

WESTERN ASSET HIGH INCOME FUND II INC.  
Form N-CSR  
June 25, 2012

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)

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

10018  
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

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

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

Date of fiscal year end: April 30

Date of reporting period: April 30, 2012

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ITEM 1. REPORT TO STOCKHOLDERS.

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

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April 30, 2012

**Annual Report**

**Western Asset High Income Fund II Inc.  
(HIX)**

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

II Western Asset High Income Fund II Inc.

**Fund objectives**

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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**Letter from the chairman**

**Dear Shareholder,**

We are pleased to provide the annual report of Western Asset High Income Fund II Inc. for the twelve-month reporting period ended April 30, 2012. Please read on for a detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, [www.lmcef.com](http://www.lmcef.com). Here you can gain immediate access to market and investment information, including:

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

We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA  
Chairman, President and Chief Executive Officer

May 31, 2012

## Investment commentary

### Economic review

The U.S. economy continued to grow over the twelve months ended April 30, 2012, albeit at an uneven pace. U.S. gross domestic product (GDP) growth, as reported by the U.S. Department of Commerce, was 1.3% and 1.8% in the second and third quarters of 2011, respectively. The economy then gathered further momentum late in 2011, as the Commerce Department reported that fourth quarter GDP growth was 3.0% the fastest pace since the second quarter of 2010. However, economic growth in the U.S. then moderated somewhat, as the Commerce Department's second estimate for first quarter 2012 GDP growth was 1.9%.

Two factors constraining economic growth were the weak job market and continued troubles in the housing market. While there was some improvement during the reporting period, unemployment remained elevated. When the reporting period began, unemployment, as reported by the U.S. Department of Labor, was 9.0%. Unemployment stayed at or above 9.0% until October, when it dipped to 8.9%. Unemployment then declined during five out of the next six months and was 8.1% in April 2012, the lowest rate since January 2009. The housing market showed some positive signs, although it still appears to be searching for a bottom. According to the National Association of Realtors (NAR), existing-home sales fluctuated throughout the period. However, existing-home sales rose 3.4% on a seasonally adjusted basis in April 2012 versus the previous month. In addition, the NAR reported that the median existing-home price for all housing types was \$177,400 in April 2012, up 10.1% from April 2011. Despite these positives, the inventory of unsold homes rose 9.5% in April versus the previous month.

The manufacturing sector overcame a soft patch in the summer of 2011 and expanded at a stronger pace during much of the remainder of the reporting period. Looking back, based on the Institute for Supply Management's PMI (PMI) in February 2011, the manufacturing sector expanded at its fastest pace since May 2004, with a reading of 61.4 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). The PMI then generally moderated over the next several months and was 50.6 in August 2011, its lowest reading in two years. The manufacturing sector gathered momentum and ended January 2012 at 54.1, its highest reading since June 2011. After falling to 52.4 in February, the PMI rose to 53.4 in March and 54.8 in April. In addition, sixteen of the eighteen industries tracked by the Institute for Supply Management expanded in April. By comparison, fifteen and eleven industries expanded in March and February, respectively.

The Federal Reserve Board (Fed) took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As has been the case since December 2008, the Fed kept the federal funds rate at a historically low range between zero and 0.25%. In August 2011, the Fed declared its intention to keep the federal funds rate steady until mid-2013. Then, in September 2011, the Fed announced its intention to purchase \$400 billion of longer-term Treasury securities and to sell an equal amount of shorter-term Treasury securities by June 2012 (often referred to as Operation Twist). In January 2012, the Fed extended the

IV Western Asset High Income Fund II Inc.

**Investment commentary (continued)**

period it expects to keep rates on hold, saying economic conditions including low rates of resource utilization and a subdued outlook for inflation over the medium run are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014. The Fed repeated this point at its meeting in April, saying To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee expects to maintain a highly accommodative stance for monetary policy.

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

May 31, 2012

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results.

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 Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.

iii 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.

iv 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.

