

WESTERN ASSET HIGH INCOME FUND II INC.
Form N-CSRS
January 07, 2009

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

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-8709

Western Asset High Income Fund II Inc.
(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, 4th Floor

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

Registrant's telephone number, including area code: (800) 451-2010

Date of fiscal year April 30
end:

Date of reporting period: October 31, 2008

ITEM 1. REPORT TO STOCKHOLDERS.

The **Semi-Annual** Report to Stockholders is filed herewith.

SEMI-ANNUAL REPORT / OCTOBER 31, 2008

Western Asset High Income Fund II Inc.

(HIX)

Managed by **WESTERN ASSET**

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

Fund objective

The Fund seeks to maximize current income by investing at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield debt securities. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income.

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Legg Mason Partners Fund Advisor, LLC (LMPFA) is the Fund's investment manager. Western Asset Management Company (Western Asset) and Western Asset Management Company Limited (Western Asset Limited) are the Fund's subadvisers. LMPFA, Western Asset and Western Asset Limited are wholly-owned subsidiaries of Legg Mason, Inc.

Letter from the chairman

Dear Shareholder,

Economic growth in the U.S. was mixed during the six-month reporting period ended October 31, 2008. Looking back, during the fourth quarter of 2007, U.S. gross domestic product (GDP)ⁱ fell 0.2%. This weakness was triggered by problems in the housing market, an ongoing credit crunch and soaring oil and food prices. The economy then expanded 0.9% and 2.8% during the first and second quarters of 2008, respectively. This rebound was due, in part, to rising exports that were buoyed by a weakening U.S. dollar, and solid consumer spending, which was aided by the government's tax rebate program. The dollar's rally and the end of the rebate program, combined with other strains on the economy, then caused GDP to take a step backward in the third quarter of 2008. According to the preliminary estimate released by the U.S. Department of Commerce, third quarter 2008 GDP declined 0.5%.

The latest Bureau of Economic Research release indicates that the U.S. is currently in recession. Evidence supporting this conclusion includes a slowdown in consumer spending, with four consecutive months of declining retail sales from July through October 2008. According to the Department of Commerce, October's 2.8% fall in retail sales is the sharpest decline since it began tracking this data in 1992. In terms of the job market, the U.S. Department of Labor reported that payroll employment declined in each of the first 10 months of 2008. Year-to-date through October, roughly 1.2 million jobs have been shed and the unemployment rate now stands at 6.5%, its highest level since 1994.

Ongoing issues related to the housing and subprime mortgage markets and seizing credit markets prompted the Federal Reserve Board (Fed)ⁱⁱ to take aggressive and, in some cases, unprecedented actions. Beginning in September 2007, the Fed reduced the federal funds rateⁱⁱⁱ from 5.25% to 4.75%. This marked the first such reduction since June 2003. The Fed then reduced the federal funds rate on six additional occasions through April 2008, bringing the federal funds rate to 2.00%. The Fed then shifted gears in the face of mounting inflationary prices and a weakening U.S. dollar. At its meetings in June, August and September 2008, the Fed held rates steady.

Letter from the chairman *continued*

Then, on October 8, 2008, in a global coordination effort with six central banks around the world, interest rates were cut in an attempt to reduce the strains in the global financial markets. At that time, the Fed lowered the federal funds rate from 2.00% to 1.50%. The Fed again cut rates from 1.50% to 1.00% at its regularly scheduled meeting on October 29, 2008. In conjunction with its October meeting, the Fed stated: "The pace of economic activity appears to have slowed markedly, owing importantly to a decline in consumer expenditures. ... Moreover, the intensification of financial market turmoil is likely to exert additional restraint on spending, partly by further reducing the ability of households and businesses to obtain credit."

In addition to the interest rate cuts, the Fed took several actions to improve liquidity in the credit markets. In March 2008, prior to the beginning of the reporting period, the Fed established a new lending program allowing certain brokerage firms, known as primary dealers, to also borrow from its discount window. Also in March, the Fed played a major role in facilitating the purchase of Bear Stearns by JPMorgan Chase. In mid-September 2008, it announced an \$85 billion rescue plan for ailing AIG and pumped \$70 billion into the financial system as Lehman Brothers' bankruptcy and mounting troubles at other financial firms roiled the markets.

The U.S. Department of the Treasury has also taken an active role in attempting to stabilize the financial system, as it orchestrated the government's takeover of mortgage giants Fannie Mae and Freddie Mac in September. In addition, on October 3, 2008, the Treasury's \$700 billion Troubled Asset Relief Program (TARP) was approved by Congress and signed into law by President Bush. As part of TARP, the Treasury had planned to make a \$250 billion capital injection into some of the nation's largest banks. However, in November 2008 (after the reporting period ended), Treasury Secretary Paulson said the Treasury no longer intended to use TARP to purchase bad loans and other troubled financial assets.

During the six-month reporting period ended October 31, 2008, both short- and long-term Treasury yields experienced periods of extreme volatility. Earlier in the year, investors were focused on the subprime segment of the mortgage-backed market. These concerns broadened, however, to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This unrest triggered several "flights to quality," at which times Treasury yields moved lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower). This was particularly true toward the end of the reporting period, as the turmoil in the financial markets and sharply falling stock prices caused investors to flee securities that were

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perceived to be risky, even high-quality corporate bonds and high-grade municipal bonds. At one point in September, the yield available from the three-month Treasury bill fell to 0.04%, as investors were essentially willing to forgo any return potential in order to access the relative safety of government-backed securities. During the six months ended October 31, 2008, two-year Treasury yields fell from 2.29% to 1.56%. Over the same time frame, 10-year Treasury yields moved from 3.77% to 4.01%. Looking at the six-month period as a whole, the overall bond market, as measured by the Barclays Capital U.S. Aggregate Index^{iv}, returned -3.63%.

