Fund held the following open swap contracts:

**CREDIT DEFAULT SWAPS ON CORPORATE ISSUES - BUY PROTECTION<sup>1</sup>**

| SWAP COUNTERPARTY<br>(REFERENCE ENTITY)   | NOTIONAL<br>AMOUNT <sup>2</sup> | TERMINATION<br>DATE | PERIODIC<br>PAYMENTS<br>MADE BY THE<br>FUND | MARKET<br>VALUE | UPFRONT<br>PREMIUMS<br>PAID<br>(RECEIVED) | UNREALIZED<br>APPRECIATION<br>(DEPRECIATION) |
|---|---------------------------------|---------------------|---|-----------------|---|--|
| Goldman Sachs Group Inc.<br>(Citigroup Inc., 6.125%, due<br>5/15/18)                    | \$ 1,700,000                    | 3/20/14             | 4.700% quarterly                            | \$ (67,966)     |   | \$ (67,966)                                  |
| Goldman Sachs Group Inc.<br>(CVS Corporation, 4.875%,<br>due 9/15/14)                   | 2,000,000                       | 12/20/14            | 0.680% quarterly                            | (31,773)        | \$ (16,219)                               | (15,554)                                     |
| Goldman Sachs Group Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.480% due 11/15/13)  | 100,000                         | 3/20/15             | 5.000% quarterly                            | 11,513          | 676                                       | 10,837                                       |
| Goldman Sachs Group Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.480% due 11/15/13)  | 130,000                         | 3/20/20             | 5.000% quarterly                            | 23,804          | 2,898                                     | 20,906                                       |
| Goldman Sachs Group Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.480%, due 11/15/13) | 70,000                          | 3/20/13             | 5.000% quarterly                            | 2,442           | (226)                                     | 2,668  |
| Goldman Sachs Group Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.480%, due 11/15/13) | 80,000                          | 3/20/13             | 5.000% quarterly                            | 2,790           | (157)                                     | 2,947  |
| Goldman Sachs Group Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.480%, due 11/15/13) | 120,000                         | 3/20/15             | 5.000% quarterly                            | 13,815          | 1,133                                     | 12,682                                       |
| Goldman Sachs Group Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.480%, due 11/15/13) | 50,000                          | 3/20/20             | 5.000% quarterly                            | 9,155           | 1,351                                     | 7,804  |
| Total   | \$ 4,250,000                    |                     |   | \$ (36,220)     | \$ (10,544)                               | \$ (25,676)                                  |

**CREDIT DEFAULT SWAPS ON CREDIT INDICES SELL PROTECTION<sup>3</sup>**

| SWAP COUNTERPARTY<br>(REFERENCE ENTITY)      | NOTIONAL<br>AMOUNT <sup>2</sup> | TERMINATION<br>DATE | PERIODIC<br>PAYMENTS<br>RECEIVED BY<br>THE FUND | MARKET<br>VALUE <sup>4</sup> | UPFRONT<br>PREMIUMS<br>PAID<br>(RECEIVED) | UNREALIZED<br>APPRECIATION<br>(DEPRECIATION) |
|--|---------------------------------|---------------------|---|------------------------------|---|--|
| Banc of America Securities<br>LLC (CDX HY 8) | \$ 21,666,202                   | 6/20/12             | 0.860% quarterly                                | \$ 111,675                   |   | \$ 111,675                                   |
| JPMorgan Securities Inc.<br>(CMBX NA AM 1)   | 220,000                         | 10/12/52            | 0.500% monthly                                  | (35,632)                     | \$ (22,179)                               | (13,453)                                     |
| Deutsche Bank AG (CMBX<br>NA AM 1)           | 190,000                         | 10/12/52            | 0.500% monthly                                  | (30,773)                     | (16,557)                                  | (14,216)                                     |
| Goldman Sachs Group Inc.<br>(CMBX NA AM 1)   | 186,000                         | 10/12/52            | 0.500% monthly                                  | (30,125)                     | (17,135)                                  | (12,990)                                     |

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Total \$ 22,262,202 \$ 15,145 \$ (55,871) \$ 71,016

**CREDIT DEFAULT SWAPS ON CREDIT INDICES - BUY PROTECTION<sup>1</sup>**

| SWAP COUNTERPARTY<br>(REFERENCE ENTITY)         | NOTIONAL<br>AMOUNT <sup>2</sup> | TERMINATION<br>DATE | PERIODIC<br>PAYMENTS<br>MADE BY THE<br>FUND | MARKET<br>VALUE <sup>4</sup> | UPFRONT<br>PREMIUMS<br>PAID<br>(RECEIVED) | UNREALIZED<br>APPRECIATION |
|---|---------------------------------|---------------------|---|------------------------------|---|----------------------------|
| Goldman Sachs Group Inc.<br>(CMBX NA AM 4)      | \$ 127,000                      | 2/17/51             | 0.500% monthly                              | \$ 40,118                    | \$ 25,203                                 | \$ 14,915                  |
| Deutsche Bank AG (CMBX 4<br>2007-2 AM)          | 114,000                         | 2/17/51             | 0.500% monthly                              | 36,012                       | 18,446                                    | 17,566                     |
| Goldman Sachs Group Inc.<br>(CMBX 1 2006-1 AAA) | 449,000                         | 10/12/52            | 0.100% monthly                              | 31,350                       | 18,446                                    | 12,904                     |
| Total   | \$ 690,000                      |                     |   | \$ 107,480                   | \$ 62,095                                 | \$ 45,385                  |

(1) If the Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the underlying securities comprising the referenced index.

(2) The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

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

(3) If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(4) The quoted market prices and resulting values for credit default swap agreements on asset-backed securities and credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement been closed/sold as of the period end. Decreasing market values when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

Percentage shown is an annual percentage rate.

**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 September 30, 2011.

| <b>Primary Underlying Risk Disclosure</b> | <b>Swap Contracts,<br/>at value</b> |
|---|-------------------------------------|
| Credit Contracts                          | \$ 86,405                           |

During the period ended September 30, 2011, the volume of derivative activity for the Fund was as follows:

|  | <b>Average Notional<br/>Balance</b> |
|--|-------------------------------------|
| Credit default swap contracts (to buy protection)  | \$ 4,535,700                        |
| Credit default swap contracts (to sell protection) | 21,867,002                          |



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.

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**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 Premier Bond Fund**

By /s/ R. Jay Gerken  
R. Jay Gerken  
President  
Western Asset Premier Bond Fund

Date: November 23, 2011

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 Premier Bond Fund

Date: November 23, 2011

By /s/ Kaprel Ozsolak  
Kaprel Ozsolak  
Principal Financial and Accounting Officer  
Western Asset Premier Bond Fund

Date: November 23, 2011

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