## **Fund overview**

### **Q. What is the Fund's investment strategy?**

**A.** The Fund seeks to maximize current income. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income. Under normal market conditions, the Fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield debt securities. The Fund may invest up to 35% of its total assets in debt securities of issuers located in emerging market countries. It may also invest up to 30% of its assets in zero coupon securities, pay-in-kind bonds and deferred payment securities, and up to 20% of its assets in equity securities. The Fund may utilize a variety of derivative instruments for investment or risk management purposes, such as options, futures contracts, swap agreements and credit default swaps. We employ an actively managed approach that is risk-controlled and assimilates top-down macroeconomic views with industry sector insights and bottom-up credit research to derive the general framework for the Fund's predominantly non-investment grade credit mandate. This framework provides the foundation for how the portfolio is positioned with respect to risk (aggressive, neutral, conservative), as well as identifying sector overweights and underweights.

Risk and weightings are reviewed on a regular basis. Our bottom-up process provides the basis for populating the targeted industry weightings through individual credit selection. Analysts work closely with portfolio managers to determine which credits provide the best risk/reward relationship within their respective sectors. The research team focuses on key fundamental measures such as leverage, cash flow adequacy, liquidity, amortization schedule, underlying asset value and management integrity/track record.

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio managers, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. The portfolio managers responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are Stephen A. Walsh, Michael C. Buchanan, Keith J. Gardner and Ryan Brist.

### **Q. What were the overall market conditions during the Fund's reporting period?**

**A.** The spread sectors (non-Treasuries) experienced periods of heightened volatility during the reporting period, but ultimately generated positive results. While the majority of spread sectors posted positive results in May 2011, they underperformed equal-duration Treasuries. Risk aversion then increased from June through September given mostly disappointing economic data, the European sovereign debt crisis and the Standard & Poor's rating downgrade of U.S. sovereign debt. Most spread sectors then rallied in October given hopes of progress in Europe and some better-than-expected economic data. While risk aversion returned in



**Fund overview (cont d)**

November given an escalation of the European sovereign debt crisis, risk appetite returned in December and generally remained robust during the next three months. This shift in investor sentiment was triggered by indications that the U.S. economy was gathering momentum and signs of progress in the European sovereign debt crisis. However, fears that the economy may be experiencing a soft patch and contagion fears from Europe led to periods of risk aversion late in the period.

Both short- and long-term Treasury yields moved lower during the reporting period. When the period began, two- and ten-year Treasury yields were 0.61% and 3.32%, respectively. While Treasury yields fluctuated, these proved to be the peaks for two- and ten-year Treasury yields during the period. Yields declined during much of the first five months of the period due to disappointing economic data and several flights to quality. Two-year Treasuries hit their low for the reporting period of 0.16% on September 19, 2011. Ten-year Treasuries reached their reporting period trough of 1.72% on September 22, 2011. Yields then moved higher during much of the next six months as the economy gained some traction and rising oil prices fanned inflationary concerns. However, yields moved lower in April given some moderating economic data in the U.S. and renewed fears regarding the situation in Europe. When the reporting period ended on April 30, 2012, two-year Treasury yields were 0.27% and ten-year Treasury yields were 1.95%.

The Barclays Capital U.S. Aggregate Index<sup>ii</sup> returned 7.54% for the twelve months ended April 30, 2012. Comparatively, riskier fixed-income securities, including high-yield bonds and emerging market debt, produced mixed results. Over the fiscal year, the Barclays Capital U.S. High Yield 2% Issuer Cap Index<sup>iii</sup> (the Index ) returned 5.89%. Elsewhere, the JPMorgan Emerging Markets Bond Index Global (EMBI Global)<sup>iv</sup> returned 13.00% and the Barclays Emerging Market U.S. Dollar Corporate Index<sup>v</sup> returned 6.11% for the twelve months ended April 30, 2012.

**Q. How did we respond to these changing market conditions?**

**A.** A number of adjustments were made to the Fund's portfolio during the reporting period. We actively participated in the new issuance market by selectively purchasing high-yield bonds that we felt were attractively valued. Additionally, we tactically adjusted the Fund's sector allocations during the period. We reduced our overweight to the underperforming Transportation sector and increased our exposure to Financials during the period. We also increased the Fund's overweight to the Energy sector.

