

WESTERN ASSET PREMIER BOND FUND

Form N-Q

May 27, 2010

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

**FORM N-Q**

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

Investment Company Act file number

811-10603

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

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

10041  
(Zip code)

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

Registrant's telephone number, including area code:

(888) 777-0102

Date of fiscal year end: December 31

Date of reporting period: March 31, 2010

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ITEM 1. SCHEDULE OF INVESTMENTS

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**WESTERN ASSET PREMIER BOND FUND**

**FORM N-Q**

**MARCH 31, 2010**

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Schedule of investments (unaudited)

March 31, 2010

**WESTERN ASSET PREMIER BOND FUND**

| SECURITY   | RATE        | MATURITY DATE | FACE AMOUNT | VALUE            |
|--|-------------|---------------|-------------|------------------|
| CORPORATE BONDS & NOTES  | 64.6%       |               |             |                  |
| CONSUMER DISCRETIONARY   | 9.3%        |               |             |                  |
| <b>Automobiles</b>   | <b>1.5%</b> |               |             |                  |
| DaimlerChrysler NA Holding Corp., Notes                            | 8.500%      | 1/18/31       | 1,000,000   | \$ 1,220,855     |
| DaimlerChrysler North America Holding Corp., Notes                 | 7.300%      | 1/15/12       | 1,000,000   | 1,088,891        |
| <i>Total Automobiles</i>   |             |               |             | <i>2,309,746</i> |
| <b>Diversified Consumer Services</b>                               | <b>0.0%</b> |               |             |                  |
| Service Corp. International, Senior Notes                          | 7.625 %     | 10/1/18       | 5,000       | 5,063            |
| Service Corp. International, Senior Notes                          | 7.500 %     | 4/1/27        | 60,000      | 54,900           |
| <i>Total Diversified Consumer Services</i>                         |             |               |             | <i>59,963</i>    |
| <b>Hotels, Restaurants &amp; Leisure</b>                           | <b>1.0%</b> |               |             |                  |
| El Pollo Loco Inc., Senior Notes                                   | 11.750%     | 11/15/13      | 395,000     | 351,550          |
| Harrah's Operating Co. Inc., Senior Notes                          | 10.750%     | 2/1/16        | 300,000     | 249,750          |
| Inn of the Mountain Gods Resort & Casino, Senior Notes             | 12.000%     | 11/15/10      | 530,000     | 254,400(a)(b)    |
| Landry's Restaurants Inc., Senior Secured Notes                    | 11.625%     | 12/1/15       | 110,000     | 118,250(c)       |
| Mohegan Tribal Gaming Authority, Senior Secured Notes              | 11.500%     | 11/1/17       | 170,000     | 181,050(c)       |
| NCL Corp. Ltd., Senior Secured Notes                               | 11.750%     | 11/15/16      | 170,000     | 184,875(c)       |
| Sbarro Inc., Senior Notes  | 10.375%     | 2/1/15        | 90,000      | 75,600           |
| Snoqualmie Entertainment Authority, Senior Secured Notes           | 4.136%      | 2/1/14        | 110,000     | 80,300(c)(d)     |
| Station Casinos Inc., Senior Notes                                 | 7.750%      | 8/15/16       | 205,000     | 14,862(a)(b)     |
| Station Casinos Inc., Senior Subordinated Notes                    | 6.625%      | 3/15/18       | 100,000     | 125(a)(b)        |
| <i>Total Hotels, Restaurants &amp; Leisure</i>                     |             |               |             | <i>1,510,762</i> |
| <b>Household Durables</b>  | <b>0.1%</b> |               |             |                  |
| American Greetings Corp., Senior Notes                             | 7.375%      | 6/1/16        | 20,000      | 19,950           |
| Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes | 9.750%      | 9/1/12        | 71,000      | 67,450(b)        |
| <i>Total Household Durables</i>                                    |             |               |             | <i>87,400</i>    |
| <b>Leisure Equipment &amp; Products</b>                            | <b>0.4%</b> |               |             |                  |
| Eastman Kodak Co., Senior Notes                                    | 7.250%      | 11/15/13      | 760,000     | 723,900          |
| <b>Media</b>   | <b>5.5%</b> |               |             |                  |
| Affinion Group Inc., Senior Notes                                  | 10.125%     | 10/15/13      | 110,000     | 112,750          |
| Affinion Group Inc., Senior Subordinated Notes                     | 11.500%     | 10/15/15      | 225,000     | 230,625          |
| CCH II LLC/CCH II Capital Corp., Senior Notes                      | 13.500%     | 11/30/16      | 108,083     | 128,889(c)       |
| Cengage Learning Acquisitions Inc., Senior Notes                   | 10.500%     | 1/15/15       | 270,000     | 259,200(c)       |
|  | 10.875%     | 9/15/14       | 280,000     | 313,250(c)       |

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|  |         |          |           |                   |
|--|---------|----------|-----------|-------------------|
| Charter Communications Operating<br>LLC/Charter Communications Operating<br>Capital,<br>Senior Secured Notes |         |          |           |                   |
| CMP Susquehanna Corp.  | 3.531%  | 5/15/14  | 14,000    | 4,185(b)(c)(d)(e) |
| Comcast Corp.  | 5.900%  | 3/15/16  | 400,000   | 436,955           |
| Comcast Corp., Notes   | 7.050%  | 3/15/33  | 1,000,000 | 1,075,426         |
| CSC Holdings Inc., Senior Notes  | 6.750%  | 4/15/12  | 250,000   | 261,563           |
| DISH DBS Corp., Senior Notes   | 7.000%  | 10/1/13  | 600,000   | 624,000           |
| DISH DBS Corp., Senior Notes   | 7.750%  | 5/31/15  | 120,000   | 125,400           |
| DISH DBS Corp., Senior Notes   | 7.875%  | 9/1/19   | 385,000   | 400,400           |
| News America Holdings Inc.   | 8.875%  | 4/26/23  | 400,000   | 503,181           |
| Sun Media Corp., Senior Notes  | 7.625%  | 2/15/13  | 55,000    | 53,969            |
| Time Warner Inc., Senior Debentures  | 7.700%  | 5/1/32   | 1,150,000 | 1,327,298         |
| Time Warner Inc., Senior Subordinated<br>Notes   | 6.875%  | 5/1/12   | 1,400,000 | 1,539,937         |
| Univision Communications Inc.,<br>Senior Secured Notes   | 12.000% | 7/1/14   | 420,000   | 459,900(c)        |
| Virgin Media Finance PLC, Senior<br>Bonds  | 9.500%  | 8/15/16  | 100,000   | 109,250           |
| Virgin Media Finance PLC, Senior<br>Notes  | 9.125%  | 8/15/16  | 335,000   | 355,937           |
| <i>Total Media</i>   |         |          |           | 8,322,115         |
| <b>Multiline Retail 0.4%</b>   |         |          |           |                   |
| Neiman Marcus Group Inc., Senior<br>Notes  | 9.000%  | 10/15/15 | 279,478   | 285,068(f)        |
| Neiman Marcus Group Inc., Senior<br>Secured Notes  | 7.125%  | 6/1/28   | 330,000   | 293,700           |
| <i>Total Multiline Retail</i>  |         |          |           | 578,768           |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (continued)