Periods of increased investor risk aversion caused the high-yield bond market to produce extremely poor results over the six months ended October 31, 2008. While the asset class modestly rallied on several occasions, it was not enough to overcome numerous flights to quality. In particular, seizing credit markets, coupled with fears of a global recession and rising corporate bond default rates, sent high-yield bond prices sharply lower in September and October 2008. During those two months, the Citigroup High Yield Market Index^v (the Index) returned -8.01% and -15.34%, respectively. Over the six months ended October 31, 2008, the Index returned -25.23%.

Despite periods of extreme market volatility, emerging market debt prices held up fairly well during three of the first four months of the reporting period. During that time, the asset class was supported by solid demand, superior growth rates in emerging market countries, increased domestic spending and rating upgrades in countries such as Brazil. However, fears of a global recession, falling commodity prices and seizing credit markets sent emerging market debt prices sharply lower in September and October 2008. During those months, the JPMorgan Emerging Markets Bond Index Global (EMBI Global)^{vi} returned -6.84% and -14.89%, respectively. Over the six months ended October 31, 2008, the EMBI Global returned -20.64%.

Western Asset High Income Fund II Inc. III

Letter from the chairman *continued*

Performance review

For the six months ended October 31, 2008, Western Asset High Income Fund II Inc. returned -38.45% based on its net asset value (NAV)^{vii} and -35.03% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index^{viii} and the EMBI Global, returned -24.86% and -20.64%, respectively, over the same time frame. The Lipper High Current Yield (Leveraged) Closed-End Funds Category Average^{ix} returned -34.53% for the same period. Please note that Lipper performance returns are based on each fund's NAV.

During this six-month period, the Fund made distributions to shareholders totaling \$0.56 per share, which may have included a return of capital. The performance table shows the Fund's six-month total return based on its NAV and market price as of October 31, 2008. **Past performance is no guarantee of future results.**

PERFORMANCE SNAPSHOT as of October 31, 2008 (unaudited)

	6-MONTH TOTAL RETURN*
PRICE PER SHARE	(not annualized)
\$6.23 (NAV)	-38.45%
\$6.01 (Market Price)	-35.03%

All figures represent past performance and are not a guarantee of future results.

***Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.**

A special note regarding increased market volatility

In recent months, we have experienced a series of events that have impacted the financial markets and created concerns among both novice and seasoned investors alike. In particular, we have witnessed the failure and consolidation of several storied financial institutions, periods of heightened market volatility, and aggressive actions by the U.S. federal government to steady the financial markets and restore investor confidence. While we hope that the worst is over in terms of the issues surrounding the credit and housing crises, it is likely that the fallout will continue to impact the financial markets and the U.S. economy during the remainder of the year and into 2009 as well.

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Like all asset management firms, Legg Mason has not been immune to these difficult and, in some ways, unprecedented times. However, today's challenges have only strengthened our resolve to do everything we can to help you reach your financial goals. Now, as always, we remain committed to providing you with excellent service and a full spectrum of investment choices. And rest assured, we will continue to work hard to ensure that our investment managers make every effort to deliver strong long-term results.

We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our enhanced website, www.leggmason.com/cef. Here you can gain immediate access to many special features to help guide you through difficult times, including:

- Fund prices and performance,
- Market insights and commentaries from our portfolio managers, and
- A host of educational resources.

During periods of market unrest, it is especially important to work closely with your financial advisor and remember that reaching one's investment goals unfolds over time and through multiple market cycles. Time and again, history has shown that, over the long run, the markets have eventually recovered and grown.

Information about your fund

Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to Financial Statements included in this report.

Looking for additional information?

The Fund is traded under the symbol **HIX** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XHGIX** on most financial websites. *Barron's* and *The Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites, as well as www.leggmason.com/cef.

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Letter from the chairman *continued*

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

December 1, 2008

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

RISKS: As interest rates rise, bond prices fall generally, reducing the value of the Fund's holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. High-yield bonds involve greater credit and liquidity risks than investment grade bonds. Foreign securities are subject to certain risks not associated with domestic investing, such as currency fluctuations and changes in political and economic conditions which could result in significant fluctuations. The risks are magnified in emerging markets.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

ii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

- iii The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- iv The Barclays Capital (formerly Lehman Brothers) U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- v The Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.
- vi The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.
- vii Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is at the Fund's market price as determined by supply of and demand for the Fund's shares.
- viii The Barclays Capital (formerly Lehman Brothers) U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays Capital U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- ix Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended October 31, 2008, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 38 funds in the Fund's Lipper category.

VI Western Asset High Income Fund II Inc.

Fund at a glance (unaudited)

INVESTMENT BREAKDOWN (%) As a percent of total investments October 31, 2008

Schedule of investments (unaudited)

October 31, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
CORPORATE BONDS & NOTES 89.3%		
CONSUMER DISCRETIONARY 15.8%		
4,078,000	Auto Components 0.9%	
	Allison Transmission Inc., Senior Notes, 11.250% due 11/1/15(a)(b)	\$ 2,181,731
801,000	Visteon Corp., Senior Notes:	
	8.250% due 8/1/10	468,585
11,316,000	12.250% due 12/31/16(a)	3,904,020
	<i>Total Auto Components</i>	<i>6,554,336</i>
	Automobiles 1.4%	
	Ford Motor Co., Debentures:	
1,985,000	8.875% due 1/15/22	625,275
3,425,000	8.900% due 1/15/32	1,147,375
	General Motors Corp.:	
13,105,000	Notes, 7.200% due 1/15/11	5,340,288
11,515,000	Senior Debentures, 8.375% due 7/15/33	3,799,950
	<i>Total Automobiles</i>	<i>10,912,888</i>
	Diversified Consumer Services 0.7%	
	Education Management LLC/Education Management Finance Corp.:	
590,000	Senior Notes, 8.750% due 6/1/14	433,650
5,145,000	Senior Subordinated Notes, 10.250% due 6/1/16	3,575,775
	Service Corp. International, Senior Notes:	
1,200,000	7.625% due 10/1/18	948,000
1,090,000	7.500% due 4/1/27	760,275
	<i>Total Diversified Consumer Services</i>	<i>5,717,700</i>
	Hotels, Restaurants & Leisure 3.7%	
1,000,000	Boyd Gaming Corp., Senior Subordinated Notes, 6.750% due 4/15/14	635,000
4,130,000	Buffets Inc., Senior Notes, 12.500% due 11/1/14(c)	30,975
3,705,000	Caesars Entertainment Inc., Senior Subordinated Notes, 8.125% due 5/15/11	1,333,800
2,765,000	Carrols Corp., Senior Subordinated Notes, 9.000% due 1/15/13	1,797,250
484,000	Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19(a)	278,300
4,675,000	Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12	3,576,375
2,000,000	Downstream Development Quapaw, Senior Notes, 12.000% due 10/15/15(a)	1,230,000
2,550,000	El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13	2,103,750
975,000	Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., 10.250% due 6/15/15(a)	136,500

