

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

Western Asset Income Fund
Form N-Q
November 29, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

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

Investment Company Act file number: 811-02351

Western Asset Income Fund

(Exact Name of Registrant as Specified In Its Charter)

Address of Principal Executive Offices: 385 East Colorado Boulevard

Pasadena, CA 91101

Name and address of agent for service: Charles A. Ruys de Perez
385 East Colorado Boulevard

Pasadena, CA 91101

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

Date of fiscal year end: December 31, 2007

Date of reporting period: September 30, 2007

Item 1 Schedule of Investments

Portfolio of Investments*Western Asset Income Fund*

September 30, 2007 (Unaudited)

(Amounts in Thousands)

| | Rate | Maturity Date | Par | Value |
|--|--------|---------------|--------|--------------------|
| Long-Term Securities 98.2% | | | | |
| Corporate Bonds and Notes 72.0% | | | | |
| Aerospace and Defense 0.2% | | | | |
| L-3 Communications Corp. | 7.625% | 6/15/12 | \$ 275 | \$ 281 |
| Airlines 0.5% | | | | |
| Continental Airlines Inc. | 6.545% | 2/2/19 | 170 | 171 |
| Continental Airlines Inc. | 7.256% | 3/15/20 | 201 | 208 |
| Delta Air Lines Inc. | 7.111% | 9/18/11 | 400 | 406 |
| | | | | 785 |
| Automobiles 6.6% | | | | |
| DaimlerChrysler NA Holding Corp. | 7.300% | 1/15/12 | 245 | 261 |
| Ford Motor Co. | 7.450% | 7/16/31 | 8,050 | 6,319 _A |
| General Motors Corp. | 8.250% | 7/15/23 | 3,450 | 3,019 _A |
| | | | | 9,599 |
| Beverages 0.2% | | | | |
| PepsiAmericas Inc. | 5.750% | 7/31/12 | 290 | 297 |
| Building Products 0.5% | | | | |
| American Standard Inc. | 8.250% | 6/1/09 | 500 | 526 |
| Nortek Inc. | 8.500% | 9/1/14 | 225 | 195 |
| | | | | 721 |
| Capital Markets 5.0% | | | | |
| BankAmerica Capital III | 5.930% | 1/15/27 | 215 | 194 _B |
| Goldman Sachs Capital II | 5.793% | 12/29/49 | 610 | 577 _C |
| Lehman Brothers Holdings Capital Trust VII | 5.857% | 11/29/49 | 1,360 | 1,296 _C |
| Lehman Brothers Holdings Inc. | 6.500% | 7/19/17 | 110 | 112 |
| Merrill Lynch and Co. Inc. | 6.050% | 8/15/12 | 400 | 410 |
| Merrill Lynch and Co. Inc. | 5.700% | 5/2/17 | 1,000 | 972 |
| Merrill Lynch and Co. Inc. | 6.400% | 8/28/17 | 300 | 310 |
| Merrill Lynch and Co. Inc. | 6.110% | 1/29/37 | 320 | 301 |
| Morgan Stanley | 5.050% | 1/21/11 | 1,780 | 1,759 |
| Morgan Stanley | 4.750% | 4/1/14 | 60 | 56 |
| Morgan Stanley | 6.250% | 8/28/17 | 100 | 102 |
| The Bear Stearns Cos. Inc. | 5.550% | 1/22/17 | 720 | 680 _A |
| The Goldman Sachs Group Inc. | 6.345% | 2/15/34 | 555 | 517 |
| | | | | 7,286 |

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Chemicals 0.6%

| | | | | |
|----------------------|--------|---------|-----|-----|
| The Dow Chemical Co. | 7.375% | 11/1/29 | 800 | 875 |
|----------------------|--------|---------|-----|-----|

Commercial Banks 2.7%

| | | | | |
|------------------------------------|--------|----------|-------|----------------------|
| Comerica Capital Trust II | 6.576% | 2/20/37 | 360 | 325 _C |
| Rabobank Capital Funding Trust II | 5.260% | 12/31/49 | 115 | 109 _{C,D} |
| Rabobank Capital Funding Trust III | 5.254% | 12/31/16 | 1,145 | 1,054 _{C,D} |
| RBS Capital Trust III | 5.512% | 9/29/49 | 1,460 | 1,366 _C |
| SunTrust Capital VIII | 6.100% | 12/15/36 | 560 | 508 _C |
| Wachovia Capital Trust III | 5.800% | 3/15/42 | 200 | 198 _C |