March 31, 2010

**WESTERN ASSET PREMIER BOND FUND**

| SECURITY   | RATE    | MATURITY DATE | FACE AMOUNT | VALUE         |
|--|---------|---------------|-------------|---------------|
| <b>Specialty Retail 0.2%</b>                       |         |               |             |               |
| Blockbuster Inc., Senior Secured Notes             | 11.750% | 10/1/14       | 259,000     | \$ 191,012(c) |
| Michaels Stores Inc., Senior Notes                 | 10.000% | 11/1/14       | 80,000      | 84,400        |
| <i>Total Specialty Retail</i>                      |         |               |             | 275,412       |
| <b>Textiles, Apparel &amp; Luxury Goods 0.2%</b>   |         |               |             |               |
| Oxford Industries Inc., Senior Secured Notes       | 11.375% | 7/15/15       | 255,000     | 284,325       |
| <b>TOTAL CONSUMER DISCRETIONARY</b>                |         |               |             | 14,152,391    |
| <b>CONSUMER STAPLES 5.6%</b>                       |         |               |             |               |
| <b>Food &amp; Staples Retailing 5.5%</b>           |         |               |             |               |
| CVS Corp.  | 9.350%  | 1/10/23       | 700,000     | 682,087(b)(c) |
| CVS Corp.  | 5.789%  | 1/10/26       | 828,429     | 815,506(c)    |
| CVS Pass-Through Trust                             | 7.507%  | 1/10/32       | 1,995,820   | 2,219,391(c)  |
| CVS Pass-Through Trust, Secured Notes              | 5.880%  | 1/10/28       | 931,677     | 909,457       |
| CVS Pass-Through Trust, Secured Notes              | 6.036%  | 12/10/28      | 921,415     | 911,307       |
| CVS Pass-Through Trust, Secured Notes              | 6.943%  | 1/10/30       | 1,910,431   | 2,025,687     |
| Delhaize America Inc., Debentures                  | 9.000%  | 4/15/31       | 166,000     | 211,170       |
| Safeway Inc., Notes                                | 5.800%  | 8/15/12       | 500,000     | 545,285       |
| <i>Total Food &amp; Staples Retailing</i>          |         |               |             | 8,319,890     |
| <b>Tobacco 0.1%</b>                                |         |               |             |               |
| Alliance One International Inc., Senior Notes      | 10.000% | 7/15/16       | 160,000     | 167,200(c)    |
| <b>TOTAL CONSUMER STAPLES</b>                      |         |               |             | 8,487,090     |
| <b>ENERGY 9.6%</b>                                 |         |               |             |               |
| <b>Energy Equipment &amp; Services 0.9%</b>        |         |               |             |               |
| Complete Production Services Inc., Senior Notes    | 8.000%  | 12/15/16      | 150,000     | 148,500       |
| GulfMark Offshore Inc., Senior Subordinated Notes  | 7.750%  | 7/15/14       | 270,000     | 267,975       |
| Hercules Offshore LLC, Senior Secured Notes        | 10.500% | 10/15/17      | 155,000     | 154,612(c)    |
| Pride International Inc., Senior Notes             | 7.375%  | 7/15/14       | 240,000     | 247,200       |
| Sonat Inc., Notes                                  | 7.625%  | 7/15/11       | 500,000     | 522,114       |
| <i>Total Energy Equipment &amp; Services</i>       |         |               |             | 1,340,401     |
| <b>Oil, Gas &amp; Consumable Fuels 8.7%</b>        |         |               |             |               |
| Anadarko Finance Co., Senior Notes                 | 7.500%  | 5/1/31        | 1,000,000   | 1,123,724     |
| Belden & Blake Corp., Secured Notes                | 8.750%  | 7/15/12       | 750,000     | 701,250       |
| Berry Petroleum Co., Senior Notes                  | 10.250% | 6/1/14        | 160,000     | 176,400       |
| Burlington Resources Finance Co.                   | 7.400%  | 12/1/31       | 450,000     | 525,150       |
| Chesapeake Energy Corp., Senior Notes              | 6.375%  | 6/15/15       | 480,000     | 471,600       |
| Chesapeake Energy Corp., Senior Notes              | 6.625%  | 1/15/16       | 30,000      | 29,400        |
| Chesapeake Energy Corp., Senior Notes              | 7.250%  | 12/15/18      | 300,000     | 300,000       |
| Colorado Interstate Gas Co., Senior Notes          | 6.800%  | 11/15/15      | 150,000     | 167,474       |
| Compagnie Generale de Geophysique SA, Senior Notes | 7.500%  | 5/15/15       | 210,000     | 210,525       |
| CONSOL Energy Inc., Senior Notes                   | 8.250%  | 4/1/20        | 440,000     | 452,100(c)    |
| DCP Midstream LP                                   | 7.875%  | 8/16/10       | 750,000     | 769,290       |
| Devon Energy Corp., Debentures                     | 7.950%  | 4/15/32       | 310,000     | 389,571       |
| Devon Financing Corp. ULC, Notes                   | 6.875%  | 9/30/11       | 1,000,000   | 1,079,012     |

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|  |         |          |           |            |
|--|---------|----------|-----------|------------|
| El Paso Corp.  | 7.750%  | 6/15/10  | 1,496,000 | 1,510,734  |
| El Paso Corp., Medium-Term Notes                           | 7.800%  | 8/1/31   | 190,000   | 186,737    |
| Hess Corp., Notes  | 7.875%  | 10/1/29  | 1,640,000 | 1,964,984  |
| Hess Corp., Notes  | 7.300%  | 8/15/31  | 60,000    | 68,369     |
| Kinder Morgan Energy Partners LP, Senior Notes             | 7.125%  | 3/15/12  | 500,000   | 547,446    |
| Linn Energy LLC/Linn Energy Finance Corp.,<br>Senior Notes | 8.625%  | 4/15/20  | 170,000   | 170,213(c) |
| LUKOIL International Finance BV, Notes                     | 6.356%  | 6/7/17   | 340,000   | 349,350(c) |
| OPTI Canada Inc., Senior Secured Notes                     | 7.875%  | 12/15/14 | 45,000    | 42,075     |
| OPTI Canada Inc., Senior Secured Notes                     | 8.250%  | 12/15/14 | 190,000   | 178,600    |
| Petrohawk Energy Corp., Senior Notes                       | 9.125%  | 7/15/13  | 145,000   | 151,344    |
| Plains Exploration & Production Co.,<br>Senior Notes       | 10.000% | 3/1/16   | 140,000   | 154,700    |
| Plains Exploration & Production Co.,<br>Senior Notes       | 8.625%  | 10/15/19 | 125,000   | 132,500    |
| Quicksilver Resources Inc., Senior Notes                   | 11.750% | 1/1/16   | 185,000   | 211,825    |
| Teekay Corp., Senior Notes                                 | 8.500%  | 1/15/20  | 310,000   | 323,950    |
| Williams Cos. Inc., Debentures                             | 7.500%  | 1/15/31  | 668,000   | 733,987    |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (continued)