The Fund employed U.S. Treasury futures to manage its yield curve<sup>vi</sup> positioning and duration, which was a small detractor. Currency forwards were used to hedge the Fund's currency risk and manage our non-U.S. dollar currency exposures. They were positive for performance. Credit default swaps, which were used toward the end of the reporting period to manage the Fund's European credit exposure, benefited performance. Finally, we utilized index credit default swaps and options on index credit default swaps to reduce the Fund's exposure to the high-yield market in the event of a pullback. This strategy was a small contributor to performance given the high-yield market's weakness at times during the reporting

period. All told, the net impact from the use of derivatives was positive during the twelve months ended April 30, 2012.

During the reporting period, we tactically utilized leverage in the Fund. We ended the period with liabilities as a percentage of gross assets, of approximately 25.13%. This represented a modest increase during the fiscal year. The use of leverage was additive for results given the positive performance of high-yield bonds and emerging market debt.

### Performance review

For the twelve months ended April 30, 2012, Western Asset High Income Fund II Inc. returned 3.80% based on its net asset value ( NAV )vii and 11.89% based on its New York Stock Exchange ( NYSE ) market price per share. The Fund s unmanaged benchmarks, the Barclays Capital U.S. High Yield 2% Issuer Cap Index and the EMBI Global, returned 5.89% and 13.00%, respectively, for the same period. The Lipper High Current Yield (Leveraged) Closed-End Funds Category Averageviii returned 5.95% over the same time frame. Please note that Lipper performance returns are based on each fund s NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling \$1.00 per share. The performance table shows the Fund s twelve-month total return based on its NAV and market price as of April 30, 2012. **Past performance is no guarantee of future results.**

### Performance Snapshot as of April 30, 2012

Price Per Share	12-Month Total Return*
\$8.86 (NAV)	3.80%
\$10.10 (Market Price)	11.89%

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 return assumes the reinvestment of all distributions at NAV.

**Total return assumes the reinvestment of all distributions in additional shares in accordance with the Fund's Dividend Reinvestment Plan.**

**Q. What were the leading contributors to performance?**

**A.** The largest contributor to the Fund's relative performance during the reporting period was our exposure to several sectors. In particular, the Fund benefited from its overweights to the Consumer Cyclical and Utilities sectors, as they both outperformed the Index. The Fund also benefited from an opportunistic increase to Financials at the end of 2011, as it was one of the best performing sectors during the latter part of the reporting period.

A number of individual high yield holdings were also beneficial for results. In particular, overweights to American International Group Inc. and its aircraft leasing arm International Lease Finance Corp. and Norwegian Cruise Line contributed to performance. American International Group Inc.'s senior debt performed well as the company continued to reduce its debt levels and recapitalize its business. Management also remained focused on its fundamentals, which

**Fund overview (cont'd)**

improved over the period. International Lease Finance Corp. continued to access the capital markets and extend its maturity profile. Prudent balance sheet management, along with improving fundamental results, caused the issuer's bonds to perform well during the period. These actions were recognized by the rating agency Standard & Poor's with an upgrade to investment grade BBB in May 2011. Cruise ship operator Norwegian Cruise Line's bonds performed well due to continued strong fundamental performance. The company has executed well, including keeping occupancy rates high, maintaining firm pricing and effectively managing expenses. Norwegian Cruise Line has also been successful at getting its guests to spend more per trip than was the case in previous years. Furthermore, the company deleveraged by successfully executing its business plan and growing into its previously over-levered capital structure. Prior to the recent Facebook transaction and heightened equity market volatility, we felt the company could deleverage further by going public. We now believe this transaction is likely on hold for the near-term and that equity market conditions will need to improve before this is likely to occur; however we are comfortable holding our position in the meantime.

Elsewhere, the Fund's Venezuelan sovereign debt generated strong results. Economic growth in the country remained solid and our holdings generally offered attractive, double-digit yields.