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Hotels, Restaurants & Leisure 3.7% continued	
1,750,000	Harrah s Operating Co. Inc., Senior Notes, 10.750% due 2/1/16(a)	\$ 577,500
3,725,000	Indianapolis Downs LLC & Capital Corp., 11.000% due 11/1/12(a)	1,881,125
5,865,000	Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10	2,609,925
2,470,000	MGM MIRAGE Inc., Senior Notes, 13.000% due 11/15/13(a)	2,210,650
420,000	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 6.875% due 2/15/15	245,700
4,037,000	Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14(a)	3,693,855
2,725,000	Sbarro Inc., Senior Notes, 10.375% due 2/1/15	1,594,125
1,800,000	Snoqualmie Entertainment Authority, Senior Secured Notes, 6.875% due 2/1/14(a)(d) Station Casinos Inc.:	1,170,000
7,305,000	Senior Notes, 6.000% due 4/1/12	2,721,113
1,450,000	Senior Subordinated Notes, 6.625% due 3/15/18	137,750
	<i>Total Hotels, Restaurants & Leisure</i>	<i>27,963,693</i>
	Household Durables 1.7%	
4,000,000	Holt Group Inc., Senior Notes, 9.750% due 1/15/06(c)(e)(f)	0
6,000,000	K Hovnanian Enterprises Inc., 11.500% due 5/1/13(a)	4,890,000
4,055,000	Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11	3,548,125
5,245,000	Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, 9.750% due 9/1/12	4,327,125
	<i>Total Household Durables</i>	<i>12,765,250</i>
	Internet & Catalog Retail 0.3%	
2,330,000	Ticketmaster, Senior Notes, 10.750% due 8/1/16(a)	1,968,850
	Media 4.8%	
	Affinion Group Inc.:	
755,000	Senior Notes, 10.125% due 10/15/13	532,275
6,800,000	Senior Subordinated Notes, 11.500% due 10/15/15	4,114,000
16,754,000	CCH I LLC/CCH I Capital Corp., Senior Secured Notes, 11.000% due 10/1/15	7,623,070
1,640,000	Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12(f)	951,200
1,435,000	Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11	574,000
8,660,000	Charter Communications Inc., Senior Secured Notes, 10.875% due 9/15/14(a)	7,079,550
3,180,000	CMP Susquehanna Corp., 9.875% due 5/15/14	651,900
3,350,000	Dex Media Inc., Discount Notes, step bond to yield 8.367% due 11/15/13	770,500

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

October 31, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Media 4.8% <i>continued</i>	
4,868,000	Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, 9.875% due 8/15/13	\$ 1,837,670
1,940,000	EchoStar DBS Corp., Senior Notes, 6.625% due 10/1/14	1,561,700
2,419,000	Globo Comunicacoes e Participacoes SA, Bonds, 7.250% due 4/26/22(a)(h)	1,705,395
9,930,000	Idearc Inc., Senior Notes, 8.000% due 11/15/16	1,427,437
1,695,000	R.H. Donnelley Corp., Senior Notes, 8.875% due 1/15/16	364,425
750,000	R.H. Donnelley Inc., 11.750% due 5/15/15(a)	296,250
2,525,000	Sun Media Corp., 7.625% due 2/15/13	2,133,625
4,660,000	TL Acquisitions Inc.: Senior Notes, 10.500% due 1/15/15(a)	2,796,000
3,710,000	Senior Subordinated Notes, step bond to yield 13.355% due 7/15/15(a)	1,873,550
	<i>Total Media</i>	36,292,547
5,400,000	Multiline Retail 1.5% Dollar General Corp., Senior Subordinated Notes, 11.875% due 7/15/17(b)	4,441,500
1,080,000	Neiman Marcus Group Inc.: 7.125% due 6/1/28	631,800
8,740,000	Senior Notes, 9.000% due 10/15/15(b)	6,030,600
	<i>Total Multiline Retail</i>	11,103,900
885,000	Specialty Retail 0.8% AutoNation Inc., Senior Notes, 7.000% due 4/15/14	579,675
3,980,000	Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12	2,288,500
2,350,000	Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15	2,385,250
2,235,000	Michaels Stores Inc., Senior Notes, 10.000% due 11/1/14	1,016,925
	<i>Total Specialty Retail</i>	6,270,350
	TOTAL CONSUMER DISCRETIONARY	119,549,514
CONSUMER STAPLES 1.7%		
576,000	Food & Staples Retailing 0.1% Delhaize America Inc., Debentures, 9.000% due 4/15/31	511,548
	Food Products 0.7% Dole Food Co. Inc., Senior Notes:	
2,245,000	8.625% due 5/1/09	2,031,725
2,715,000	7.250% due 6/15/10	1,995,525
1,150,000	8.875% due 3/15/11	799,250
760,000	Stater Brothers Holdings Inc., 7.750% due 4/15/15	627,000
	<i>Total Food Products</i>	5,453,500

See Notes to Financial Statements.