March 31, 2010

**WESTERN ASSET PREMIER BOND FUND**

| SECURITY   | RATE    | MATURITY DATE | FACE AMOUNT | VALUE         |
|--|---------|---------------|-------------|---------------|
| <b>Oil, Gas &amp; Consumable Fuels</b>               |         |               |             |               |
| <b>continued</b>                                     |         |               |             |               |
| Williams Cos. Inc., Senior Notes                     | 8.750%  | 3/15/32       | 63,000      | \$ 76,755     |
| <i>Total Oil, Gas &amp; Consumable Fuels</i>         |         |               |             | 13,199,065    |
| <b>TOTAL ENERGY</b>                                  |         |               |             |               |
|  |         |               |             | 14,539,466    |
| <b>FINANCIALS 10.4%</b>                              |         |               |             |               |
| <b>Capital Markets 1.4%</b>                          |         |               |             |               |
| Goldman Sachs Group Inc.                             | 6.600%  | 1/15/12       | 900,000     | 976,542       |
| Morgan Stanley, Notes                                | 6.600%  | 4/1/12        | 1,000,000   | 1,084,969     |
| <i>Total Capital Markets</i>                         |         |               |             | 2,061,511     |
| <b>Commercial Banks 0.1%</b>                         |         |               |             |               |
| ICICI Bank Ltd., Subordinated Bonds                  | 6.375%  | 4/30/22       | 184,000     | 173,242(c)(d) |
| <b>Consumer Finance 3.2%</b>                         |         |               |             |               |
| Ford Motor Credit Co., Senior Notes                  | 8.000%  | 12/15/16      | 680,000     | 716,464       |
| Ford Motor Credit Co., LLC, Senior Notes             | 7.500%  | 8/1/12        | 70,000      | 72,484        |
| Ford Motor Credit Co., LLC, Senior Notes             | 12.000% | 5/15/15       | 1,030,000   | 1,230,537     |
| GMAC Inc., Senior Notes                              | 6.875%  | 8/28/12       | 94,000      | 95,292        |
| HSBC Finance Corp.                                   | 4.750%  | 7/15/13       | 1,670,000   | 1,753,923     |
| SLM Corp., Senior Notes                              | 0.409%  | 7/26/10       | 1,020,000   | 1,006,188(d)  |
| <i>Total Consumer Finance</i>                        |         |               |             | 4,874,888     |
| <b>Diversified Financial Services 4.6%</b>           |         |               |             |               |
| AAC Group Holding Corp., Senior Discount Notes       | 10.250% | 10/1/12       | 440,000     | 439,450(c)    |
| Air 2 US, Notes                                      | 8.027%  | 10/1/19       | 420,153     | 372,361(c)    |
| CCM Merger Inc., Notes                               | 8.000%  | 8/1/13        | 140,000     | 121,800(c)    |
| Citigroup Inc.                                       | 6.625%  | 6/15/32       | 1,000,000   | 934,478       |
| International Lease Finance Corp., Senior Notes      | 8.750%  | 3/15/17       | 1,380,000   | 1,411,786(c)  |
| JPMorgan Chase & Co., Subordinated Notes             | 5.125%  | 9/15/14       | 1,300,000   | 1,373,320     |
| Liberty Media LLC                                    | 3.750%  | 2/15/30       | 1,860,000   | 976,500       |
| New Communications Holdings Inc., Senior Notes       | 8.750%  | 4/15/22       | 171,000     | 171,000(c)    |
| Smurfit Kappa Funding PLC, Senior Subordinated Notes | 7.750%  | 4/1/15        | 150,000     | 147,000       |
| TNK-BP Finance SA, Senior Notes                      | 7.875%  | 3/13/18       | 220,000     | 241,175(c)    |
| UFJ Finance Aruba AEC                                | 6.750%  | 7/15/13       | 500,000     | 560,508       |
| UPC Germany GmbH, Senior Secured Bonds               | 8.125%  | 12/1/17       | 100,000     | 103,125(c)    |
| Vanguard Health Holdings Co., II LLC, Senior Notes   | 8.000%  | 2/1/18        | 215,000     | 209,087(c)    |
| <i>Total Diversified Financial Services</i>          |         |               |             | 7,061,590     |
| <b>Insurance 0.7%</b>                                |         |               |             |               |



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|  |         |          |           |              |
|--|---------|----------|-----------|--------------|
| XL Capital Ltd.  | 5.250%  | 9/15/14  | 1,000,000 | 1,033,740    |
| <b>Real Estate Investment Trusts (REITs) 0.2%</b>  |         |          |           |              |
| Ventas Realty LP/Ventas Capital Corp.,<br>Senior Notes                                     | 6.750%  | 4/1/17   | 260,000   | 266,941      |
| <b>Real Estate Management &amp; Development 0.2%</b>                                       |         |          |           |              |
| Ashton Woods USA LLC, Ashton<br>Woods Finance Co., Senior<br>Subordinated Notes, step bond | 0.000%  | 6/30/15  | 65,000    | 29,250(b)(c) |
| Realogy Corp., Senior Notes  | 10.500% | 4/15/14  | 170,000   | 146,625      |
| Realogy Corp., Senior Subordinated<br>Notes  | 12.375% | 4/15/15  | 165,000   | 120,038      |
| <i>Total Real Estate Management &amp; Development</i>                                      |         |          |           | 295,913      |
| <b>TOTAL FINANCIALS</b>  |         |          |           | 15,767,825   |
| <b>HEALTH CARE 1.3%</b>  |         |          |           |              |
| <b>Biotechnology 0.1%</b>  |         |          |           |              |
| Talecris Biotherapeutics Holdings Corp.,<br>Senior Notes                                   | 7.750%  | 11/15/16 | 90,000    | 90,450(c)    |
| <b>Health Care Providers &amp; Services<br/>1.2%</b>                                       |         |          |           |              |
| Community Health Systems Inc., Senior<br>Notes   | 8.875%  | 7/15/15  | 200,000   | 207,000      |
| HCA Inc., Debentures   | 7.500%  | 11/15/95 | 185,000   | 145,225      |
| HCA Inc., Notes  | 6.375%  | 1/15/15  | 430,000   | 408,500      |
| HCA Inc., Notes  | 7.690%  | 6/15/25  | 90,000    | 83,250       |
| HCA Inc., Senior Notes   | 6.250%  | 2/15/13  | 85,000    | 84,363       |
| HCA Inc., Senior Secured Notes   | 9.250%  | 11/15/16 | 195,000   | 207,309      |
| HCA Inc., Senior Secured Notes   | 9.625%  | 11/15/16 | 399,000   | 427,429(f)   |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (continued)

