

WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.

Form N-CSR

August 07, 2008

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      811-7686

Western Asset Emerging Markets 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

300 First Stamford Place

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

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

Date of fiscal year end: May 31

Date of reporting period:      May 31, 2008

ITEM 1. REPORT TO STOCKHOLDERS.

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

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**ANNUAL REPORT / MAY 31, 2008**

**Western Asset**

**Emerging Markets**

**Income Fund II Inc.**

**(EDF)**

Managed by **WESTERN ASSET**

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

## Fund objective

The Fund's primary investment objective is to seek high current income. As a secondary objective, the Fund seeks capital appreciation.

## What's inside

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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,

The U.S. economy weakened significantly during the 12-month reporting period ended May 31, 2008. Second quarter 2007 U.S. gross domestic product ( GDP )<sup>i</sup> growth was 3.8% and third quarter 2007 GDP growth was 4.9%, its strongest showing in four years. However, continued weakness in the housing market, an ongoing credit crunch and soaring oil and food prices then took their toll on the economy. During the fourth quarter of 2007, GDP growth was 0.6%. The U.S. Commerce Department then reported that first quarter 2008 GDP growth was a modest 1.0%. While it was once debated whether or not the U.S. would fall into a recession, it is now looking more likely that the U.S. could experience a mild recession. Even areas of the economy that had once been fairly resilient have begun to falter, including the job market. The U.S. Department of Labor reported that payroll employment declined in each of the first five months of 2008 and the unemployment rate rose to 5.5% in May, its highest level since October 2004.

Ongoing issues related to the housing and subprime mortgage markets and an abrupt tightening in the credit markets prompted the Federal Reserve Board ( Fed )<sup>ii</sup> to take aggressive and, in some cases, unprecedented actions during the reporting period. At its meeting in September 2007, the Fed reduced the federal funds rate<sup>iii</sup> from 5.25% to 4.75%. This marked the first reduction in the federal funds rate since June 2003. The Fed again lowered rates on six more occasions through the end of the reporting period, bringing the federal funds rate to 2.00% as of May 31, 2008. In its statement accompanying the April rate cut, the Fed stated: Recent information indicates that economic activity remains weak. Household and business spending has been subdued and labor markets have softened further. Financial markets remain under considerable stress, and tight credit conditions and the deepening housing contraction are likely to weigh on economic growth over the next few quarters.

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In addition to lowering short-term interest rates, the Fed took several actions to improve liquidity in the credit markets. In March 2008, the Fed established a new lending program allowing certain brokerage firms, known

Western Asset Emerging Markets Income Fund II Inc. I

**Letter from the chairman *continued***

as primary dealers, to also borrow from its discount window. The Fed also increased the maximum term for discount window loans from 30 to 90 days. Then, in mid-March, the Fed played a major role in facilitating the purchase of Bear Stearns by JPMorgan Chase.

During the 12-month reporting period ended May 31, 2008, both short- and long-term Treasury yields experienced periods of volatility. This was due, in part, to mixed economic and inflation data, the fallout from the subprime mortgage market crisis and shifting expectations regarding the Fed's monetary policy. Within the bond market, investors were initially 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 turmoil triggered several flights to quality, causing Treasury yields to move lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower). Longer-term Treasury yields then moved higher at the end of the reporting period, as record high oil prices and rising food prices triggered inflationary concerns.

Overall, during the 12 months ended May 31, 2008, two-year Treasury yields fell from 4.92% to 2.66%. Over the same time frame, 10-year Treasury yields fell from 4.90% to 4.06%. Short-term yields fell sharply in concert with the Fed's rate cuts, while longer-term yields fell less dramatically due to inflationary concerns, resulting in a steepening of the U.S. yield curve. Looking at the 12-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index<sup>v</sup>, returned 6.89%.

Increased investor risk aversion during the fiscal year caused the high-yield bond market to produce weak results over the 12-month period ended May 31, 2008. During that period, the Citigroup High Yield Market Index<sup>vi</sup> returned -0.89%. While high-yield bond prices rallied several times during the reporting period, several flights to quality dragged down the sector, although overall default rates continued to be low.

Despite increased investor risk aversion, emerging markets debt generated positive results, as the JPMorgan Emerging Markets Bond Index Global (EMBI Global)<sup>vii</sup> returned 5.13% over the 12 months ended May 31, 2008. Overall solid demand, an expanding global economy, increased domestic spending and the Fed's numerous rate cuts supported the emerging market debt asset class.