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| | Rate | Maturity Date | Par | Value |
|--|--------|---------------|--------|----------------------|
| Long-Term Securities Continued | | | | |
| Corporate Bonds and Notes Continued | | | | |
| Commercial Banks Continued | | | | |
| Wells Fargo Capital X | 5.950% | 12/15/36 | \$ 450 | \$ 413 _C |
| | | | | 3,973 |
| Commercial Services and Supplies 0.3% | | | | |
| Waste Management Inc. | 7.375% | 5/15/29 | 415 | 445 |
| Communications Equipment N.M. | | | | |
| Motorola Inc. | 7.625% | 11/15/10 | 56 | 59 _A |
| Consumer Finance 3.0% | | | | |
| American Express Co. | 6.800% | 9/1/66 | 1,120 | 1,148 _C |
| Capital One Financial Corp. | 6.750% | 9/15/17 | 230 | 235 |
| GMAC LLC | 8.000% | 11/1/31 | 1,610 | 1,580 _A |
| Nelnet Inc. | 7.400% | 9/29/36 | 460 | 451 _C |
| SLM Corp. | 5.000% | 10/1/13 | 30 | 26 |
| SLM Corp. | 5.375% | 5/15/14 | 780 | 681 |
| SLM Corp. | 5.050% | 11/14/14 | 130 | 110 |
| SLM Corp. | 5.625% | 8/1/33 | 180 | 139 _A |
| | | | | 4,370 |
| Containers and Packaging 0.1% | | | | |
| Graphic Packaging International Corp. | 9.500% | 8/15/13 | 200 | 206 |
| Diversified Financial Services 8.5% | | | | |
| AGFC Capital Trust I | 6.000% | 1/15/67 | 300 | 281 _{C,D} |
| AIG SunAmerica Global Financing VI | 6.300% | 5/10/11 | 1,880 | 1,939 _D |
| Bank of America Corp. | 7.800% | 9/15/16 | 250 | 280 |
| Beaver Valley II Funding | 9.000% | 6/1/17 | 294 | 326 |
| Capital One Bank | 6.500% | 6/13/13 | 330 | 334 |
| Capital One Capital IV | 6.745% | 2/17/37 | 390 | 348 _{A,C} |
| Capmark Financial Group Inc. | 5.875% | 5/10/12 | 350 | 319 _{C,D} |
| Chase Capital II | 5.856% | 2/1/27 | 725 | 654 _B |
| Citigroup Inc. | 6.125% | 8/25/36 | 550 | 544 |
| Deutsche Bank Capital Funding Trust | 5.628% | 1/19/49 | 670 | 623 _{C,D} |
| Glen Meadow Pass-Through Certificates | 6.505% | 2/12/67 | 310 | 298 _{C,D} |
| HSBC Finance Capital Trust IX | 5.911% | 11/30/35 | 1,350 | 1,281 _C |
| HSBC Finance Corp. | 5.700% | 6/1/11 | 1,730 | 1,744 |
| ILFC E-Capital Trust II | 6.250% | 12/21/65 | 790 | 762 _{C,D} |
| Mizuho Preferred Capital Co. LLC | 8.790% | 12/29/49 | 110 | 112 _{C,D} |
| UBS Preferred Funding Trust V | 6.243% | 5/12/49 | 1,120 | 1,103 _{A,C} |
| ZFS Finance USA Trust II | 6.450% | 12/15/65 | 1,440 | 1,391 _{C,D} |
| | | | | 12,339 |
| Diversified Telecommunication Services 4.1% | | | | |
| AT&T Corp. | 8.000% | 11/15/31 | 440 | 535 |
| Embarq Corp. | 7.082% | 6/1/16 | 330 | 342 |
| Qwest Capital Funding Inc. | 7.250% | 2/15/11 | 1,150 | 1,156 _A |
| Qwest Communications International Inc. | 7.500% | 2/15/14 | 850 | 861 |
| Qwest Corp. | 6.875% | 9/15/33 | 1,000 | 935 |
| Verizon Global Funding Corp. | 5.850% | 9/15/35 | 570 | 545 |
| Verizon New York Inc. | 6.875% | 4/1/12 | 1,540 | 1,622 |