March 31, 2010

**WESTERN ASSET PREMIER BOND FUND**

| SECURITY   | RATE    | MATURITY DATE | FACE AMOUNT | VALUE            |
|--|---------|---------------|-------------|------------------|
| <b>Health Care Providers &amp; Services continued</b>                  |         |               |             |                  |
| US Oncology Holdings Inc., Senior Notes                                | 6.643%  | 3/15/12       | 283,000     | \$ 268,142(d)(f) |
| <i>Total Health Care Providers &amp; Services</i>                      |         |               |             | 1,831,218        |
| <b>TOTAL HEALTH CARE</b>   |         |               |             | 1,921,668        |
| <b>INDUSTRIALS 12.6%</b>   |         |               |             |                  |
| <b>Aerospace &amp; Defense 1.9%</b>                                    |         |               |             |                  |
| Boeing Co., Notes  | 6.125%  | 2/15/33       | 600,000     | 630,726          |
| L-3 Communications Corp., Senior Subordinated Notes                    | 6.375%  | 10/15/15      | 535,000     | 549,044          |
| Northrop Grumman Corp., Debentures                                     | 7.750%  | 2/15/31       | 1,000,000   | 1,225,518        |
| Systems 2001 Asset Trust   | 6.664%  | 9/15/13       | 158,117     | 167,010(c)       |
| TransDigm Inc., Senior Subordinated Notes                              | 7.750%  | 7/15/14       | 405,000     | 415,125(c)       |
| <i>Total Aerospace &amp; Defense</i>                                   |         |               |             | 2,987,423        |
| <b>Airlines 8.7%</b>   |         |               |             |                  |
| America West Airlines Inc., Ambac Assurance Corp.                      | 8.057%  | 7/2/20        | 2,557,991   | 2,455,671        |
| Continental Airlines Inc.  | 7.160%  | 9/24/14       | 529,126     | 523,835          |
| Continental Airlines Inc.  | 6.820%  | 5/1/18        | 913,728     | 896,595          |
| Continental Airlines Inc., Pass-Through Certificates                   | 6.900%  | 1/2/18        | 908,880     | 915,697          |
| Continental Airlines Inc., Pass-Through Certificates                   | 6.545%  | 2/2/19        | 1,139,517   | 1,162,307        |
| Continental Airlines Inc., Pass-Through Certificates                   | 6.703%  | 6/15/21       | 749,748     | 689,768          |
| Continental Airlines Inc., Pass-Through Certificates, 2000-1 A-1       | 8.048%  | 11/1/20       | 620,188     | 629,491          |
| DAE Aviation Holdings Inc., Senior Notes                               | 11.250% | 8/1/15        | 460,000     | 430,100(c)       |
| Delta Air Lines Inc., Pass-Through Certificates                        | 6.619%  | 3/18/11       | 51,313      | 51,184           |
| Delta Air Lines Inc., Secured Notes                                    | 8.021%  | 8/10/22       | 194,672     | 179,099          |
| Delta Air Lines Inc., Senior Secured Notes                             | 9.500%  | 9/15/14       | 75,000      | 78,844(c)        |
| Northwest Airlines Corp., Pass-Through Certificates                    | 7.575%  | 9/1/20        | 536,770     | 504,563          |
| Northwest Airlines Inc.  | 0.758%  | 2/6/15        | 2,848,209   | 2,520,665(d)     |
| US Airways Pass-Through Trust  | 6.850%  | 1/30/18       | 2,552,475   | 2,182,366        |
| <i>Total Airlines</i>  |         |               |             | 13,220,185       |
| <b>Commercial Services &amp; Supplies 0.9%</b>                         |         |               |             |                  |
| ACCO Brands Corp., Senior Secured Notes                                | 10.625% | 3/15/15       | 220,000     | 240,350(c)       |
| Altegrity Inc., Senior Subordinated Notes                              | 10.500% | 11/1/15       | 310,000     | 291,400(c)       |
| DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes | 9.500%  | 2/15/13       | 307,000     | 310,837          |
| RSC Equipment Rental Inc., Senior Notes                                | 9.500%  | 12/1/14       | 300,000     | 297,000          |
|  | 10.000% | 7/15/17       | 170,000     | 180,200(c)       |

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|   |         |          |         |              |
|---|---------|----------|---------|--------------|
| RSC Equipment Rental Inc., Senior Secured Notes                     |         |          |         |              |
| <i>Total Commercial Services &amp; Supplies</i>                     |         |          |         | 1,319,787    |
| <b>Industrial Conglomerates 0.3%</b>                                |         |          |         |              |
| Tyco International Ltd./Tyco International Finance SA, Senior Bonds | 6.875%  | 1/15/21  | 405,000 | 462,793      |
| <b>Marine 0.1%</b>  |         |          |         |              |
| Trico Shipping AS, Senior Secured Notes                             | 11.875% | 11/1/14  | 200,000 | 191,000(c)   |
| <b>Road &amp; Rail 0.4%</b>   |         |          |         |              |
| Kansas City Southern de Mexico, Senior Notes                        | 9.375%  | 5/1/12   | 116,000 | 118,900      |
| Kansas City Southern de Mexico, Senior Notes                        | 12.500% | 4/1/16   | 170,000 | 201,025      |
| RailAmerica Inc., Senior Secured Notes                              | 9.250%  | 7/1/17   | 234,000 | 249,503      |
| <i>Total Road &amp; Rail</i>  |         |          |         | 569,428      |
| <b>Trading Companies &amp; Distributors 0.3%</b>                    |         |          |         |              |
| Ashtead Capital Inc., Notes   | 9.000%  | 8/15/16  | 129,000 | 130,613(c)   |
| H&E Equipment Services Inc., Senior Notes                           | 8.375%  | 7/15/16  | 245,000 | 237,037      |
| Penhall International Corp., Senior Secured Notes                   | 12.000% | 8/1/14   | 100,000 | 75,250(b)(c) |
| <i>Total Trading Companies &amp; Distributors</i>                   |         |          |         | 442,900      |
| TOTAL INDUSTRIALS   |         |          |         | 19,193,516   |
| INFORMATION TECHNOLOGY 0.6%   |         |          |         |              |
| <b>IT Services 0.5%</b>   |         |          |         |              |
| Ceridian Corp., Senior Notes  | 12.250% | 11/15/15 | 138,450 | 132,912(f)   |
| Electronic Data Systems Corp., Notes                                | 7.450%  | 10/15/29 | 500,000 | 599,604      |
| <i>Total IT Services</i>  |         |          |         | 732,516      |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (continued)

March 31, 2010

**WESTERN ASSET PREMIER BOND FUND**

| SECURITY   | RATE    | MATURITY DATE | FACE AMOUNT | VALUE         |
|--|---------|---------------|-------------|---------------|
| <b>Semiconductors &amp; Semiconductor Equipment 0.1%</b>       |         |               |             |               |
| Advanced Micro Devices Inc., Senior Notes                      | 8.125%  | 12/15/17      | 50,000      | \$ 51,500(c)  |
| Freescale Semiconductor Inc., Senior Notes                     | 8.875%  | 12/15/14      | 25,000      | 23,875        |
| Freescale Semiconductor Inc., Senior Subordinated Notes        | 10.125% | 12/15/16      | 80,000      | 70,800        |
| <i>Total Semiconductors &amp; Semiconductor Equipment</i>      |         |               |             | 146,175       |
| <b>TOTAL INFORMATION TECHNOLOGY</b>                            |         |               |             | 878,691       |
| <b>MATERIALS 4.1%</b>  |         |               |             |               |
| <b>Chemicals 0.7%</b>  |         |               |             |               |
| Dow Chemical Co.   | 6.000%  | 10/1/12       | 1,000,000   | 1,088,574     |
| Westlake Chemical Corp., Senior Notes                          | 6.625%  | 1/15/16       | 70,000      | 68,250        |
| <i>Total Chemicals</i>   |         |               |             | 1,156,824     |
| <b>Construction Materials 0.1%</b>                             |         |               |             |               |
| Headwaters Inc., Senior Secured Notes                          | 11.375% | 11/1/14       | 90,000      | 93,938(c)     |
| <b>Metals &amp; Mining 1.9%</b>                                |         |               |             |               |
| Alcoa Inc.   | 5.375%  | 1/15/13       | 750,000     | 785,680       |
| CII Carbon LLC   | 11.125% | 11/15/15      | 580,000     | 585,800(c)    |
| Freeport-McMoRan Copper & Gold Inc., Senior Notes              | 8.375%  | 4/1/17        | 730,000     | 812,125       |
| Metals USA Inc., Senior Secured Notes                          | 11.125% | 12/1/15       | 445,000     | 467,250       |
| Novelis Inc., Senior Notes                                     | 7.250%  | 2/15/15       | 115,000     | 110,975       |
| Vedanta Resources PLC, Senior Notes                            | 8.750%  | 1/15/14       | 130,000     | 142,675(c)    |
| <i>Total Metals &amp; Mining</i>                               |         |               |             | 2,904,505     |
| <b>Paper &amp; Forest Products 1.4%</b>                        |         |               |             |               |
| Abitibi-Consolidated Co. of Canada, Senior Secured Notes       | 13.750% | 4/1/11        | 192,795     | 202,675(a)(c) |
| Appleton Papers Inc., Senior Secured Notes                     | 11.250% | 12/15/15      | 235,000     | 216,200(c)    |
| NewPage Corp., Senior Secured Notes                            | 11.375% | 12/31/14      | 595,000     | 592,025       |
| PE Paper Escrow GmbH, Senior Secured Notes                     | 12.000% | 8/1/14        | 100,000     | 113,000(c)    |
| Weyerhaeuser Co., Debentures                                   | 7.375%  | 3/15/32       | 1,000,000   | 963,763       |
| <i>Total Paper &amp; Forest Products</i>                       |         |               |             | 2,087,663     |
| <b>TOTAL MATERIALS</b>   |         |               |             | 6,242,930     |
| <b>TELECOMMUNICATION SERVICES 4.9%</b>                         |         |               |             |               |
| <b>Diversified Telecommunication Services 3.2%</b>             |         |               |             |               |
| Cincinnati Bell Telephone Co., Senior Debentures               | 6.300%  | 12/1/28       | 25,000      | 19,750        |
| Deutsche Telekom International Finance BV                      | 5.250%  | 7/22/13       | 600,000     | 643,405       |
| France Telecom SA, Notes                                       | 8.500%  | 3/1/31        | 600,000     | 795,867       |
| Hawaiian Telcom Communications Inc., Senior Subordinated Notes | 12.500% | 5/1/15        | 135,000     | 14(a)(b)      |
| Intelsat Corp., Senior Notes                                   | 9.250%  | 8/15/14       | 140,000     | 143,500       |
| Intelsat Jackson Holdings Ltd., Senior Notes                   | 9.500%  | 6/15/16       | 35,000      | 37,275        |