Please read on for a more detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

**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.

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

June 27, 2008

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 yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- v The 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.
- vi The Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.
- vii 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. Countries covered are Argentina, Belize, Brazil, Bulgaria, Chile, China, Colombia, Dominican Republic, Ecuador, Egypt, El Salvador, Gabon, Georgia, Ghana, Hungary, Indonesia, Iraq, Jamaica, Kazakhstan, Lebanon, Malaysia, Mexico, Pakistan, Panama, Peru, the Philippines, Poland, Russia, Serbia, South Africa, Sri Lanka, Trinidad & Tobago, Tunisia, Turkey, Ukraine, Uruguay, Venezuela and Vietnam.





## Fund overview

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

A. As a primary investment objective, the Fund seeks high current income. As a secondary objective, the Fund seeks capital appreciation. Under normal conditions, the Fund invests at least 80% of its total assets in debt securities of government and government-related issuers located in emerging market countries, of entities organized to restructure outstanding debt of such issuers and debt of corporate issuers in emerging market countries. The managers believe attractive risk-adjusted returns can be achieved in the emerging markets debt asset class through diligent country selection based on fundamental analysis, rigorous quantitative fixed-income analysis focusing on market inefficiencies among sectors and securities in each country and a focus on managing risk through active management.

The managers actively manage the portfolio, which invests in government and corporate issuers of emerging market countries. The managers also employ a risk-aware approach and assimilate the top-down global economic views of Western Asset Management Company (Western Asset) with analysts' fundamental and relative value views regarding emerging market country opportunities. In allocating among different countries, the following are some of the factors that are considered: currency regime, inflation and interest rate trends, growth rate forecasts, liquidity of markets for that country's debt, fiscal policies, political outlook and tax environment. The managers then select those individual securities that appear to them to be most undervalued and that offer attractive potential returns relative to the amount of credit, interest rate, liquidity and other risks presented by these securities. The managers engage in independent fundamental analysis to evaluate the creditworthiness of corporate and governmental issuers.

Western Asset, the Fund's subadviser, utilizes 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.

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

A. During the fiscal year, the U.S. bond market experienced periods of increased volatility. Changing perceptions regarding the economy, inflation and future Federal Reserve Board (Fed) monetary policy caused bond prices to fluctuate. Two- and 10-year Treasury yields began the reporting period at 4.92% and 4.90%, respectively. Treasury yields then moved sharply

**Fund overview *continued***

higher as incoming economic data improved and inflationary pressures increased. By mid-June 2007, two- and 10-year Treasuries were yielding 5.10% and 5.26%, respectively, and market sentiment was that the Fed's next move would be to raise interest rates.

However, after their June peaks, Treasury yields moved lower, as concerns regarding the subprime mortgage market and a severe credit crunch triggered a massive flight to quality. Investors were drawn to the relative safety of Treasuries, causing their yields to fall and their prices to rise. At the same time, increased investor risk aversion caused other segments of the bond market to falter. As conditions in the credit market worsened in August 2007, central banks around the world took action by injecting approximately \$500 billion of liquidity into the financial system. Additionally, the Fed began lowering the discount rate<sup>ii</sup> and the federal funds rate<sup>iii</sup> in August and September 2007, respectively. While this initially helped ease the credit crunch, continued subprime mortgage write-offs and weak economic data triggered additional flights to quality in November 2007 and the first quarter of 2008. As of May 31, 2008, two- and 10-year Treasury yields had fallen to 2.66% and 4.06%, respectively. While the Fed attempted to stimulate growth by cutting short-term interest rates from 5.25% to 2.00% over the course of the reporting period, by the end of May, it was generally assumed that the U.S. could be headed for a mild recession.

Emerging market debt also experienced periods of volatility during the 12-month reporting period. However, all told, the asset class generated solid results, with the JPMorgan Emerging Markets Bond Index Global (EMBI Global)<sup>iv</sup> returning 5.13% during the 12 months ended May 31, 2008. Despite periodic flights to quality, emerging market debt prices benefited due to solid underlying fundamentals, including stronger balance sheets, high commodity prices and solid domestic spending.

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

A. Our disciplined investment process did not change in response to market conditions. Emerging market debt continues to trade at relatively stable prices compared to the volatility of Treasuries, as well as other riskier asset classes. We believe that the ability to integrate fundamental research with rigorous relative value analysis drives performance in our portfolios. This is the basis of each investment and does not change regardless of market conditions. We remained committed to a value approach.