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WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Household Products 0.4%	
1,265,000	American Achievement Corp., Senior Subordinated Notes, 8.250% due 4/1/12(a)	\$ 1,268,163
2,100,000	Visant Holding Corp., Senior Notes, 8.750% due 12/1/13 <i>Total Household Products</i>	1,459,500 2,727,663
	Tobacco 0.5%	
960,000	Alliance One International Inc., Senior Notes: 8.500% due 5/15/12	744,000
4,025,000	11.000% due 5/15/12 <i>Total Tobacco</i>	3,421,250 4,165,250
	TOTAL CONSUMER STAPLES	12,857,961
ENERGY 12.7%		
	Energy Equipment & Services 0.7%	
210,000	ANR Pipeline Co., Debentures, 9.625% due 11/1/21	218,167
2,645,000	Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16	1,811,825
1,145,000	GulfMark Offshore Inc., Senior Subordinated Notes, 7.750% due 7/15/14	853,025
1,820,000	Key Energy Services Inc., Senior Notes, 8.375% due 12/1/14	1,355,900
1,320,000	Pride International Inc., Senior Notes, 7.375% due 7/15/14 <i>Total Energy Equipment & Services</i>	1,089,000 5,327,917
	Oil, Gas & Consumable Fuels 12.0%	
3,980,000	Atlas Pipeline Partners LP, 8.750% due 6/15/18(a)	2,706,400
7,595,000	Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12 Chesapeake Energy Corp., Senior Notes:	6,151,950
2,000,000	6.625% due 1/15/16	1,572,500
1,885,000	6.500% due 8/15/17	1,397,256
4,240,000	7.250% due 12/15/18	3,222,400
3,980,119	Corral Finans AB, Senior Secured Subordinated Bonds, 9.753% due 4/15/10(a)(b)(d)	2,686,580
	El Paso Corp.:	
	Medium-Term Notes:	
3,445,000	7.800% due 8/1/31	2,408,107
7,385,000	7.750% due 1/15/32	5,145,174
5,200,000	Notes, 7.875% due 6/15/12 Enterprise Products Operating LP:	4,643,054
285,000	Junior Subordinated Notes, 8.375% due 8/1/66(d)	211,885
4,825,000	Subordinated Notes, 7.034% due 1/15/68(d)	3,116,694
6,165,000	EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11	5,024,475
153,000	Gazprom, Loan Participation Notes, 6.212% due 11/22/16(a)	95,625

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

October 31, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Oil, Gas & Consumable Fuels 12.0% <i>continued</i>	
1,045,000	Inergy LP/Inergy Finance Corp., Senior Notes, 8.250% due 3/1/16	\$ 807,263
5,415,000	International Coal Group Inc., Senior Notes, 10.250% due 7/15/14	4,575,675
2,070,000	KazMunaiGaz Finance Sub B.V., Senior Notes, 8.375% due 7/2/13(a)(h)	1,397,250
1,720,000	LUKOIL International Finance BV, 6.356% due 6/7/17(a)(h) Mariner Energy Inc., Senior Notes:	903,000
1,630,000	7.500% due 4/15/13	1,132,850
1,215,000	8.000% due 5/15/17	722,925
2,440,000	MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes, 8.750% due 4/15/18	1,769,000
1,100,000	OPTI Canada Inc., Senior Secured Notes, 7.875% due 12/15/14	665,500
3,215,000	Parallel Petroleum Corp., 10.250% due 8/1/14 Pemex Project Funding Master Trust:	2,146,012
836,000	6.625% due 6/15/35(a)	626,992
230,000	6.625% due 6/15/35(a)	172,498
5,001,000	Senior Bonds, 6.625% due 6/15/35(h) Petrohawk Energy Corp., Senior Notes:	3,750,705
2,455,000	9.125% due 7/15/13	1,902,625
980,000	7.875% due 6/1/15(a)	668,850
1,610,000	Petroplus Finance Ltd., Senior Notes, 6.750% due 5/1/14(a)	1,086,750
2,740,000	Quicksilver Resources Inc., 8.250% due 8/1/15 SandRidge Energy Inc., Senior Notes:	1,918,000
7,500,000	8.625% due 4/1/15(b)	4,987,500
2,540,000	8.000% due 6/1/18(a)	1,701,800
7,887,000	SemGroup LP, Senior Notes, 8.750% due 11/15/15(a)(c)(e)	512,655
2,310,000	Southwestern Energy Co., Senior Notes, 7.500% due 2/1/18(a)	1,905,750
800,000	Targa Resources Partners LP, Senior Notes, 8.250% due 7/1/16(a)	500,000
3,725,000	Teekay Corp., Senior Notes, 8.875% due 7/15/11	3,427,000
2,000,000	Tesoro Corp., Senior Notes, 6.250% due 11/1/12	1,540,000
230,000	TNK-BP Finance SA, 6.625% due 3/20/17(a)	97,175
4,590,000	VeraSun Energy Corp., Senior Notes, 9.375% due 6/1/17(c)	413,100
2,515,000	W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14(a) Whiting Petroleum Corp., Senior Subordinated Notes:	1,672,475
1,350,000	7.250% due 5/1/12	1,073,250
2,205,000	7.000% due 2/1/14 Williams Cos. Inc.:	1,576,575
	Notes:	
3,080,000	7.875% due 9/1/21	2,545,722
3,899,000	8.750% due 3/15/32	3,184,575

See Notes to Financial Statements.