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|  |         |          |           |                  |
|--|---------|----------|-----------|------------------|
| Intelsat Jackson Holdings Ltd., Senior Notes             | 11.250% | 6/15/16  | 340,000   | 368,050          |
| Level 3 Financing Inc., Senior Notes                     | 9.250%  | 11/1/14  | 660,000   | 643,500          |
| Nordic Telephone Co. Holdings,<br>Senior Secured Bonds   | 8.875%  | 5/1/16   | 285,000   | 305,662(c)       |
| Qwest Communications International Inc.,<br>Senior Notes | 7.500%  | 2/15/14  | 140,000   | 142,450          |
| Qwest Corp., Senior Notes                                | 7.875%  | 9/1/11   | 390,000   | 413,400          |
| Qwest Corp., Senior Notes                                | 7.500%  | 10/1/14  | 150,000   | 163,875          |
| Wind Acquisition Finance SA, Senior<br>Bonds             | 12.000% | 12/1/15  | 500,000   | 540,000(c)       |
| Windstream Corp., Senior Notes                           | 8.625%  | 8/1/16   | 635,000   | 649,287          |
| <i>Total Diversified Telecommunication<br/>Services</i>  |         |          |           | <i>4,866,035</i> |
| <b>Wireless Telecommunication Services 1.7%</b>          |         |          |           |                  |
| Cingular Wireless LLC                                    | 6.500%  | 12/15/11 | 250,000   | 270,910          |
| Sprint Capital Corp., Senior Notes                       | 8.375%  | 3/15/12  | 1,450,000 | 1,508,000        |
| True Move Co., Ltd.                                      | 10.750% | 12/16/13 | 590,000   | 615,813(c)       |
| True Move Co., Ltd., Notes                               | 10.750% | 12/16/13 | 200,000   | 208,750(c)       |
| <i>Total Wireless Telecommunication Services</i>         |         |          |           | <i>2,603,473</i> |
| <b>TOTAL TELECOMMUNICATION SERVICES</b>                  |         |          |           | <b>7,469,508</b> |

*See Notes to Schedule of Investments.*

## Schedule of investments (unaudited) (continued)

March 31, 2010

## WESTERN ASSET PREMIER BOND FUND

| SECURITY   | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE         |
|--|---------|------------------|----------------|---------------|
| UTILITIES 6.2%   |         |                  |                |               |
| <b>Electric Utilities 3.1%</b>                                     |         |                  |                |               |
| Duke Energy Corp., Notes   | 6.250%  | 1/15/12          | 250,000        | \$ 271,297    |
| EEB International Ltd., Senior Bonds                               | 8.750%  | 10/31/14         | 820,000        | 910,200(c)    |
| FirstEnergy Corp., Notes   | 6.450%  | 11/15/11         | 27,000         | 28,638        |
| FirstEnergy Corp., Notes   | 7.375%  | 11/15/31         | 3,040,000      | 3,146,047     |
| MidAmerican Energy Holdings Co.,<br>Senior Notes                   | 5.875%  | 10/1/12          | 250,000        | 272,909       |
| Orion Power Holdings Inc., Senior<br>Notes                         | 12.000% | 5/1/10           | 150,000        | 150,562       |
| <i>Total Electric Utilities</i>                                    |         |                  |                | 4,779,653     |
| <b>Gas Utilities 0.0%</b>  |         |                  |                |               |
| Southern Natural Gas Co., Senior Notes                             | 8.000%  | 3/1/32           | 20,000         | 22,546        |
| <b>Independent Power Producers &amp; Energy Traders 2.5%</b>       |         |                  |                |               |
| AES Corp., Senior Notes  | 9.750%  | 4/15/16          | 360,000        | 389,700(c)    |
| AES Corp., Senior Notes  | 8.000%  | 10/15/17         | 525,000        | 532,875       |
| AES Corp., Senior Notes  | 8.000%  | 6/1/20           | 100,000        | 99,625        |
| Dynegy Holdings Inc., Senior Notes                                 | 7.750%  | 6/1/19           | 360,000        | 271,800       |
| Edison Mission Energy, Senior Notes                                | 7.750%  | 6/15/16          | 180,000        | 131,400       |
| Edison Mission Energy, Senior Notes                                | 7.625%  | 5/15/27          | 179,000        | 114,560       |
| Energy Future Holdings Corp., Senior<br>Notes                      | 11.250% | 11/1/17          | 1,775,288      | 1,207,196(f)  |
| NRG Energy Inc., Senior Notes                                      | 7.375%  | 2/1/16           | 815,000        | 808,888       |
| NRG Energy Inc., Senior Notes                                      | 7.375%  | 1/15/17          | 225,000        | 222,750       |
| <i>Total Independent Power Producers &amp; Energy Traders</i>      |         |                  |                | 3,778,794     |
| <b>Multi-Utilities 0.6%</b>  |         |                  |                |               |
| Dominion Resources Inc., Senior Notes                              | 5.700%  | 9/17/12          | 770,000        | 834,355       |
| TOTAL UTILITIES  |         |                  |                | 9,415,348     |
| TOTAL CORPORATE BONDS & NOTES (Cost \$96,257,120)                  |         |                  |                | 98,068,433    |
| ASSET-BACKED SECURITIES  |         |                  |                |               |
| 27.6%  |         |                  |                |               |
| FINANCIALS 27.6%   |         |                  |                |               |
| <b>Automobiles 0.5%</b>  |         |                  |                |               |
| AmeriCredit Automobile Receivables<br>Trust,<br>2007-CM A3B        | 0.258%  | 5/7/12           | 730,498        | 729,190(d)    |
| <b>Diversified Financial Services 1.6%</b>                         |         |                  |                |               |
| Global Franchise Trust, 1998-1 A2                                  | 6.659%  | 10/10/11         | 737,380        | 626,773(c)    |
| Green Tree Recreational Equipment &<br>Consumer Trust, 1996-C CTFS | 7.650%  | 10/15/17         | 190,700        | 166,528       |
| PAMCO CLO, 1997-1A B   | 7.910%  | 8/6/10           | 877,453        | 131,618(a)    |
| Pegasus Aviation Lease Securitization,<br>2000-1 A2                | 8.370%  | 3/25/30          | 1,600,000      | 544,000(c)(e) |
| Settlement Fee Finance LLC, 2004-1A<br>A                           | 9.100%  | 7/25/34          | 1,076,327      | 968,694(c)(e) |