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| | Rate | Maturity Date | Par | Value |
|--|--------|---------------|--------|--------------------|
| Long-Term Securities Continued | | | | |
| Corporate Bonds and Notes Continued | | | | |
| Electric Utilities 4.9% | | | | |
| Exelon Corp. | 6.750% | 5/1/11 | \$ 550 | \$ 572 |
| FirstEnergy Corp. | 6.450% | 11/15/11 | 60 | 62 |
| FirstEnergy Corp. | 7.375% | 11/15/31 | 395 | 432 |
| Pacific Gas and Electric Co. | 6.050% | 3/1/34 | 800 | 786 |
| PNPP II Funding Corp. | 9.120% | 5/30/16 | 2,282 | 2,595 ^A |
| Sithe/Independence Funding Corp. | 9.000% | 12/30/13 | 1,500 | 1,606 |
| Tampa Electric Co. | 6.375% | 8/15/12 | 145 | 150 |
| TXU Energy Co. | 6.125% | 3/15/08 | 500 | 503 |
| TXU Energy Co. | 7.000% | 3/15/13 | 370 | 406 |
| | | | | 7,112 |
| Food and Staples Retailing 0.5% | | | | |
| CVS Corp. | 5.750% | 8/15/11 | 290 | 294 |
| Wal-Mart Stores Inc. | 6.500% | 8/15/37 | 380 | 394 |
| | | | | 688 |
| Food Products 0.2% | | | | |
| Tyson Foods Inc. | 6.600% | 4/1/16 | 340 | 350 ^E |
| Gas Utilities 0.1% | | | | |
| Southern Natural Gas Co. | 5.900% | 4/1/17 | 170 | 165 ^D |
| Health Care Equipment and Supplies 0.6% | | | | |
| Baxter International Inc. | 5.900% | 9/1/16 | 520 | 524 |
| Hospira Inc. | 6.050% | 3/30/17 | 290 | 286 |
| | | | | 810 |
| Health Care Providers and Services 4.3% | | | | |
| Aetna Inc. | 5.750% | 6/15/11 | 540 | 549 |
| Cardinal Health Inc. | 6.050% | 10/15/16 | 410 | 404 ^D |
| Coventry Health Care Inc. | 5.950% | 3/15/17 | 440 | 425 |
| HCA Inc. | 7.875% | 2/1/11 | 250 | 246 |
| HCA Inc. | 6.300% | 10/1/12 | 180 | 162 |
| HCA Inc. | 6.250% | 2/15/13 | 930 | 823 |
| HCA Inc. | 5.750% | 3/15/14 | 65 | 54 |
| HCA Inc. | 9.125% | 11/15/14 | 400 | 422 ^D |
| HCA Inc. | 9.250% | 11/15/16 | 500 | 531 ^D |
| Humana Inc. | 6.450% | 6/1/16 | 220 | 223 |
| Tenet Healthcare Corp. | 6.375% | 12/1/11 | 1,465 | 1,282 ^A |
| Universal Health Services Inc. | 7.125% | 6/30/16 | 520 | 533 |
| WellPoint Inc. | 5.875% | 6/15/17 | 540 | 536 |
| | | | | 6,190 |
| Hotels, Restaurants and Leisure 0.2% | | | | |
| Caesars Entertainment Inc. | 8.125% | 5/15/11 | 250 | 255 |
| Household Durables 0.5% | | | | |
| DR Horton Inc. | 5.250% | 2/15/15 | 410 | 343 |
| Pulte Homes Inc. | 6.250% | 2/15/13 | 145 | 129 |

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The Black and Decker Corp.