6 Western Asset High Income Fund II Inc. 2008 Semi-Annual Report

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Oil, Gas & Consumable Fuels 12.0% <i>continued</i>	
3,975,000	Senior Notes, 7.625% due 7/15/19	\$ 3,284,948
	<i>Total Oil, Gas & Consumable Fuels</i>	<i>91,050,520</i>
	TOTAL ENERGY	96,378,437
FINANCIALS 11.0%		
	Capital Markets 0.6%	
	Credit Suisse/Nassau, Credit-Linked Notes (Gazprom):	
104,590,000RUB	6.790% due 10/29/09(a)	3,619,559
34,860,000RUB	7.000% due 10/27/11(a)	1,029,465
	<i>Total Capital Markets</i>	<i>4,649,024</i>
	Commercial Banks 1.6%	
5,360,000	ATF Capital BV, Senior Notes, 9.250% due 2/21/14(a)	2,867,600
4,490,000	HSBK Europe BV, 7.250% due 5/3/17(a)(h)	2,312,350
	ICICI Bank Ltd., Subordinated Bonds:	
1,170,000	6.375% due 4/30/22(a)(d)	679,669
1,174,000	6.375% due 4/30/22(a)(d)(h)	536,565
76,695,000RUB	JPMorgan Chase Bank, Credit-Linked Notes (Russian Agricultural Bank), 9.500% due 2/11/11(f)	1,926,505
1,320,000	RSHB Capital, Loan Participation Notes, 7.125% due 1/14/14(a)(h)	891,000
	Russian Agricultural Bank, Loan Participation Notes:	
1,204,000	7.175% due 5/16/13(a)(h)	812,700
1,055,000	6.299% due 5/15/17(a)(h)	627,725
	TuranAlem Finance BV, Bonds:	
3,025,000	8.250% due 1/22/37(a)(h)	1,225,125
1,059,000	8.250% due 1/22/37(a)(h)	341,528
	<i>Total Commercial Banks</i>	<i>12,220,767</i>
	Consumer Finance 4.5%	
	Ford Motor Credit Co.:	
3,325,000	Notes, 7.875% due 6/15/10	2,234,739
	Senior Notes:	
4,464,000	8.069% due 6/15/11(d)	2,921,018
2,045,000	7.569% due 1/13/12(d)	1,238,303
20,430,000	12.000% due 5/15/15	12,987,269
	General Motors Acceptance Corp.:	
2,555,000	Bonds, 8.000% due 11/1/31	1,160,098
	Notes:	
5,000,000	6.875% due 8/28/12	2,738,465
10,000,000	6.750% due 12/1/14	5,055,170
	GMAC LLC:	
900,000	Debentures, zero coupon bond to yield 26.444% due 6/15/15	207,441
910,000	Senior Bonds, zero coupon bond to yield 36.356% due 12/1/12	328,765

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

October 31, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Consumer Finance 4.5% <i>continued</i>	
7,280,000	SLM Corp., Senior Notes, 8.450% due 6/15/18	\$ 4,952,657
	<i>Total Consumer Finance</i>	33,823,925
	Diversified Financial Services 3.1%	
2,390,000	Capmark Financial Group Inc., 5.875% due 5/10/12	597,737
2,325,000	CCM Merger Inc., Notes, 8.000% due 8/1/13(a)	1,383,375
4,520,000	Citigroup Inc., Junior Subordinated Notes, Preferred Securities, 8.400% due 4/30/18(d)(g)	3,147,502
50,960,000RUB	Deutsche Bank, Credit-Linked Notes (Gazprom), 6.950% due 8/6/09(a)	1,787,093
4,400,000	Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC, 7.304% due 11/15/14(d)	2,926,000
	Leucadia National Corp., Senior Notes:	
3,670,000	8.125% due 9/15/15	3,266,300
80,000	7.125% due 3/15/17	68,800
	Residential Capital LLC:	
1,660,000	Junior Secured Notes, 9.625% due 5/15/15(a)	423,300
5,552,000	Senior Secured Notes, 8.500% due 5/15/10(a)	2,720,480
	TNK-BP Finance SA:	
200,000	7.875% due 3/13/18(a)	83,000
1,360,000	Bonds, 7.500% due 7/18/16(a)	605,200
1,170,000	Senior Notes, 7.875% due 3/13/18(a)	520,650
4,000,000	Vanguard Health Holdings Co., I LLC, Senior Discount Notes, step bond to yield 10.653% due 10/1/15	3,160,000
3,635,000	Vanguard Health Holdings Co., II LLC, Senior Subordinated Notes, 9.000% due 10/1/14	3,035,225
	<i>Total Diversified Financial Services</i>	23,724,662
	Insurance 0.1%	
7,080,000	American International Group Inc., Junior Subordinated Debentures, 8.175% due 5/15/58(a)(d)	1,131,752
	Real Estate Investment Trusts (REITs) 0.6%	
2,500,000	Host Marriott LP, Senior Notes, 7.125% due 11/1/13	1,975,000
2,730,000	Ventas Realty LP/Ventas Capital Corp., Senior Notes, 6.750% due 4/1/17	2,252,250
	<i>Total Real Estate Investment Trusts (REITs)</i>	4,227,250
	Real Estate Management & Development 0.4%	
2,495,000	Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15(c)	511,475
	Realogy Corp.:	
3,800,000	10.500% due 4/15/14	1,235,000
650,231	11.000% due 4/15/14(b)	185,316
4,695,000	Senior Subordinated Notes, 12.375% due 4/15/15	950,737
	<i>Total Real Estate Management & Development</i>	2,882,528

See Notes to Financial Statements.

8 Western Asset High Income Fund II Inc. 2008 Semi-Annual Report

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Thriffs & Mortgage Finance 0.1%	
1,000,000	Ocwen Capital Trust I, Junior Subordinated Capital Securities, 10.875% due 8/1/27(f)	\$ 750,000
	TOTAL FINANCIALS	83,409,908
HEALTH CARE 7.8%		
	Health Care Equipment & Supplies 0.6%	
2,885,000	Advanced Medical Optics Inc., Senior Subordinated Notes, 7.500% due 5/1/17	1,918,525
1,070,000	Biomet Inc.: 11.625% due 10/15/17	936,250
245,000	Senior Notes: 10.000% due 10/15/17	226,625
2,395,000	10.375% due 10/15/17(b)	2,005,812
	<i>Total Health Care Equipment & Supplies</i>	<i>5,087,212</i>
	Health Care Providers & Services 7.1%	
6,175,000	CRC Health Corp., 10.750% due 2/1/16	3,180,125
2,350,000	DaVita Inc.: Senior Notes, 6.625% due 3/15/13	2,073,875
3,295,000	Senior Subordinated Notes, 7.250% due 3/15/15	2,833,700
1,325,000	HCA Inc.: Debentures, 7.500% due 11/15/95	734,193
1,220,000	Notes, 6.375% due 1/15/15	732,000
3,875,000	Senior Secured Notes: 9.250% due 11/15/16	3,303,438
16,905,000	9.625% due 11/15/16(b)	13,650,787
5,250,000	IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14	4,173,750
3,960,000	Tenet Healthcare Corp., Senior Notes: 6.375% due 12/1/11	3,425,400
2,240,000	6.500% due 6/1/12	1,881,600
6,750,000	7.375% due 2/1/13	5,535,000
985,000	9.875% due 7/1/14	810,163
1,470,000	6.875% due 11/15/31	786,450
1,010,000	Universal Hospital Services Inc., Senior Secured Notes: 6.303% due 6/1/15(d)	691,850
4,840,000	8.500% due 6/1/15(b)	3,896,200
8,652,000	US Oncology Holdings Inc., Senior Notes, 8.334% due 3/15/12(b)(d)	6,099,660
	<i>Total Health Care Providers & Services</i>	<i>53,808,191</i>