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|  |        |          |           |                  |
|--|--------|----------|-----------|------------------|
| <i>Total Diversified Financial Services</i>                            |        |          |           | 2,437,613        |
| <b>Home Equity 18.0%</b>   |        |          |           |                  |
| ABFS Mortgage Loan Trust, 2002-3 M1                                    | 5.902% | 9/15/33  | 1,130,000 | 820,895          |
| ACE Securities Corp., 2005-SD1 A1                                      | 0.646% | 11/25/50 | 47,618    | 46,529(d)        |
| Bayview Financial Acquisition Trust,<br>2007-B 2A1                     | 0.547% | 8/28/47  | 1,336,642 | 1,227,255(d)     |
| Bayview Financial Asset Trust,<br>2004-SSRA A1                         | 0.846% | 12/25/39 | 453,343   | 324,140(c)(d)(e) |
| Bayview Financial Asset Trust,<br>2007-SR1A A                          | 0.696% | 3/25/37  | 2,474,164 | 1,484,499(c)(d)  |
| Bayview Financial Asset Trust,<br>2007-SR1A M3                         | 1.396% | 3/25/37  | 617,139   | 253,027(c)(d)    |
| Bayview Financial Asset Trust,<br>2007-SR1A M4                         | 1.746% | 3/25/37  | 168,311   | 38,817(c)(d)(e)  |
| Bear Stearns Asset Backed Securities<br>Trust,<br>2006-SD3 1P0, STRIPS | 0.000% | 8/25/36  | 1,445,411 | 895,287          |
| Bear Stearns Asset Backed Securities<br>Trust,<br>2007-SD1 1A3A        | 6.500% | 10/25/36 | 1,391,866 | 721,916          |
| Centex Home Equity Loan Trust,<br>2003-B AF4                           | 3.735% | 2/25/32  | 349,152   | 288,901          |
| Citigroup Mortgage Loan Trust Inc.,<br>2006-SHL1 A1                    | 0.446% | 11/25/45 | 268,002   | 201,102(c)(d)    |
| Citigroup Mortgage Loan Trust Inc.,<br>2007-SHL1 A                     | 0.646% | 11/25/46 | 1,217,476 | 567,248(c)(d)    |
| Contimortgage Home Equity Trust,<br>1997-4 B1F                         | 7.330% | 10/15/28 | 495,873   | 420,823          |
| Countrywide Asset-Backed Certificates,<br>2007-13 2A1                  | 1.146% | 10/25/47 | 1,276,751 | 852,658(d)       |
| Countrywide Asset-Backed Certificates,<br>2007-SEA2 1A1                | 1.246% | 8/25/47  | 70,741    | 39,137(c)(d)     |
| Countrywide Home Equity Loan Trust,<br>2006-HW 2A1B                    | 0.380% | 11/15/36 | 710,510   | 515,337(d)       |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (continued)

March 31, 2010

**WESTERN ASSET PREMIER BOND FUND**

| SECURITY  | RATE   | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE         |
|---|--------|------------------|----------------|---------------|
| <b>Home Equity continued</b>  |        |                  |                |               |
| Countrywide Home Equity Loan Trust, 2007-B A                        | 0.380% | 2/15/37          | 870,898        | \$ 698,162(d) |
| Countrywide Home Equity Loan Trust,<br>2007-GW A                    | 0.980% | 8/15/37          | 2,515,210      | 1,852,388(d)  |
| Credit-Based Asset Servicing and Securitization,<br>2004-CB2 M1     | 0.766% | 7/25/33          | 2,209,205      | 1,600,569(d)  |
| Credit-Based Asset Servicing and Securitization<br>LLC, 2005-RP1 M1 | 0.866% | 1/25/35          | 780,000        | 669,662(c)(d) |
| CS First Boston Mortgage Securities Corp.,<br>2004-CF2 2A1          | 0.716% | 5/25/44          | 94,025         | 81,228(c)(d)  |
| Ellington Loan Acquisition Trust, 2007-1 A2A1                       | 1.246% | 5/26/37          | 313,916        | 274,233(c)(d) |
| EMC Mortgage Loan Trust, 2003-B A1                                  | 0.796% | 11/25/41         | 130,921        | 114,649(c)(d) |
| First Horizon ABS Trust, 2007-HE1 A                                 | 0.376% | 9/25/29          | 1,000,775      | 698,941(d)    |
| Fremont Home Loan Trust, 2006-2 2A2                                 | 0.424% | 2/25/36          | 594,415        | 587,220(d)    |
| GMAC Mortgage Corp. Loan Trust, 2004-VF1 A1                         | 0.996% | 2/25/31          | 630,965        | 454,247(c)(d) |
| Green Tree Home Improvement Loan Trust,<br>1996-D HIB2              | 8.000% | 9/15/27          | 72,116         | 48,674        |
| GSAA Home Equity Trust, 2006-19 A3A                                 | 0.486% | 12/25/36         | 1,000,000      | 437,176(d)    |
| GSAMP Trust, 2003-SEA2 A1   | 4.422% | 7/25/33          | 2,200,494      | 1,741,330     |
| IXIS Real Estate Capital Trust, 2005-HE3 A4                         | 0.616% | 12/25/35         | 3,847          | 3,841(d)      |
| Lehman XS Trust, 2006-GP4 3A1A                                      | 0.316% | 8/25/46          | 153,612        | 148,880(d)    |
| Lehman XS Trust, 2007-1 WF1   | 7.000% | 1/25/37          | 1,049,701      | 499,825       |
| Morgan Stanley ABS Capital I, 2003-SD1 A1                           | 0.746% | 3/25/33          | 25,114         | 18,958(d)     |
| MSDWCC Heloc Trust, 2003-2 A  | 0.506% | 4/25/16          | 202,887        | 151,274(d)    |
| New Century Home Equity Loan Trust, 2004-2 A2                       | 0.616% | 8/25/34          | 475,320        | 323,782(d)    |
| Park Place Securities Inc., 2004-WCW1 M2                            | 0.926% | 9/25/34          | 1,900,000      | 1,537,273(d)  |
| Park Place Securities Inc., 2004-WHQ2 M2                            | 0.876% | 2/25/35          | 750,000        | 612,142(d)    |
| RAAC Series, 2007-RP1 M1  | 0.796% | 5/25/46          | 210,000        | 7,313(c)(d)   |
| Renaissance Home Equity Loan Trust, 2004-2 AF4                      | 5.392% | 7/25/34          | 718,782        | 645,384       |
| Renaissance Home Equity Loan Trust, 2005-3 AV3                      | 0.626% | 11/25/35         | 800,000        | 643,947(d)    |
| Residential Asset Mortgage Products Inc.,<br>2004-RZ1 AII           | 0.726% | 3/25/34          | 409,329        | 252,269(d)    |
| Residential Asset Securities Corp., 2001-KS3 AII                    | 0.706% | 9/25/31          | 303,628        | 213,279(d)    |
| Residential Asset Securities Corp., 2002-KS2 AI6                    | 6.228% | 4/25/32          | 807,287        | 732,944(d)    |
| Residential Asset Securities Corp., 2003-KS8 AI6                    | 4.830% | 10/25/33         | 1,095,460      | 1,015,883(d)  |
| Salomon Brothers Mortgage Securities VII,<br>2002-CIT1              | 0.846% | 3/25/32          | 146,436        | 144,658(d)    |
| Saxon Asset Securities Trust, 2000-2 MF1                            | 8.870% | 7/25/30          | 80,386         | 79,210(d)     |
| Structured Asset Securities Corp., 2002-AL1 A3                      | 3.450% | 2/25/32          | 955,449        | 803,974       |
| Structured Asset Securities Corp., 2003-AL1 A                       | 3.357% | 4/25/31          | 135,880        | 120,663(c)    |
| Structured Asset Securities Corp., 2005-4XS 2A1A                    | 1.979% | 3/25/35          | 665,817        | 497,315(d)    |
| Structured Asset Securities Corp., 2007-BC1 A2                      | 0.296% | 2/25/37          | 797,443        | 754,430(d)    |
| Wachovia Asset Securitization Inc., 2002-HE1                        | 0.616% | 9/27/32          | 214,115        | 154,441(d)    |
| Wachovia Asset Securitization Inc., 2002-HE2                        | 0.676% | 12/25/32         | 78,838         | 53,590(d)     |
| Wachovia Asset Securitization Inc., 2003-HE1                        | 0.536% | 3/25/33          | 29,520         | 18,507(d)     |