5.750%

11/15/16

290

284

756

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|--|--------|---------------|----------|-----------------------|
| Long-Term Securities Continued | | | | |
| Corporate Bonds and Notes Continued | | | | |
| Independent Power Producers and Energy Traders 1.7% | | | | |
| Dynegy Holdings Inc. | 6.875% | 4/1/11 | \$ 1,300 | \$ 1,277 _A |
| Dynegy Holdings Inc. | 8.750% | 2/15/12 | 735 | 759 _A |
| The AES Corp. | 9.500% | 6/1/09 | 39 | 41 |
| TXU Corp. | 6.500% | 11/15/24 | 520 | 417 |
| | | | | 2,494 |
| Insurance 3.4% | | | | |
| Ace Ina Holdings Inc. | 5.700% | 2/15/17 | 240 | 237 |
| Allstate Corp. | 6.500% | 5/15/37 | 480 | 463 _{A,C} |
| American International Group Inc. | 5.450% | 5/18/17 | 180 | 175 |
| American International Group Inc. | 6.250% | 3/15/37 | 80 | 75 _C |
| ASIF Global Financing XIX | 4.900% | 1/17/13 | 30 | 29 _D |
| Everest Reinsurance Holdings Inc. | 6.600% | 5/15/37 | 260 | 241 _C |
| Liberty Mutual Group | 5.750% | 3/15/14 | 270 | 264 _D |
| Liberty Mutual Group | 7.800% | 3/15/37 | 300 | 292 _D |
| MetLife Inc. | 6.400% | 12/15/36 | 1,160 | 1,103 _C |
| Prudential Financial Inc. | 5.700% | 12/14/36 | 340 | 313 |
| The Chubb Corp. | 6.375% | 3/29/67 | 320 | 318 _C |
| The Travelers Cos. Inc. | 6.250% | 3/15/37 | 620 | 600 _C |
| The Travelers Cos. Inc. | 6.250% | 6/15/37 | 280 | 270 |
| Willis North America Inc. | 5.125% | 7/15/10 | 280 | 277 |
| Willis North America Inc. | 5.625% | 7/15/15 | 230 | 219 _A |
| | | | | 4,876 |
| IT Services 0.7% | | | | |
| Electronic Data Systems Corp. | 7.125% | 10/15/09 | 600 | 611 |
| Electronic Data Systems Corp. | 7.450% | 10/15/29 | 420 | 425 |
| | | | | 1,036 |
| Leisure Equipment and Products 0.2% | | | | |
| Hasbro Inc. | 6.300% | 9/15/17 | 320 | 319 _E |
| Media 3.4% | | | | |
| AMFM Inc. | 8.000% | 11/1/08 | 210 | 213 |
| Clear Channel Communications Inc. | 5.500% | 9/15/14 | 365 | 287 |
| Comcast Cable Holdings LLC | 9.800% | 2/1/12 | 375 | 434 |
| Comcast Corp. | 7.050% | 3/15/33 | 160 | 169 |
| Comcast Corp. | 6.450% | 3/15/37 | 380 | 375 |
| Cox Communications Inc. | 4.625% | 1/15/10 | 510 | 504 |
| Liberty Media LLC | 8.500% | 7/15/29 | 130 | 131 |
| Liberty Media LLC | 8.250% | 2/1/30 | 65 | 64 _A |
| News America Inc. | 6.550% | 3/15/33 | 545 | 537 |
| TCI Communications Inc. | 8.750% | 8/1/15 | 160 | 185 |
| Time Warner Entertainment Co. LP | 8.375% | 7/15/33 | 530 | 622 |
| Time Warner Inc. | 9.125% | 1/15/13 | 240 | 275 |
| Time Warner Inc. | 7.700% | 5/1/32 | 595 | 653 |
| Viacom Inc. | 5.625% | 8/15/12 | 520 | 518 |
| | | | | 4,967 |
| Metals and Mining 1.3% | | | | |

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| | | | | |
|-------------------------------------|--------|--------|-------|-------|
| Freeport-McMoRan Copper & Gold Inc. | 8.375% | 4/1/17 | 1,730 | 1,890 |
|-------------------------------------|--------|--------|-------|-------|