**Performance review**

For the 12 months ended May 31, 2008, Western Asset Emerging Markets Income Fund II Inc. returned 4.62% based on its net asset value ( NAV )<sup>v</sup> and 5.86% based on its New York Stock Exchange ( NYSE ) market price per share. The Fund's unmanaged benchmark, the EMBI Global, returned 5.13% for the same period. The Lipper Emerging Markets Debt Closed-End Funds Category Average<sup>vi</sup> returned 2.81% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the 12-month period, the Fund made distributions to shareholders totaling \$1.13 per share. The performance table shows the Fund's 12-month total return based on its NAV and market price as of May 31, 2008. **Past performance is no guarantee of future results.**

**PERFORMANCE SNAPSHOT as of May 31, 2008 (unaudited)**

PRICE PER SHARE	12-MONTH
\$14.52 (NAV)	TOTAL RETURN*
\$13.41 (Market Price)	4.62%
	5.86%

**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 in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

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

A. Diversifying the Fund's portfolio into local currency sovereign debt was a major contributor to performance, as the U.S. dollar lost value against a large number of emerging market currencies. The U.S. dollar continued to trade under pressure in response to the Fed slashing rates and one of the worst financial market crises in memory. In contrast, growth remained strong in the emerging world and ongoing fundamental improvement put further upward pressure on currencies to appreciate.

Relative to the Fund's benchmark, an overweight exposure to Brazil and Russia also had a positive impact on the Fund's performance. Brazil's debt was upgraded to investment grade, which drove a strong rally in Brazilian debt in both the external and local markets.



**Fund overview *continued***

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

A. An emphasis on corporate bonds of companies headquartered in the emerging world was a small detractor from results. With the rise of the credit crisis in the U.S. and Europe, corporate bond spreads widened relative to their sovereign counterparts in all countries. The discount on some of these bonds steepened in response to the flight to quality. However, the discount partially reversed in the final months of the reporting period. That said, the rally was not significant enough to recoup the losses experienced during the second half of 2007 and the first quarter of 2008.

A modest overweight to Argentina also detracted from performance as rising political tensions, increasing suspicion over the validity of inflation data and general risk aversion towards this higher-risk country put Argentine bond prices under pressure.

**Q. Were there any significant changes to the Fund during the reporting period?**

A. The Fund increased its allocation to local currency sovereign bonds and U.S. dollar-denominated corporate bonds.

**Looking for additional information?**

The Fund is traded under the symbol **EDF** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XEDFX** 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/individualinvestors](http://www.leggmason.com/individualinvestors).

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.

Thank you for your investment in Western Asset Emerging Markets 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**

June 17, 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:** Foreign bonds are subject to certain risks of overseas investing including currency fluctuations and changes in political and economic conditions, which could result in significant market fluctuations. These risks are magnified in emerging or developing markets. High-yield bonds are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. 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. Leverage may magnify gains and increase losses in the Fund's portfolio.

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

- i 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.
- ii The discount rate is the interest rate charged by the U.S. Federal Reserve Bank on short-term loans (usually overnight or weekend) to banks.
- 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 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. Countries covered are Argentina, Belize, Brazil, Bulgaria, Chile, China, Colombia, Dominican Republic, Ecuador, Egypt, El Salvador, Gabon, Georgia, Ghana, Hungary, Indonesia, Iraq, Jamaica, Kazakhstan, Lebanon, Malaysia, Mexico, Pakistan, Panama, Peru, the Philippines, Poland, Russia, Serbia, South Africa, Sri Lanka, Trinidad & Tobago, Tunisia, Turkey, Ukraine, Uruguay, Venezuela and Vietnam.
- v 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.
- vi Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the 12-month period ended May 31, 2008, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 12 funds in the Fund's Lipper category.