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|  |        |          |           |                 |
|--|--------|----------|-----------|-----------------|
| <i>Total Home Equity</i>   |        |          |           | 27,389,832      |
| <b>Manufactured Housing 7.5%</b>                                     |        |          |           |                 |
| Associates Manufactured Housing Pass Through Certificates, 1997-CLB2 | 8.900% | 6/15/28  | 3,063,819 | 2,810,748(e)    |
| Bank of America Manufactured Housing Contract Trust, 1997-2M         | 6.900% | 4/10/28  | 100,000   | 136,632(d)      |
| Conseco Finance Securitizations Corp., 2002-1 A                      | 6.681% | 12/1/33  | 433,350   | 428,633(d)      |
| Firstfed Corp. Manufactured Housing Contract, 1996-1 B               | 8.060% | 10/15/22 | 2,100,000 | 2,058,000(c)(e) |
| Green Tree Financial Corp., 1992-2 B                                 | 9.150% | 1/15/18  | 204,669   | 132,988         |
| Green Tree Financial Corp., 1993-1 B                                 | 8.450% | 4/15/18  | 271,884   | 233,234         |
| Greenpoint Manufactured Housing, 1999-5 A5                           | 7.820% | 12/15/29 | 706,000   | 679,254(d)      |
| Indymac Manufactured Housing Contract, 1997-1 A5                     | 6.970% | 2/25/28  | 278,378   | 198,757         |
| Merit Securities Corp., 13 A4  | 7.954% | 12/28/33 | 3,288,701 | 3,290,267(d)    |
| Oakwood Mortgage Investors Inc., 2002-B A3                           | 6.060% | 3/15/25  | 296,331   | 245,258(d)      |
| Oakwood Mortgage Investors Inc., 2002-C AIO, STRIPS                  | 6.000% | 8/15/10  | 474,640   | 15,685(b)(e)    |
| Vanderbilt Mortgage Finance, 1997-B 1B2                              | 8.155% | 10/7/26  | 445,098   | 374,075         |
| Vanderbilt Mortgage Finance, 1997-C 1B2                              | 7.830% | 8/7/27   | 120,283   | 111,853(d)      |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (continued)

March 31, 2010

**WESTERN ASSET PREMIER BOND FUND**

| SECURITY   | RATE   | MATURITY DATE | FACE AMOUNT | VALUE             |
|--|--------|---------------|-------------|-------------------|
| <b>Manufactured Housing continued</b>                            |        |               |             |                   |
| Vanderbilt Mortgage Finance, 2000-B IB2                          | 9.250% | 7/7/30        | 863,282     | \$ 678,996(d)     |
| <i>Total Manufactured Housing</i>                                |        |               |             | <i>11,394,380</i> |
| TOTAL ASSET-BACKED SECURITIES (Cost \$40,259,494)                |        |               |             | 41,951,015        |
| <b>COLLATERALIZED MORTGAGE OBLIGATIONS 37.2%</b>                 |        |               |             |                   |
| American Home Mortgage Investment Trust, 2007-A 4A               | 0.696% | 7/25/46       | 877,709     | 417,453(c)(d)     |
| Bayview Commercial Asset Trust, 2005-3A A2                       | 0.646% | 11/25/35      | 769,100     | 465,152(c)(d)     |
| Bayview Commercial Asset Trust, 2005-4A A1                       | 0.546% | 1/25/36       | 441,376     | 318,244(c)(d)     |
| Bayview Commercial Asset Trust, 2007-5A A1                       | 0.896% | 10/25/37      | 108,018     | 107,567(c)(d)     |
| BCAP LLC Trust, 2009-RR12 2A2                                    | 0.589% | 3/26/35       | 1,844,014   | 553,204(c)(d)(e)  |
| Bear Stearns Alt-A Trust, 2004-3 A1                              | 0.886% | 4/25/34       | 545,880     | 413,315(d)        |
| Bear Stearns Alt-A Trust, 2004-8 1A                              | 0.596% | 9/25/34       | 298,074     | 243,883(d)        |
| Bear Stearns Alt-A Trust, 2005-10 21A1                           | 3.716% | 1/25/36       | 1,330,713   | 744,319(d)        |
| Bear Stearns Asset Backed Securities Trust,                      |        |               |             |                   |
| 2002-AC1 B4  | 7.000% | 1/25/32       | 961,642     | 177,589(c)        |
| Bella Vista Mortgage Trust, 2004-2 A1                            | 0.616% | 2/25/35       | 2,339,820   | 1,473,332(d)      |
| BlackRock Capital Finance LP, 1997-R2 B5                         | 6.188% | 12/25/35      | 472,820     | 8,865(c)(d)       |
| CBA Commercial Small Balance Commercial Trust, 2005-1A           | 0.566% | 7/25/35       | 1,826,846   | 913,423(c)(d)     |
| Chevy Chase Mortgage Funding Corp., 2004-3A A1                   | 0.496% | 8/25/35       | 1,697,326   | 1,056,689(c)(d)   |
| Chevy Chase Mortgage Funding Corp., 2004-4A A1                   | 0.476% | 10/25/35      | 2,439,128   | 1,422,404(c)(d)   |
| Chevy Chase Mortgage Funding Corp., 2005-4A A1                   | 0.446% | 10/25/36      | 2,194,204   | 1,075,171(c)(d)   |
| CNL Funding, 1998-1 C2   | 0.986% | 9/18/11       | 3,360,000   | 974,400(c)(d)(e)  |
| Countrywide Alternative Loan Trust, 2005-J12                     | 0.516% | 8/25/35       | 295,025     | 168,025(d)        |
| Countrywide Home Loan Mortgage Pass-Through Trust, 2004-HYB5 7A1 | 2.312% | 4/20/35       | 3,839,157   | 3,064,707(d)      |
| Countrywide Home Loan Mortgage Pass-Through Trust, 2005-9 1A1    | 0.546% | 5/25/35       | 1,837,617   | 1,088,929(d)      |
| Countrywide Home Loans, 2004-R1 1AF                              | 0.646% | 11/25/34      | 2,088,602   | 1,673,858(c)(d)   |
| Countrywide Home Loans, 2004-R2 1AF1                             | 0.666% | 11/25/34      | 633,608     | 511,885(c)(d)     |
| Countrywide Home Loans, 2005-7 1A1                               | 0.516% | 3/25/35       | 1,568,718   | 1,181,391(d)      |
| Credit Suisse Mortgage Capital Certificates,                     |        |               |             |                   |
| 2007-C3 A4   | 5.723% | 6/15/39       | 242,000     | 217,992(d)        |