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

October 31, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

	FACE AMOUNT	SECURITY	VALUE
		Pharmaceuticals 0.1%	
	11,725,000	Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12(c)(e)	\$ 615,563
INDUSTRIALS	12.6%	TOTAL HEALTH CARE	59,510,966
	2,570,000	Aerospace & Defense 1.0%	
	8,510,000	BE Aerospace Inc., 8.500% due 7/1/18	2,216,625
	1,000,000	Hawker Beechcraft Acquisition Co.: Senior Notes, 8.875% due 4/1/15(b)	4,978,350
	106,119	Senior Subordinated Notes, 9.750% due 4/1/17	565,000
		Kac Acquisition Co., Subordinated Notes, 1.000% due 4/26/26(c)(e)(f)	0
		<i>Total Aerospace & Defense</i>	7,759,975
		Airlines 2.4%	
	957,295	Continental Airlines Inc., Pass-Through Certificates: 8.312% due 10/2/12(f)	765,836
	1,930,000	7.339% due 4/19/14	1,283,450
	8,570,000	DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15(a)	6,470,350
	1,810,287	Delta Air Lines Inc.: 8.954% due 8/10/14(f)	1,086,172
	1,559,796	Pass-Through Certificates: 6.619% due 3/18/11	1,341,424
	6,135,000	7.111% due 9/18/11	4,908,000
	2,135,000	7.711% due 9/18/11	1,451,800
	397,660	United Airlines Inc., Pass-Through Certificates: 7.811% due 10/1/09(f)	407,602
	185,000	6.831% due 3/1/10	194,250
	167,472	8.030% due 7/1/11(f)	163,285
		<i>Total Airlines</i>	18,072,169
		Building Products 2.0%	
	9,230,000	Associated Materials Inc.: Senior Discount Notes, step bond to yield 14.852% due 3/1/14	5,030,350
	3,195,000	Senior Subordinated Notes, 9.750% due 4/15/12	2,859,525
	2,360,000	GTL Trade Finance Inc.: 7.250% due 10/20/17(a)(h)	1,751,318
	2,302,000	7.250% due 10/20/17(a)(h)	1,695,347
	2,170,000	Nortek Inc., Senior Secured Notes, 10.000% due 12/1/13	1,605,800
	7,315,000	NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.600% due 3/1/14	2,231,075
		<i>Total Building Products</i>	15,173,415

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Commercial Services & Supplies 2.5%	
	DynCorp International LLC/DIV Capital Corp.:	
3,640,000	9.500% due 2/15/13(a)	\$ 3,139,500
8,428,000	Senior Subordinated Notes, 9.500% due 2/15/13	7,205,940
1,500,000	Interface Inc., Senior Subordinated Notes, 9.500% due 2/1/14	1,327,500
5,715,000	Rental Services Corp., Senior Notes, 9.500% due 12/1/14	3,457,575
	US Investigations Services Inc.:	
4,775,000	11.750% due 5/1/16(a)	3,079,875
1,060,000	Senior Subordinated Notes, 10.500% due 11/1/15(a)	821,500
	<i>Total Commercial Services & Supplies</i>	<i>19,031,890</i>
	Construction & Engineering 0.7%	
3,570,000	CSC Holdings Inc., Senior Notes, 8.500% due 6/15/15(a)	3,034,500
3,740,000	Odebrecht Finance Ltd., 7.500% due 10/18/17(a)(h)	2,515,150
	<i>Total Construction & Engineering</i>	<i>5,549,650</i>
	Electrical Equipment 0.1%	
890,000	Sensata Technologies B.V., Senior Notes, 8.000% due 5/1/14	493,950
	Industrial Conglomerates 0.3%	
2,750,000	Moll Industries Inc., Senior Subordinated Notes, 10.500% due 7/1/08(c)(e)(f)	0
	Sequa Corp., Senior Notes:	
1,940,000	11.750% due 12/1/15(a)	1,212,500
2,005,475	13.500% due 12/1/15(a)(b)	1,153,148
	<i>Total Industrial Conglomerates</i>	<i>2,365,648</i>
	Machinery 0.2%	
1,390,000	American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14	1,105,050
	Road & Rail 1.9%	
10,510,000	Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16	6,542,475
	Kansas City Southern de Mexico, Senior Notes:	
7,415,000	9.375% due 5/1/12	6,302,750
1,100,000	7.625% due 12/1/13	866,250
770,000	Kansas City Southern Railway, Senior Notes, 7.500% due 6/15/09	743,050
	<i>Total Road & Rail</i>	<i>14,454,525</i>
	Trading Companies & Distributors 1.3%	
1,660,000	Ashtead Capital Inc., Notes, 9.000% due 8/15/16(a)	1,054,100
1,410,000	Ashtead Holdings PLC, Secured Notes, 8.625% due 8/1/15(a)	895,350
6,295,000	H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16	3,367,825
6,680,000	Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14(a)	4,642,600
	<i>Total Trading Companies & Distributors</i>	<i>9,959,875</i>