**Q. What were the leading detractors from performance?**

**A.** Our bias to U.S. high-yield issuers and emerging market corporates versus emerging market sovereign debt was a detractor for the period given the outperformance of the latter. The Fund's emphasis on U.S. high-yield bonds was based on our belief that U.S. high-yield valuations were more attractive on a risk/reward basis. We believe that the constituent holdings of the EMBI Global are much more sensitive to changes in interest rates compared to the less sensitive high-yield market. Emerging market debt benefited from this heightened sensitivity, as U.S. Treasury yields fell during the reporting period.

Despite the significant rally in lower quality high-yield during the last four months of the reporting period, our quality biases detracted from results. The portfolio's overweight to lower-rated CCC-rated securities and underweight to higher-rated BB-rated securities were not rewarded. During this period as a whole, as measured by the Index, higher-quality BB-rated securities outperformed lower-quality CCC-rated bonds, as they returned 7.74% and 0.64%, respectively.

In terms of our sector positioning, having overweights to the Transportation and Energy sectors was a negative as they lagged the Index. Both sectors underperformed during the second half of 2011, given fears of slowing global growth. Additionally, our underweight to the Technology sector was not beneficial, as the sector was one of the best performers during the latter portion of the reporting period.

From an issuer perspective, overweight holdings that were negative for performance included Horizon Lines, Cengage Learning Acquisitions and Petroplus Finance Ltd. Horizon Lines is a U.S.-based shipping company that performed poorly, as it was expected to default after failing to make certain



debt payments. Horizon Lines suffered from an overall secular decline in global shipping. Weak demand due to the sputtering global economy led company fundamentals to become challenged, and a U.S. Department of Justice settlement against the company added to already elevated liquidity concerns. Cengage Learning Acquisitions is an educational book publisher. The company missed earnings projections and was hurt by negative investor sentiment regarding book publishers and increasing secular concerns that tablet devices will be more widely adopted in classrooms. Petroplus Finance Ltd. is a European oil refiner. In December 2011, a \$1 billion credit line to the company was frozen by its bank lenders. The company entered into negotiations to restore the credit line to avoid bankruptcy and it reduced its output and closed several refineries. The negotiations failed and, in January 2012, Petroplus announced that it was filing for insolvency after it defaulted on \$1.75 billion of senior notes and convertible bonds.

### 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.lmcef.com](http://www.lmcef.com).

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 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Thank you for your investment in Western Asset High Income Fund II Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Western Asset Management Company

May 25, 2012

**RISKS:** *The Fund's investments are subject to credit risk, inflation risk and interest rate risk. 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. These risks are magnified in emerging markets. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's*

*risk of loss.*

Portfolio holdings and breakdowns are as of April 30, 2012 and are subject to change and may not be representative of the portfolio managers current or future investments. Please refer to pages 10 through 28 for a list and percentage breakdown of the Fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult

**Fund overview (cont'd)**

their financial professional. The Fund's top five sector holdings (as a percentage of net assets) as of April 30, 2012 were: Consumer Discretionary (28.1%), Industrials (21.0%), Energy (17.2%), Financials (12.8%) and Materials (11.9%). The Fund's portfolio composition is subject to change at any time.

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

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.

i Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.

ii The Barclays Capital 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.

iii The Barclays Capital U.S. 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. The Barclays Capital U.S. Corporate High Yield Index covers the universe of fixed-rate, non-investment grade debt, including corporate and non-corporate sectors. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging market countries are included. Original issue zero coupon bonds, step-up coupon structures and 144-As are also included.

iv 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.

v The Barclays Emerging Market U.S. Dollar Corporate Index is a subset of the Barclays U.S. Emerging Markets Index, which includes fixed- and floating-rate U.S. dollar-denominated debt from emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia.

vi The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.

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 the Fund's market price as determined by supply of and demand for the Fund's shares.



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viii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended April 30, 2012, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 41 funds in the Fund's Lipper category.