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| | Rate | Maturity Date | Par | Value |
|--|--------|---------------|----------|--------------------|
| Long-Term Securities Continued | | | | |
| Corporate Bonds and Notes Continued | | | | |
| Multi-Utilities 1.1% | | | | |
| Centerpoint Energy Inc. | 6.850% | 6/1/15 | \$ 1,150 | \$ 1,200 |
| DTE Energy Co. | 6.375% | 4/15/33 | 330 | 331 _A |
| | | | | 1,531 |
| Multiline Retail 0.7% | | | | |
| Federated Retail Holdings Inc. | 5.350% | 3/15/12 | 110 | 108 |
| Macy's Retail Holdings Inc. | 5.875% | 1/15/13 | 330 | 328 |
| May Department Stores Co. | 5.750% | 7/15/14 | 400 | 387 |
| May Department Stores Co. | 6.650% | 7/15/24 | 180 | 169 |
| | | | | 992 |
| Oil, Gas and Consumable Fuels 8.8% | | | | |
| Apache Corp. | 6.000% | 1/15/37 | 230 | 221 |
| DCP Midstream LLC | 6.750% | 9/15/37 | 420 | 417 _D |
| Devon Financing Corp. ULC | 7.875% | 9/30/31 | 350 | 413 |
| Duke Capital LLC | 6.250% | 2/15/13 | 1,200 | 1,226 |
| El Paso Corp. | 7.800% | 8/1/31 | 2,000 | 2,031 |
| EOG Resources Inc. | 5.875% | 9/15/17 | 540 | 540 |
| Hess Corp. | 7.875% | 10/1/29 | 1,450 | 1,667 |
| Kerr-McGee Corp. | 6.950% | 7/1/24 | 300 | 311 |
| Kerr-McGee Corp. | 7.875% | 9/15/31 | 1,225 | 1,416 |
| Kinder Morgan Energy Partners LP | 7.125% | 3/15/12 | 530 | 559 |
| Occidental Petroleum Corp. | 6.750% | 1/15/12 | 500 | 529 |
| Peabody Energy Corp. | 6.875% | 3/15/13 | 285 | 288 |
| Pemex Project Funding Master Trust | 6.625% | 6/15/35 | 1,150 | 1,185 _A |
| The Williams Cos. Inc. | 7.500% | 1/15/31 | 102 | 106 |
| The Williams Cos. Inc. | 8.750% | 3/15/32 | 1,250 | 1,439 |
| XTO Energy Inc. | 6.100% | 4/1/36 | 440 | 426 |
| | | | | 12,774 |
| Paper and Forest Products 0.6% | | | | |
| Georgia-Pacific Corp. | 9.500% | 12/1/11 | 325 | 343 |
| Georgia-Pacific Corp. | 7.375% | 12/1/25 | 250 | 232 _A |
| Weyerhaeuser Co. | 6.750% | 3/15/12 | 235 | 244 |
| | | | | 819 |
| Pharmaceuticals 0.6% | | | | |
| Wyeth | 6.950% | 3/15/11 | 680 | 713 _E |
| Wyeth | 5.950% | 4/1/37 | 170 | 164 |
| | | | | 877 |
| Real Estate Investment Trusts 0.5% | | | | |
| Health Care REIT Inc. | 5.875% | 5/15/15 | 130 | 124 _A |
| iStar Financial Inc. | 5.950% | 10/15/13 | 590 | 554 |
| | | | | 678 |
| Real Estate Management and Development 0.2% | | | | |

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| | | | | |
|------------------------------|--------|----------|-----|-------------------|
| Forest City Enterprises Inc. | 7.625% | 6/1/15 | 225 | 212 |
| Socgen Real Estate Co. LLC | 7.640% | 12/29/49 | 80 | 80 _{C,D} |
| | | | | 292 |

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| | Rate | Maturity Date | Par | Value |
|---|---------|---------------|--------|--------------------|
| Long-Term Securities Continued | | | | |
| Corporate Bonds and Notes Continued | | | | |
| Thriffs and Mortgage Finance 2.9% | | | | |
| BB&T Capital Trust II | 6.750% | 6/7/36 | \$ 640 | \$ 656 |
| Countrywide Financial Corp. | 5.800% | 6/7/12 | 950 | 891 |
| Countrywide Home Loans Inc. | 4.250% | 12/19/07 | 250 | 247 _A |
| Residential Capital LLC | 8.190% | 4/17/09 | 1,420 | 994 _{B,D} |
| Residential Capital LLC | 6.000% | 2/22/11 | 1,350 | 1,100 |
| Residential Capital LLC | 7.500% | 6/1/12 | 420 | 340 _E |
| | | | | 4,228 |
| Tobacco 1.1% | | | | |
| Altria Group Inc. | 7.000% | 11/4/13 | 185 | 201 |
| Reynolds American Inc. | 7.250% | 6/1/12 | 1,360 | 1,442 |
| | | | | 1,643 |
| Wireless Telecommunication Services 1.2% | | | | |
| New Cingular Wireless Services Inc. | 8.750% | 3/1/31 | 475 | 601 |
| Nextel Communications Inc. | 5.950% | 3/15/14 | 88 | 84 |
| Nextel Communications Inc. | 7.375% | 8/1/15 | 285 | 290 |
| Sprint Capital Corp. | 6.900% | 5/1/19 | 330 | 331 |
| Sprint Capital Corp. | 8.750% | 3/15/32 | 340 | 390 |
| | | | | 1,696 |
| Total Corporate Bonds and Notes (Cost \$ 103,385) | | | | 104,670 |
| Mortgage-Backed Securities 0.8% | | | | |
| Variable Rate Securities^F 0.8% | | | | |
| Thornburg Mortgage Securities Trust 2007-4 2A1 | 6.240% | 9/25/37 | 586 | 588 |
| Thornburg Mortgage Securities Trust 2007-4 3A1 | 6.228% | 9/25/37 | 537 | 532 |
| Total Mortgage-Backed Securities (Cost \$ 1,113) | | | | 1,120 |
| U.S. Government and Agency Obligations 0.5% | | | | |
| Fixed Rate Securities 0.5% | | | | |
| United States Treasury Notes | 4.500% | 4/30/12 | 700 | 709 _A |
| Total U.S. Government and Agency Obligations (Cost \$693) | | | | 709 |
| U.S. Government Agency Mortgage-Backed Securities N.M. | | | | |
| Fixed Rate Securities N.M. | | | | |
| Freddie Mac | 10.250% | 5/1/09 | 5 | 5 |
| Total U.S. Government Agency Mortgage-Backed Securities (Cost \$ 5) | | | | 5 |
| Yankee Bonds^G 24.9% | | | | |
| Aerospace and Defense 0.3% | | | | |
| Systems 2001 Asset Trust | 6.664% | 9/15/13 | 402 | 424 _D |
| Capital Markets 0.2% | | | | |
| Deutsche Bank AG | 6.000% | 9/1/17 | 330 | 334 |