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

October 31, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Transportation Infrastructure 0.2%	
	Swift Transportation Co., Senior Secured Notes:	
5,465,000	10.554% due 5/15/15(a)(d)	\$ 1,120,325
2,810,000	12.500% due 5/15/17(a)	646,300
	<i>Total Transportation Infrastructure</i>	<i>1,766,625</i>
	TOTAL INDUSTRIALS	95,732,772
INFORMATION TECHNOLOGY 2.0%		
	Communications Equipment 0.4%	
6,100,000	Lucent Technologies Inc., Debentures, 6.450% due 3/15/29	3,019,500
	Electronic Equipment, Instruments & Components 0.1%	
1,210,000	NXP BV/NXP Funding LLC, Senior Secured Notes, 7.503% due 10/15/13(d)	536,937
	IT Services 1.1%	
3,285,000	Ceridian Corp., Senior Notes, 12.250% due 11/15/15(a)(b)	2,053,125
	First Data Corp.:	
3,100,000	5.625% due 11/1/11	1,724,375
	Senior Notes:	
5,040,000	9.875% due 9/24/15(a)	3,250,800
440,000	9.875% due 9/24/15	283,800
1,375,000	SunGard Data Systems Inc., Senior Subordinated Notes, 10.250% due 8/15/15	969,375
	<i>Total IT Services</i>	<i>8,281,475</i>
	Semiconductors & Semiconductor Equipment 0.1%	
	Freescale Semiconductor Inc., Senior Notes:	
600,000	8.875% due 12/15/14	270,000
1,210,000	9.125% due 12/15/14(b)	447,700
	<i>Total Semiconductors & Semiconductor Equipment</i>	<i>717,700</i>
	Software 0.3%	
4,200,000	Activant Solutions Inc., Senior Subordinated Notes, 9.500% due 5/1/16	2,583,000
	TOTAL INFORMATION TECHNOLOGY	15,138,612
MATERIALS 8.6%		
	Chemicals 1.0%	
7,905,000	Georgia Gulf Corp., Senior Notes, 10.750% due 10/15/16	2,094,825
3,335,000	Methanex Corp., Senior Notes, 8.750% due 8/15/12	3,184,925
6,100,000	Montell Finance Co. BV, Debentures, 8.100% due 3/15/27(a)	1,769,000
1,215,000	Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16	880,875
	<i>Total Chemicals</i>	<i>7,929,625</i>
	Containers & Packaging 0.8%	
2,000,000	Berry Plastics Holding Corp., 8.875% due 9/15/14	1,050,000
1,080,000	Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14	685,800

See Notes to Financial Statements.

12 Western Asset High Income Fund II Inc. 2008 Semi-Annual Report

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Containers & Packaging 0.8% continued	
1,205,000	Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15(a)	\$ 867,600
2,100,000	Radnor Holdings Inc., Senior Notes, 11.000% due 3/15/10(c)(e)(f)	0
1,830,000	Rock-Tenn Co., Senior Notes, 9.250% due 3/15/16(a)	1,619,550
2,305,000	Solo Cup Co., Senior Subordinated Notes, 8.500% due 2/15/14	1,555,875
	<i>Total Containers & Packaging</i>	5,778,825
	Metals & Mining 3.5%	
	Evraz Group SA, Notes:	
1,590,000	8.875% due 4/24/13(a)(h)	691,650
680,000	9.500% due 4/24/18(a)	289,000
4,360,000	Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17	3,427,335
2,815,000	Metals USA Holdings Corp., 9.883% due 7/1/12(b)(d)	1,562,325
5,395,000	Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15	3,803,475
5,805,000	Noranda Aluminium Holding Corp., Senior Notes, 8.578% due 11/15/14(d)	2,205,900
5,550,000	Novelis Inc., Senior Notes, 7.250% due 2/15/15	3,746,250
9,340,000	Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15(a)	6,397,900
	Vale Overseas Ltd., Notes:	
1,284,000	8.250% due 1/17/34(h)	1,091,053
3,268,000	6.875% due 11/21/36(h)	2,364,352
2,070,000	Vedanta Resources PLC, Senior Notes, 8.750% due 1/15/14(a)(h)	1,024,650
	<i>Total Metals & Mining</i>	26,603,890
	Paper & Forest Products 3.3%	
	Abitibi-Consolidated Co. of Canada:	
7,646,000	15.500% due 7/15/10(a)	2,943,710
7,135,000	Senior Secured Notes, 13.750% due 4/1/11(a)	5,672,325
	Appleton Papers Inc.:	
3,920,000	Senior Notes, 8.125% due 6/15/11	2,763,600
5,160,000	Senior Subordinated Notes, 9.750% due 6/15/14	3,121,800
8,650,000	NewPage Corp., Senior Secured Notes, 9.051% due 5/1/12(d)	6,098,250
2,988,486	Newpage Holding Corp., 9.986% due 11/1/13(b)(d)	2,166,653
1,935,000	Smurfit Capital Funding PLC, Debentures, 7.500% due 11/20/25	1,422,225
1,720,000	Verso Paper Holdings LLC, 11.375% due 8/1/16	696,600
	<i>Total Paper & Forest Products</i>	24,885,163
	TOTAL MATERIALS	65,197,503
TELECOMMUNICATION SERVICES 8.6%	Diversified Telecommunication Services 6.3%	
	Axtel SAB de CV, Senior Notes:	
4,740,000	7.625% due 2/1/17(a)(h)	3,235,050
370,000	7.625% due 2/1/17(a)(h)	253,450