**Fund at a glance (unaudited)**

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



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## Schedule of investments

May 31, 2008

## WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
SOVEREIGN BONDS 48.1%		
	<b>Argentina 4.0%</b>	
	Republic of Argentina:	
2,000,000DEM	10.250% due 2/6/03 <sup>(a)</sup>	\$ 501,113
1,000,000DEM	9.000% due 9/19/03 <sup>(a)</sup>	234,648
3,000,000DEM	7.000% due 3/18/04 <sup>(a)</sup>	720,648
3,875,000DEM	8.500% due 2/23/05 <sup>(a)</sup>	950,872
5,400,000DEM	11.250% due 4/10/06 <sup>(a)</sup>	1,331,529
1,000,000DEM	11.750% due 5/20/11 <sup>(a)</sup>	246,579
8,800,000DEM	12.000% due 9/19/16 <sup>(a)</sup>	2,064,903
3,501,022ARS	5.830% due 12/31/33 <sup>(b)</sup>	999,918
	Bonds:	
2,357,769ARS	2.000% due 1/3/10 <sup>(b)</sup>	1,671,506
591,000	7.000% due 9/12/13	469,287
	GDP Linked Securities:	
3,200,000EUR	1.262% due 12/15/35 <sup>(b)</sup>	448,042
2,705,000	1.318% due 12/15/35 <sup>(b)</sup>	294,169
57,059,503ARS	1.383% due 12/15/35 <sup>(b)</sup>	1,578,287
	Medium-Term Notes:	
6,000,000,000ITL	7.000% due 3/18/04 <sup>(a)</sup>	1,458,283
3,000,000,000ITL	5.002% due 7/13/05 <sup>(a)</sup>	698,992
1,000,000,000ITL	7.625% due 8/11/07 <sup>(a)</sup>	237,011
625,000DEM	8.000% due 10/30/09 <sup>(a)</sup>	143,672
	<i>Total Argentina</i>	<i>14,049,459</i>
	<b>Brazil 11.5%</b>	
	Brazil Nota do Tesouro Nacional:	
1,000BRL	10.000% due 1/1/10	579
47,854,000BRL	10.000% due 7/1/10	27,304,270
7,616,000BRL	10.000% due 1/1/12	4,194,581
5,770,000BRL	6.000% due 5/15/17	5,722,486
	Federative Republic of Brazil:	
3,042,000	7.125% due 1/20/37	3,574,350
1,000	Collective Action Securities, Notes, 8.000% due 1/15/18	1,143
	<i>Total Brazil</i>	<i>40,797,409</i>
	<b>Colombia 3.0%</b>	
	Republic of Colombia:	
1,632,000	7.375% due 1/27/17	1,858,440
7,711,000	7.375% due 9/18/37	8,780,901
	<i>Total Colombia</i>	<i>10,639,341</i>

See Notes to Financial Statements.



Schedule of investments *continued*

May 31, 2008

## WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
4,840,000	<b>Ecuador 1.4%</b> Republic of Ecuador, 10.000% due 8/15/30 <sup>(c)</sup>	\$ 4,912,600
11,070,000EGP	<b>Egypt 0.6%</b> Arab Republic of Egypt, 8.750% due 7/18/12 <sup>(c)</sup>	2,064,951
1,843,000	<b>Gabon 0.5%</b> Gabonese Republic, 8.200% due 12/12/17 <sup>(c)</sup>	1,978,921
28,181,000,000IDR	<b>Indonesia 2.2%</b> Republic of Indonesia: 10.250% due 7/15/22	2,511,501
21,153,000,000IDR	11.000% due 9/15/25	1,970,233
17,914,000,000IDR	10.250% due 7/15/27	1,558,637
21,312,000,000IDR	9.750% due 5/15/37	1,716,674
	<i>Total Indonesia</i>	7,757,045
8,525,000	<b>Mexico 5.1%</b> United Mexican States, Medium-Term Notes: 8.000% due 9/24/22	10,558,212
2,395,000	8.300% due 8/15/31	3,075,779
4,470,000	6.050% due 1/11/40	4,425,300
	<i>Total Mexico</i>	18,059,291
2,225,000	<b>Panama 4.3%</b> Republic of Panama: 9.375% due 4/1/29	3,013,206
11,793,000	6.700% due 1/26/36	12,412,133
	<i>Total Panama</i>	15,425,339
169,000	<b>Peru 0.4%</b> Republic of Peru: 8.750% due 11/21/33	223,925
1,073,000	Bonds, 6.550% due 3/14/37	1,129,333
	<i>Total Peru</i>	1,353,258
1,350,000	<b>Russia 0.7%</b> Russian Federation, 12.750% due 6/24/28 <sup>(c)</sup>	2,424,937
5,206,000TRY	<b>Turkey 8.3%</b> Republic of Turkey: 14.000% due 1/19/11	3,794,492
3,519,000	11.875% due 1/15/30 <sup>(d)</sup>	5,345,634
22,449,000	Notes, 6.875% due 3/17/36 <sup>(d)</sup>	20,456,651
	<i>Total Turkey</i>	29,596,777

See Notes to Financial Statements.

## WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Venezuela 6.1%</b>	
	Bolivarian Republic of Venezuela:	
7,751,000	8.500% due 10/8/14	\$ 7,324,695
5,713,000	5.750% due 2/26/16	4,513,270
716,000	7.650% due 4/21/25	565,640
	Collective Action Securities:	
6,395,000	9.375% due 1/13/34	5,659,575
3,500,000	Notes, 10.750% due 9/19/13	3,657,500
	<i>Total Venezuela</i>	<i>21,720,680</i>
	<b>TOTAL SOVEREIGN BONDS</b>	
	(Cost \$165,414,273)	170,780,008
<b>COLLATERALIZED SENIOR LOANS 0.5%</b>	<b>United States 0.5%</b>	
	Ashmore Energy International:	
212,617	Synthetic Revolving Credit Facility, 5.496% due 3/30/12 <sup>(b)</sup>	191,621
1,760,994	Term Loan, 5.696% due 3/30/14 <sup>(b)</sup>	1,587,096
	<b>TOTAL COLLATERALIZED SENIOR LOANS</b>	
	(Cost \$1,859,793)	1,778,717
<b>CORPORATE BONDS &amp; NOTES 43.3%</b>	<b>Brazil 5.4%</b>	
	Globo Comunicacoes e Participacoes SA, Bonds, 7.250% due 4/26/22 <sup>(c)</sup>	2,200,080
2,136,000	GTL Trade Finance Inc.:	
930,000	7.250% due 10/20/17 <sup>(c)</sup>	949,765
1,784,000	7.250% due 10/20/17 <sup>(c)</sup>	1,819,980
1,620,000	Odebrecht Finance Ltd., 7.500% due 10/18/17 <sup>(c)</sup>	1,672,650
	Vale Overseas Ltd., Notes:	
2,635,000	8.250% due 1/17/34	3,021,365
9,613,000	6.875% due 11/21/36	9,575,317
	<i>Total Brazil</i>	<i>19,239,157</i>
	<b>Chile 0.7%</b>	
2,374,000	Enersis SA, Notes, 7.375% due 1/15/14	2,515,614
	<b>Colombia 0.3%</b>	
1,010,000	EEB International Ltd., Senior Bonds, 8.750% due 10/31/14 <sup>(c)</sup>	1,083,225
	<b>India 0.2%</b>	
	ICICI Bank Ltd., Subordinated Bonds:	
570,000	6.375% due 4/30/22 <sup>(b)(c)</sup>	507,346
340,000	6.375% due 4/30/22 <sup>(b)(c)</sup>	298,903
	<i>Total India</i>	<i>806,249</i>

See Notes to Financial Statements.

Schedule of investments *continued*

May 31, 2008

## WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Kazakhstan 1.6%</b>	
2,270,000	ATF Capital BV, Senior Notes, 9.250% due 2/21/14 <sup>(c)</sup>	\$ 2,322,664
	HSBK Europe BV:	
200,000	9.250% due 10/16/13 <sup>(c)</sup>	203,500
1,720,000	7.250% due 5/3/17 <sup>(c)</sup>	1,539,400
	TuranAlem Finance BV, Bonds:	
1,610,000	8.250% due 1/22/37 <sup>(c)</sup>	1,364,475
383,000	8.250% due 1/22/37 <sup>(c)</sup>	324,592
	<i>Total Kazakhstan</i>	<i>5,754,631</i>
	<b>Mexico 6.8%</b>	
680,000	America Movil SAB de CV, 5.625% due 11/15/17	665,807
	Axtel SAB de CV:	
190,000	11.000% due 12/15/13	206,150
7,150,000	7.625% due 2/1/17 <sup>(c)</sup>	7,310,875
1,410,000	Senior Notes, 7.625% due 2/1/17 <sup>(c)</sup>	1,438,200
	Grupo Transportacion Ferroviaria Mexicana SA de CV,	
220,000	Senior Notes, 9.375% due 5/1/12	231,000
	Pemex Project Funding Master Trust:	
6,720,000	6.625% due 6/15/35 <sup>(c)</sup>	6,819,423
7,233,000	Senior Bonds, 6.625% due 6/15/35	7,340,012
	<i>Total Mexico</i>	<i>24,011,467</i>
	<b>Russia 18.0%</b>	
	Evrax Group SA, Notes:	
3,580,000	8.875% due 4/24/13 <sup>(c)</sup>	3,669,500
1,720,000	9.500% due 4/24/18 <sup>(c)</sup>	1,765,064
	Gaz Capital SA:	
2,660,000	Medium Term Notes, 7.288% due 8/16/37 <sup>(c)</sup>	2,613,264
11,090,000	Notes, 8.625% due 4/28/34 <sup>(c)(f)</sup>	12,947,575
	Gazprom:	
	Bonds:	
217,870,000RUB	6.790% due 10/29/09	9,198,103
72,620,000RUB	7.000% due 10/27/11	3,065,894
1,140,000	Loan Participation Notes, 6.212% due 11/22/16 <sup>(c)</sup>	1,110,816
96,030,000RUB	Gazprom OAO, 6.950% due 8/6/09	4,072,671
	LUKOIL International Finance BV:	
680,000	6.356% due 6/7/17 <sup>(c)</sup>	652,800
4,880,000	6.656% due 6/7/22 <sup>(c)</sup>	4,526,200
3,140,000	RSHB Capital, Notes, 7.125% due 1/14/14 <sup>(c)</sup>	3,175,168
	Russian Agricultural Bank, Loan Participation Notes:	
2,856,000	7.175% due 5/16/13 <sup>(c)</sup>	2,905,980
4,062,000	6.299% due 5/15/17 <sup>(c)</sup>	3,818,280