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| Commercial Banks 9.8% | | | | | |
|------------------------------|--------|----------|-----|--------------------|--|
| AES El Salvador Trust | 6.750% | 2/1/16 | 750 | 737 _D | |
| ATF Capital BV | 9.250% | 2/21/14 | 810 | 825 _D | |
| Banco Mercantil del Norte SA | 6.135% | 10/13/16 | 750 | 746 _{C,D} | |
| Barclays Bank PLC | 7.434% | 9/29/49 | 560 | 595 _{C,D} | |

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|--|--------|---------------|--------|----------------------|
| Long-Term Securities Continued | | | | |
| Yankee Bonds Continued | | | | |
| Commercial Banks Continued | | | | |
| Glitnir Banki Hf | 6.330% | 7/28/11 | \$ 400 | \$ 407 _D |
| Glitnir Banki Hf | 6.693% | 6/15/16 | 680 | 695 _{C,D} |
| Glitnir Banki Hf | 7.451% | 12/14/49 | 210 | 207 _{A,C,D} |
| HBOS Capital Funding LP | 6.071% | 6/30/49 | 560 | 539 _{C,D} |
| HSBK Europe BV | 7.250% | 5/3/17 | 490 | 442 _D |
| ICICI Bank Ltd. | 6.375% | 4/30/22 | 100 | 94 _{C,D} |
| ICICI Bank Ltd. | 6.375% | 4/30/22 | 200 | 187 _{C,D} |
| Kaupthing Bank Hf | 6.050% | 4/12/11 | 540 | 536 _{B,D} |
| Kaupthing Bank Hf | 5.750% | 10/4/11 | 480 | 474 _D |
| Kaupthing Bank Hf | 7.125% | 5/19/16 | 1,250 | 1,262 _D |
| Mizuho Financial Group | 5.790% | 4/15/14 | 1,100 | 1,091 _D |
| Resona Preferred Global Securities | 7.191% | 12/29/49 | 1,035 | 1,039 _{C,D} |
| Royal Bank of Scotland Group PLC | 7.640% | 3/17/49 | 100 | 100 _C |
| RSHB Capital SA | 7.175% | 5/16/13 | 1,340 | 1,365 _D |
| RSHB Capital SA | 6.299% | 5/15/17 | 380 | 358 _D |
| Shinsei Finance Cayman Ltd. | 6.418% | 1/29/49 | 1,210 | 1,122 _{C,D} |
| Sumitomo Mitsui Banking Corp. | 5.625% | 12/31/49 | 270 | 251 _{C,D} |
| TuranAlem Finance BV | 8.250% | 1/22/37 | 740 | 625 _D |
| VTB Capital SA for Vneshtorgbank | 5.956% | 8/1/08 | 560 | 554 _{B,D} |
| | | | | 14,251 |
| Consumer Finance 0.8% | | | | |
| Aiful Corp. | 6.000% | 12/12/11 | 1,095 | 1,076 _D |
| Diversified Financial Services 1.3% | | | | |
| Lukoil International Finance BV | 6.356% | 6/7/17 | 310 | 295 _D |
| Petroplus Finance Ltd. | 7.000% | 5/1/17 | 600 | 570 _D |
| SMFG Preferred Capital | 6.078% | 1/29/49 | 380 | 351 _{C,D} |
| TNK-BP Finance SA | 7.500% | 7/18/16 | 360 | 358 _D |
| UFJ Finance Aruba AEC | 6.750% | 7/15/13 | 355 | 367 |
| | | | | 1,941 |
| Diversified Telecommunication Services 2.5% | | | | |
| British Telecommunications PLC | 9.125% | 12/15/30 | 330 | 437 _E |
| Deutsche Telekom International Finance BV | 5.750% | 3/23/16 | 160 | 158 _{A,E} |
| Deutsche Telekom International Finance BV | 8.250% | 6/15/30 | 500 | 612 _E |
| France Telecom SA | 8.500% | 3/1/31 | 560 | 720 |
| Koninklijke (Royal) KPN NV | 8.375% | 10/1/30 | 240 | 277 |
| Telecom Italia Capital | 7.200% | 7/18/36 | 760 | 804 |
| Telefonica Emisiones S.A.U. | 7.045% | 6/20/36 | 600 | 639 |
| | | | | 3,647 |
| Electric Utilities 0.6% | | | | |
| Enersis SA | 7.375% | 1/15/14 | 317 | 336 |
| Enersis SA/Cayman Island | 7.400% | 12/1/16 | 452 | 487 |
| | | | | 823 |
| Food and Staples Retailing 0.2% | | | | |
| Delhaize Group | 6.500% | 6/15/17 | 290 | 292 _D |