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

October 31, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Diversified Telecommunication Services 6.3% <i>continued</i>	
1,305,000	Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28 Citizens Communications Co.:	\$ 737,325
380,000	Debentures, 7.050% due 10/1/46	163,400
2,600,000	Senior Notes, 7.875% due 1/15/27	1,313,000
5,441,000	Hawaiian Telcom Communications Inc., Senior Subordinated Notes, 12.500% due 5/1/15	163,230
1,745,000	Inmarsat Finance II PLC, step bond to yield 8.867% due 11/15/12	1,396,000
1,925,000	Intelsat Bermuda Ltd., Senior Notes, 11.250% due 6/15/16	1,655,500
5,000,000	Intelsat Corp., 9.250% due 8/15/14(a)	4,325,000
2,915,000	Intelsat Jackson Holdings Ltd., 9.500% due 6/15/16(a)	2,455,887
7,480,000	Level 3 Financing Inc., Senior Notes, 9.250% due 11/1/14	4,301,000
4,915,000	Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16(a)	4,153,175
8,520,000	Qwest Communications International Inc., Senior Notes, 7.500% due 2/15/14	5,900,100
5,495,000	Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13(a)	3,269,525
2,220,000	UBS Luxembourg SA for OJSC Vimpel Communications, Loan Participation Notes, 8.250% due 5/23/16(a)(h)	1,137,750
700,000	Vimpel Communications, Loan Participation Notes, 8.375% due 4/30/13(a)	420,339
8,520,000	Virgin Media Finance PLC, Senior Notes, 9.125% due 8/15/16	5,665,800
3,770,000	Wind Acquisition Finance SA, Senior Bonds, 10.750% due 12/1/15(a)	2,921,750
5,570,000	Windstream Corp., Senior Notes, 8.625% due 8/1/16	4,233,200
	<i>Total Diversified Telecommunication Services</i>	<i>47,700,481</i>
	Wireless Telecommunication Services 2.3%	
3,130,000	ALLTEL Communications Inc., Senior Notes, 10.375% due 12/1/17(a)(b)	3,427,350
210,000	iPCS Inc., 4.926% due 5/1/13(d)	162,750
4,995,000	MetroPCS Wireless Inc., Senior Notes, 9.250% due 11/1/14	4,183,312
4,180,000	Nextel Communications Inc., Senior Notes, 7.375% due 8/1/15 Sprint Capital Corp.:	2,300,204
120,000	Global Notes, 7.625% due 1/30/11	99,648
320,000	Notes, 8.750% due 3/15/32	209,986
3,950,000	Senior Notes, 6.875% due 11/15/28	2,315,399
14,185,000	True Move Co., Ltd., Notes, 10.750% due 12/16/13(a)(h)	5,035,675
	<i>Total Wireless Telecommunication Services</i>	<i>17,734,324</i>
	TOTAL TELECOMMUNICATION SERVICES	65,434,805

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
UTILITIES 8.5%		
	Electric Utilities 1.3%	
2,880,000	EEB International Ltd., Senior Bonds, 8.750% due 10/31/14(a)(h)	\$ 2,361,600
202,000	Enerjis SA, Notes, 7.375% due 1/15/14	189,622
1,665,000	IPALCO Enterprises Inc., Senior Secured Notes, 8.625% due 11/14/11	1,531,800
9,420,000	Texas Competitive Electric Holding Co. LLC, Senior Notes, 10.500% due 11/1/16(a)(b)	5,934,600
	<i>Total Electric Utilities</i>	<i>10,017,622</i>
	Gas Utilities 0.2%	
1,887,000	Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13	1,462,425
	Independent Power Producers & Energy Traders 7.0%	
	AES Corp., Senior Notes:	
1,900,000	9.375% due 9/15/10	1,662,500
7,290,000	8.000% due 10/15/17	5,649,750
3,975,000	Dynegy Holdings Inc., Senior Debentures, 7.625% due 10/15/26	1,808,625
4,100,000	Dynegy Inc., Bonds, 7.670% due 11/8/16	3,079,100
	Edison Mission Energy, Senior Notes:	
2,890,000	7.750% due 6/15/16	2,333,675
2,750,000	7.200% due 5/15/19	2,076,250
4,605,000	7.625% due 5/15/27	3,016,275
35,310,000	Energy Future Holdings, Senior Notes, 11.250% due 11/1/17(a)(b)	22,245,300
2,143,448	Mirant Mid Atlantic LLC, Pass-Through Certificates, 10.060% due 12/30/28	1,907,669
3,420,000	Mirant North America LLC, Senior Notes, 7.375% due 12/31/13	3,005,325
	NRG Energy Inc., Senior Notes:	
5,750,000	7.375% due 2/1/16	4,973,750
1,840,000	7.375% due 1/15/17	1,596,200
	<i>Total Independent Power Producers & Energy Traders</i>	<i>53,354,419</i>
	TOTAL UTILITIES	64,834,466
	TOTAL CORPORATE BONDS & NOTES	
	(Cost \$1,028,038,449)	678,044,944
ASSET-BACKED SECURITY 0.0%		
FINANCIALS 0.0%		
	Diversified Financial Services 0.0%	
3,698,937	Airplanes Pass-Through Trust, Subordinated Notes, 10.875% due 3/15/19(c)(e)(f)	
	(Cost \$3,942,677)	0
CONVERTIBLE BONDS & NOTES 0.4%		
CONSUMER DISCRETIONARY 0.1%		
	Media 0.1%	
1,495,000	Virgin Media Inc., 6.500% due 11/15/16(a)	784,875

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

October 31, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
INDUSTRIALS 0.3%		
469,639	Airlines 0.1% Delta Air Lines Inc., Pass-Through Certificates, 7.379% due 5/18/10	\$ 436,765
3,895,000	Marine 0.2% Horizon Lines Inc., 4.250% due 8/15/12	2,093,562
	TOTAL INDUSTRIALS	2,530,327
	TOTAL CONVERTIBLE BONDS & NOTES (Cost \$4,902,674)	3,315,202
COLLATERALIZED MORTGAGE OBLIGATION 0.2%		
2,810,325	Countrywide Home Loan Mortgage Pass-Through Trust, 4.547% due 4/20/35(d)(f) (Cost \$1,697,449)	1,686,195
SOVEREIGN BONDS 4.0%		
1,400,000EUR	Argentina 0.2% Republic of Argentina: 9.250% due 10/21/02(c)(f)	507,727
300,000EUR	9.000% due 6/20/03(c)(f)	112,139
250,000EUR		