See Notes to Financial Statements.



10 Western Asset Emerging Markets Income Fund II Inc. 2008 Annual Report

## WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	<b>Russia 18.0% <i>continued</i></b>	
	TNK-BP Finance SA:	
3,340,000	7.500% due 7/18/16 <sup>(c)</sup>	\$ 3,294,242
2,091,000	6.625% due 3/20/17 <sup>(c)</sup>	1,905,528
1,200,000	Senior Notes, 7.875% due 3/13/18 <sup>(c)</sup>	1,186,560
2,180,000	UBS Luxembourg SA for OJSC Vimpel Communications, Loan Participation Notes, 8.250% due 5/23/16 <sup>(c)</sup>	2,180,000
1,770,000	Vimpel Communications, Loan Participation Notes, 8.375% due 4/30/13 <sup>(c)</sup>	1,805,011
	<i>Total Russia</i>	63,892,656
	<b>Thailand 1.8%</b>	
	True Move Co., Ltd.:	
200,000	10.750% due 12/16/13 <sup>(c)</sup>	178,302
4,230,000	10.750% due 12/16/13 <sup>(c)</sup>	3,785,850
2,590,000	10.375% due 8/1/14 <sup>(c)</sup>	2,292,150
	<i>Total Thailand</i>	6,256,302
	<b>United Kingdom 3.1%</b>	
50,194,000RUB	HSBC Bank PLC, Credit-Linked Notes (Russian Agricultural Bank), 8.900% due 12/20/10 <sup>(b)(c)</sup>	2,191,156
209,880,000RUB	JPMorgan Chase Bank, Credit-Linked Notes (Russian Agricultural Bank), 9.500% due 2/11/11 <sup>(b)(c)(e)</sup>	8,787,856
	<i>Total United Kingdom</i>	10,979,012
	<b>United States 2.0%</b>	
3,536,248	Credit Suisse, Credit-Linked Notes (TuranAlem Finance BV), 8.000% due 7/21/08 <sup>(b)(c)(e)</sup>	3,539,368
3,330,000	Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17	3,585,378
	<i>Total United States</i>	7,124,746
	<b>Venezuela 3.4%</b>	
	Petrozuata Finance Inc.:	
11,203,898	8.220% due 4/1/17 <sup>(c)</sup>	11,717,460
268,339	8.220% due 4/1/17 <sup>(c)</sup>	277,731
	<i>Total Venezuela</i>	11,995,191
	<b>TOTAL CORPORATE BONDS &amp; NOTES</b>	
	(Cost \$152,904,391)	153,658,250
	<b>WARRANTS</b>	
WARRANTS 0.1%		
10,000	Bolivarian Republic of Venezuela, Oil-linked payment obligations, Expires 4/15/20 (Cost \$310,000)	357,500
	<b>TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS</b>	
	(Cost \$320,488,457)	326,574,475

See Notes to Financial Statements.

Schedule of investments *continued*

May 31, 2008

WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
SHORT-TERM INVESTMENTS 9.8%		
	<b>Sovereign Bonds 9.8%</b>	
	Bank Negara Malaysia Islamic Notes:	
3,730,000MYR	Zero coupon bond to yield 3.310% due 7/24/08	\$ 1,145,701
830,000MYR	Zero coupon bond to yield 3.210% due 9/25/08	253,355
	Bank Negara Malaysia Monetary Notes:	