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Foreign Governments 2.7%

| | | | | |
|-------------------------------|---------|---------|-----|------------------|
| Federative Republic of Brazil | 7.125% | 1/20/37 | 81 | 90 _A |
| Federative Republic of Brazil | 11.000% | 8/17/40 | 177 | 237 _A |

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| | Rate | Maturity Date | Par | Value |
|---|--------|---------------|-------------|--------------------|
| Long-Term Securities Continued | | | | |
| Yankee Bonds Continued | | | | |
| Foreign Governments Continued | | | | |
| Quebec Province | 7.970% | 7/22/36 | \$ 650 | \$ 886 |
| Republic of Colombia | 7.375% | 9/18/37 | 100 | 110 |
| Republic of Panama | 7.125% | 1/29/26 | 88 | 95 _A |
| Republic of Panama | 9.375% | 4/1/29 | 14 | 19 |
| Republic of Panama | 6.700% | 1/26/36 | 181 | 186 _A |
| Russian Federation | 7.500% | 3/31/30 | 271 | 305 _D |
| United Mexican States | 6.750% | 9/27/34 | 1,825 | 1,985 _A |
| | | | | 3,913 |
| Gas Utilities 0.2% | | | | |
| Intergas Finance BV | 6.375% | 5/14/17 | 270 | 261 _D |
| Industrial Conglomerates 1.0% | | | | |
| Tyco International Group SA | 6.375% | 10/15/11 | 1,450 | 1,484 |
| Insurance 0.6% | | | | |
| Axa | 8.600% | 12/15/30 | 550 | 655 |
| XL Capital Ltd. | 5.250% | 9/15/14 | 250 | 239 |
| | | | | 894 |
| Media 0.2% | | | | |
| Rogers Cable Inc. | 6.250% | 6/15/13 | 250 | 253 |
| Metals and Mining 0.8% | | | | |
| Vale Overseas Ltd. | 6.875% | 11/21/36 | 1,148 | 1,183 |
| Oil, Gas and Consumable Fuels 3.5% | | | | |
| Anadarko Finance Co. | 7.500% | 5/1/31 | 130 | 142 |
| Gazprom | 9.625% | 3/1/13 | 50 | 58 _{A,D} |
| Gazprom | 9.625% | 3/1/13 | 20 | 23 _D |
| Gazprom | 6.212% | 11/22/16 | 450 | 446 _D |
| Gazprom | 6.510% | 3/7/22 | 400 | 396 _D |
| Petrobras International Finance Co. | 6.125% | 10/6/16 | 825 | 831 |
| Petrozuata Finance Inc. | 8.220% | 4/1/17 | 3,205 | 3,197 _D |
| | | | | 5,093 |
| Wireless Telecommunication Services 0.2% | | | | |
| Rogers Wireless Inc. | 6.375% | 3/1/14 | 300 | 303 |
| Total Yankee Bonds (Cost \$ 35,590) | | | | 36,172 |
| Total Long-Term Securities (Cost \$ 140,786) | | | | 142,676 |
| Investment of Collateral From Securities Lending 13.0% | | | | |
| State Street Navigator Securities Lending Prime Portfolio | | | 18,924(shs) | 18,924 |
| Total Investment of Collateral From Securities Lending (Cost \$ 18,924) | | | | 18,924 |