**Fund at a glance (unaudited)**

**Investment breakdown (%) as a percent of total investments**

The bar graph above represents the composition of the Fund's investments as of April 30, 2012 and April 30, 2011 and does not include derivatives, such as futures contracts, written options, swap contracts and forward foreign currency contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

Western Asset High Income Fund II Inc. 2012 Annual Report

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**Spread duration (unaudited)**

**Economic Exposure April 30, 2012**

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

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80% BC US HY 2%, 20% JPM EMBI Global EM HIX HY IG Credit	80% of Barclays Capital U.S. High Yield 2% Issuer Cap Index and 20% of JPMorgan Emerging Markets Bond Index Global Emerging Markets Western Asset High Income Fund II Inc. High Yield Investment Grade Credit
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**Effective duration (unaudited)****Interest Rate Exposure April 30, 2012**

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

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80% BC US HY 2%,	80% of Barclays Capital U.S. High Yield 2% Issuer Cap Index and
20% JPM EMBI Global	20% of JPMorgan Emerging Markets Bond Index Global
EM	Emerging Markets
HIX	Western Asset High Income Fund II Inc.
HY	High Yield
IG Credit	Investment Grade Credit

## Western Asset High Income Fund II Inc. 2012 Annual Report

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## Schedule of investments

April 30, 2012

## Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Corporate Bonds &amp; Notes 114.7%</b>				
<b>Consumer Discretionary 24.4%</b>				
<b>Auto Components 0.4%</b>				
Allison Transmission Inc., Senior Notes	11.000%	11/1/15	347,000 \$	366,085(a)
Europcar Groupe SA, Senior Notes	9.375%	4/15/18	2,010,000EUR	2,208,329(a)
Goodyear Tire & Rubber Co., Senior Notes	7.000%	5/15/22	570,000	568,575
<b>Total Auto Components</b>				<b>3,142,989</b>
<b>Automobiles 1.8%</b>				
Chrysler Group LLC/CG Co.-Issuer Inc., Secured Notes	8.000%	6/15/19	1,430,000	1,487,200
Chrysler Group LLC/CG Co.-Issuer Inc., Secured Notes	8.250%	6/15/21	4,092,000	4,255,680
Escrow GCB General Motors			7,855,000	171,828*(b)(c)
Escrow GCB General Motors			6,185,000	135,297*(b)(c)
Ford Motor Credit Co., LLC, Senior Notes	12.000%	5/15/15	4,270,000	5,412,225(d)
Ford Motor Credit Co., LLC, Senior Notes	5.000%	5/15/18	600,000	649,877
Jaguar Holding Co. II/Jaguar Merger Sub Inc., Senior Notes	9.500%	12/1/19	1,020,000	1,122,000(a)
<b>Total Automobiles</b>				<b>13,234,107</b>
<b>Diversified Consumer Services 1.0%</b>				
Service Corp. International, Senior Notes	7.500%	4/1/27	2,090,000	2,121,350(d)
ServiceMaster Co., Senior Notes	8.000%	2/15/20	1,390,000	1,494,250(a)
Sotheby's, Senior Notes	7.750%	6/15/15	3,310,000	3,607,900(d)
<b>Total Diversified Consumer Services</b>				<b>7,223,500</b>
<b>Hotels, Restaurants &amp; Leisure 9.3%</b>				
Bossier Casino Venture Holdco Inc., Senior Secured Bonds	14.000%	2/9/18	2,370,784	2,047,646(a)(b)(c)(e)
Boyd Gaming Corp., Senior Notes	9.125%	12/1/18	1,470,000	1,550,850
Caesars Entertainment Operating Co. Inc., Senior Notes	10.750%	2/1/16	6,936,000	6,103,680(d)
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	10.000%	12/15/15	10,000	9,175(d)
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	11.250%	6/1/17	2,875,000	3,191,250(d)
CCM Merger Inc., Senior Notes	9.125%	5/1/19	2,680,000	2,736,950(a)
CityCenter Holdings LLC/CityCenter Finance Corp., Secured Notes	11.500%	1/15/17	4,982,094	5,555,035(e)
Downstream Development Quapaw, Senior Secured Notes	10.500%	7/1/19	2,580,000	2,702,550(a)(d)
El Pollo Loco Inc., Secured Notes	17.000%	1/1/18	4,504,263	4,087,619(a)
Fiesta Restaurant Group, Secured Notes	8.875%	8/15/16	1,420,000	1,505,200(a)(d)

See Notes to Financial Statements.