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| | | |
|---|--------------------------|------------|
| Total Investments | 111.2% (Cost \$ 159,710) | 161,600 |
| Obligation to Return Collateral For Securities Loaned | (13.0)% | (18,924) |
| Other Assets Less Liabilities | 1.8% | 2,581 |
| Net Assets | 100.0% | \$ 145,257 |

N.M. Not Meaningful.

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- A All or a portion of this security is on loan.
- B Indexed Security The rates of interest earned on these securities are tied to the London Interbank Offered Rate (LIBOR), the Euro Interbank Offered Rate (EURIBOR) Index, the Consumer Price Index (CPI), the one-year Treasury Bill Rate or the ten-year Japanese Government Bond Rate. The coupon rates are the rates as of September 30, 2007.
- C Stepped Coupon Security A security with a predetermined schedule of interest or dividend rate changes at which time it begins to accrue interest or pay dividends according to the predetermined schedule.
- D Rule 144a Security A security purchased pursuant to Rule 144a under the Securities Act of 1933 which may not be resold subject to that rule except to qualified institutional buyers. These securities, which the Fund's investment adviser has determined to be liquid, represent 22.50% of net assets.
- E Credit Linked Security The rates of interest earned on these securities are tied to the credit rating assigned by Standard & Poor's Rating Service and/or Moody's Investors Services.
- F The coupon rates shown on variable rate securities are the rates at September 30, 2007. These rates vary with the weighted average coupon of the underlying loans.
- G Yankee Bond A dollar-denominated bond issued in the U.S. by foreign entities.
- H Aggregate cost for federal income tax purposes is substantially the same as book cost. At September 30, 2007, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

| | |
|-------------------------------|----------|
| Gross unrealized appreciation | \$ 4,878 |
| Gross unrealized depreciation | (2,988) |
| Net unrealized appreciation | \$ 1,890 |

Security Valuation

The Fund's securities are valued on the basis of readily available market quotations or, lacking such quotations, at fair value as determined under policies approved by and under the general oversight of the Board of Directors. In determining fair value, all relevant qualitative and quantitative factors available are considered. These factors are subject to change over time and are reviewed periodically. The Fund may use fair value pricing instead of market quotations to value one or more securities if the Fund believes that, because of special circumstances, doing so would more accurately reflect the prices the Fund expects to realize on the current sale of those securities. Further, because of the inherent uncertainty of valuation, those estimated values may differ significantly from quoted or published values or from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Securities Lending

The Fund may lend its securities to approved brokers to earn additional income, and will receive cash and U.S. government securities as collateral against the loans. Cash collateral received is invested in a money market pooled account by the Fund's lending agent. Collateral is maintained over the life of the loan in an amount not less than 100% of the value of the loaned securities.

At September 30, 2007, the market value of the securities on loan to broker-dealers was \$18,530 for which the fund received collateral of \$18,924 in cash. Such collateral is in the possession of the Fund's custodian. The cash invested in the State Street Navigator Securities Lending Prime Portfolio is included in the Fund's portfolio of investments. As with other extensions of credit, the Fund may bear the risk of delay in

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recovery or even loss of rights to the collateral should the borrower of the securities fail financially.

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

Item 2 Controls and Procedures

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

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

Item 3 Exhibits

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 filed as an exhibit hereto.

SIGNATURES

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

Western Asset Income Fund

By: /s/ R. Jay Gerken
R. Jay Gerken
President
Western Asset Income Fund
Date: November 27, 2007

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

By: /s/ R. Jay Gerken
R. Jay Gerken
President
Western Asset Income Fund
Date: November 27, 2007

By: /s/ Marie K. Karpinski
Marie K. Karpinski
Principal Financial and Accounting Officer
Western Asset Income Fund
Date: November 20, 2007