**Western Asset High Income Fund II Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Hotels, Restaurants &amp; Leisure continued</b>				
Fontainebleau Las Vegas Holdings LLC/ Fontainebleau Las Vegas Capital Corp.	10.250%	6/15/15	975,000	\$ 5,484(a)(f)(g)
Hoa Restaurant Group LLC/Hoa Finance Corp., Senior Secured Notes	11.250%	4/1/17	3,140,000	3,085,050(a)(d)
Inn of the Mountain Gods Resort & Casino, Senior Secured Notes	8.750%	11/30/20	1,093,000	1,073,873(a)
Landry's Holdings Inc., Senior Secured Notes	11.500%	6/1/14	2,990,000	3,008,717(a)(d)
Landry's Inc., Senior Notes	9.375%	5/1/20	2,170,000	2,221,538(a)
MGM Resorts International, Senior Notes	5.875%	2/27/14	1,610,000	1,674,400(d)
MGM Resorts International, Senior Secured Notes	10.375%	5/15/14	890,000	1,019,050(d)
MGM Resorts International, Senior Secured Notes	11.125%	11/15/17	2,135,000	2,428,562(d)
Mohegan Tribal Gaming Authority, Secured Notes	11.500%	11/1/17	1,445,000	1,502,800(a)
Mohegan Tribal Gaming Authority, Senior Notes	11.000%	9/15/18	420,000	297,150(a)
Mohegan Tribal Gaming Authority, Senior Secured Notes	10.500%	12/15/16	6,540,000	5,689,800(a)
NCL Corp. Ltd., Senior Notes	9.500%	11/15/18	5,040,000	5,594,400(d)
NCL Corp. Ltd., Senior Secured Notes	11.750%	11/15/16	3,990,000	4,658,325(d)
Pinnacle Entertainment Inc., Senior Notes	8.625%	8/1/17	1,665,000	1,831,500(d)
Seven Seas Cruises S de RL LLC, Senior Secured Notes	9.125%	5/15/19	4,830,000	4,962,825(a)(d)
Snoqualmie Entertainment Authority, Senior Secured Notes	4.532%	2/1/14	1,800,000	1,723,500(a)(g)
Station Casinos Inc., Senior Subordinated Notes	6.625%	3/15/18	1,450,000	0(b)(c)(f)(h)
<b>Total Hotels, Restaurants &amp; Leisure</b>				<b>70,266,929</b>
<b>Internet &amp; Catalog Retail 0.4%</b>				
Netflix Inc., Senior Notes	8.500%	11/15/17	2,790,000	3,027,150(d)
<b>Media 6.7%</b>				
Carmike Cinemas Inc., Secured Notes	7.375%	5/15/19	1,040,000	1,071,200(a)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	7.875%	4/30/18	840,000	913,500(d)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	8.125%	4/30/20	5,050,000	5,681,250(d)
Cengage Learning Acquisitions Inc., Senior Notes	10.500%	1/15/15	555,000	445,388(a)
Cengage Learning Acquisitions Inc., Senior Secured Notes	11.500%	4/15/20	3,340,000	3,532,050(a)
Clear Channel Worldwide Holdings Inc., Senior Notes	7.625%	3/15/20	1,850,000	1,840,750(a)

See Notes to Financial Statements.

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Western Asset High Income Fund II Inc. 2012 Annual Report

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Schedule of investments (cont d)

April 30, 2012

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Media continued</b>				
Clear Channel Worldwide Holdings Inc., Senior Notes	7.625%	3/15/20	260,000	\$ 254,150(a)
CSC Holdings Inc., Senior Debentures	7.875%	2/15/18	1,500,000	1,672,500(d)
DISH DBS Corp., Senior Notes	7.875%	9/1/19	1,815,000	2,109,938(d)
DISH DBS Corp., Senior Notes	6.750%	6/1/21	1,050,000	1,155,000
Entercom Radio LLC, Senior Notes	10.500%	12/1/19	2,190,000	2,398,050
Globo Comunicacoes e Participacoes SA, Bonds	7.250%	4/26/22	2,039,000	2,111,894(a)
Good Sam Enterprises LLC, Secured Notes	11.500%	12/1/16	2,360,000	2,475,050
Kabel BW Erste Beteiligungs GmbH/Kabel Baden-Wuerttemberg GmbH & Co. KG, Senior Secured Notes	7.500%	3/15/19	260,000	278,850(a)
LBI Media Inc., Senior Notes	8.500%	8/1/17	190,000	48,925(a)
LBI Media Inc., Senior Secured Notes	9.250%	4/15/19	2,610,000	2,231,550(a)(d)
Nara Cable Funding Ltd., Senior Secured Notes	8.875%	12/1/18	5,000,000EUR	5,989,744(a)
Nielsen Finance LLC/Nielsen Finance Co., Senior Notes	11.500%	5/1/16	740,000	858,400(d)
Ono Finance II PLC, Senior Bonds	10.875%	7/15/19	4,061,000	3,472,155(a)
Univision Communications Inc., Senior Notes	8.500%	5/15/21	1,060,000	1,052,050(a)(d)
Univision Communications Inc., Senior Secured Notes	6.875%	5/15/19	1,780,000	1,808,925(a)(d)
Univision Communications Inc., Senior Secured Notes	7.875%	11/1/20	2,020,000	2,115,950(a)(d)
UPC Holding BV, Senior Notes	9.875%	4/15/18	1,265,000	1,404,150(a)(d)
UPCB Finance II Ltd., Senior Notes	6.375%	7/1/20	4,500,000EUR	5,837,518(a)
<b>Total Media</b>				<b>50,758,937</b>
<b>Multiline Retail 0.5%</b>				
Neiman Marcus Group Inc., Senior Secured Notes	7.125%	6/1/28	3,780,000	3,647,700(d)
<b>Specialty Retail 2.9%</b>				
American Greetings Corp., Senior Notes	7.375%	12/1/21	3,300,000	3,448,500
Edcon Proprietary Ltd., Senior Secured Notes	9.500%	3/1/18	3,550,000EUR	4,276,214(a)
Edcon Proprietary Ltd., Senior Secured Notes	9.500%	3/1/18	760,000	684,000(a)
Gymboree Corp., Senior Notes	9.125%	12/1/18	4,540,000	4,313,000(d)
Michaels Stores Inc., Senior Subordinated Bonds	11.375%	11/1/16	2,000,000	2,135,020(d)
Michaels Stores Inc., Senior Subordinated Notes	13.000%	11/1/16	5,060,000	5,395,225
Spencer Spirit Holdings Inc./Spencer Gifts LLC/Spirit Halloween Superstores, Senior Notes	11.000%	5/1/17	1,800,000	1,874,250(a)(d)
<b>Total Specialty Retail</b>				<b>22,126,209</b>

See Notes to Financial Statements.



**Western Asset High Income Fund II Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b><i>Textiles, Apparel &amp; Luxury Goods</i> 1.4%</b>				
Boardriders SA, Senior Notes	8.875%	12/15/17	2,900,000EUR\$	3,953,893(a)
Empire Today LLC/Empire Today Finance Corp., Senior Secured Notes	11.375%	2/1/17	1,300,000	1,306,500(a)(d)
Oxford Industries Inc., Senior Secured Notes	11.375%	7/15/15	5,285,000	5,701,247(d)
<b><i>Total Textiles, Apparel &amp; Luxury Goods</i></b>				<b><i>10,961,640</i></b>
<b>Total Consumer Discretionary</b>				<b>184,389,161</b>
<b><i>Consumer Staples</i> 1.6%</b>				
<b><i>Food &amp; Staples Retailing</i> 0.4%</b>				
Post Holdings Inc., Senior Notes	7.375%	2/15/22	2,970,000	