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|   |        |          |           |                  |
|---|--------|----------|-----------|------------------|
| GMAC Commercial Mortgage Securities Inc., 1998-C2 F     | 6.500% | 5/15/35  | 1,000,000 | 1,044,471        |
| Greenpoint Mortgage Funding Trust, 2005-AR5 2A2         | 0.516% | 11/25/46 | 3,317,223 | 771,845(d)       |
| Greenpoint Mortgage Funding Trust, 2005-AR5 3A2         | 0.516% | 11/25/46 | 2,020,857 | 574,174(d)       |
| GSMPS Mortgage Loan Trust, 2001-2 A                     | 7.500% | 6/19/32  | 1,734,620 | 1,427,761(c)(d)  |
| GSMPS Mortgage Loan Trust, 2005-RP1 1AF                 | 0.596% | 1/25/35  | 304,911   | 252,419(c)(d)    |
| GSMPS Mortgage Loan Trust, 2005-RP1 2A1                 | 4.789% | 1/25/35  | 1,737,513 | 1,418,773(c)(d)  |
| GSMPS Mortgage Loan Trust, 2005-RP3 1AF                 | 0.596% | 9/25/35  | 1,415,678 | 1,127,156(c)(d)  |
| Harborview Mortgage Loan Trust, 2004-10 4A              | 2.953% | 1/19/35  | 501,080   | 444,441(d)       |
| Harborview Mortgage Loan Trust, 2004-8 3A2              | 0.637% | 11/19/34 | 203,896   | 111,315(d)       |
| Harborview Mortgage Loan Trust, 2005-9 B10              | 1.990% | 6/20/35  | 1,136,666 | 101,912(d)       |
| Impac CMB Trust, 2004-9 1A1                             | 1.006% | 1/25/35  | 62,281    | 44,156(d)        |
| Impac CMB Trust, 2A-10                                  | 0.886% | 3/25/35  | 521,731   | 239,326(d)       |
| Indymac Index Mortgage Loan Trust, 2005-AR14 BX, STRIPS | 2.400% | 7/25/35  | 3,231,880 | 64,638(b)(e)     |
| Indymac Index Mortgage Loan Trust, 2007-AR15 2A1        | 5.552% | 8/25/37  | 5,855,529 | 2,859,095(d)     |
| Jefferies & Co., 2009-B 9A                              | 0.559% | 11/21/35 | 220,916   | 310,585(c)(d)(e) |
| JPMorgan Mortgage Trust, 2007-A2 4A2                    | 5.992% | 4/25/37  | 300,000   | 229,011(d)       |
| LB-UBS Commercial Mortgage Trust, 2001-C3 X, STRIPS     | 0.912% | 6/15/36  | 2,464,699 | 21,723(b)(c)(d)  |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (continued)

March 31, 2010

**WESTERN ASSET PREMIER BOND FUND**

| SECURITY  | RATE   | MATURITY<br>DATE | FACE<br>AMOUNT |    | VALUE               |
|---|--------|------------------|----------------|----|---------------------|
| Luminent Mortgage Trust, 2006-6 A1  | 0.446% | 10/25/46         | 1,257,234      | \$ | 705,967(d)          |
| MASTR Alternative Loans Trust, PAC,<br>2003-7 7A1                               | 0.646% | 11/25/33         | 406,104        |    | 388,045(d)          |
| MASTR ARM Trust, 2004-13 3A7  | 3.096% | 11/21/34         | 2,000,000      |    | 1,764,050(d)        |
| MASTR ARM Trust, 2004-7 6M1   | 0.896% | 8/25/34          | 800,000        |    | 586,437(d)          |
| Merit Securities Corp., 11PA B3   | 2.497% | 9/28/32          | 850,000        |    | 230,646(c)(d)       |
| Merrill Lynch Mortgage Investors Inc., 2005-A2                                  | 2.801% | 2/25/35          | 430,522        |    | 393,405(d)          |
| Metropolitan Asset Funding Inc., 1998-BI B1                                     | 8.000% | 11/20/24         | 911,728        |    | 402,824(d)          |
| Morgan Stanley Capital I, 1999-LIFE E   | 7.035% | 4/15/33          | 2,939,322      |    | 2,924,948(d)        |
| Nomura Asset Acceptance Corp., 2004-AR4 1A1                                     | 2.692% | 12/25/34         | 549,402        |    | 482,844(d)          |
| Prime Mortgage Trust, 2005-2 2XB, STRIPS  | 1.740% | 10/25/32         | 3,689,065      |    | 111,779(d)          |
| Prime Mortgage Trust, 2005-5 1X, STRIPS   | 0.920% | 7/25/34          | 9,088,514      |    | 218,510(d)          |
| Prime Mortgage Trust, 2005-5 1XB, STRIPS  | 1.430% | 7/25/34          | 3,146,718      |    | 56,956(d)           |
| Regal Trust IV 1999-1   | 3.594% | 9/29/31          | 125,031        |    | 112,528(c)(d)(e)    |
| Residential Asset Mortgage Products Inc.,<br>2004-SL4 A5                        | 7.500% | 7/25/32          | 1,523,522      |    | 1,477,817           |
| Residential Asset Mortgage Products, Inc.,<br>2005-SL2 AP0, STRIPS              | 0.000% | 2/25/32          | 368,762        |    | 261,397             |
| Residential Asset Securitization Trust,<br>2003-A1 A2                           | 0.746% | 3/25/33          | 500,254        |    | 456,808(d)          |
| Sequoia Mortgage Trust, 2003-2 A2   | 0.931% | 6/20/33          | 58,017         |    | 49,628(d)           |
| Sequoia Mortgage Trust, 2004-10 A1A   | 0.550% | 11/20/34         | 31,037         |    | 28,015(d)           |
| Sequoia Mortgage Trust, 2004-11 A1  | 0.540% | 12/20/34         | 47,499         |    | 39,466(d)           |
| Sequoia Mortgage Trust, 2004-12 A1  | 0.510% | 1/20/35          | 388,625        |    | 323,624(d)          |
| Structured Asset Securities Corp., 1998-RF2 A                                   | 8.183% | 7/15/27          | 524,759        |    | 512,480(c)(d)       |
| Structured Asset Securities Corp., 2002-9 A2                                    | 0.546% | 10/25/27         | 1,139,743      |    | 926,175(d)          |
| Structured Asset Securities Corp., 2004-NP1 A                                   | 0.646% | 9/25/33          | 280,507        |    | 237,028(b)(c)(d)(e) |
| Structured Asset Securities Corp., 2005-4XS 3A4                                 | 4.790% | 3/25/35          | 890,000        |    | 819,691             |
| Structured Asset Securities Corp., 2005-RF3 2A                                  | 4.829% | 6/25/35          | 2,324,138      |    | 1,919,612(c)(d)     |
| Thornburg Mortgage Securities Trust, 2003-4 A1                                  | 0.566% | 9/25/43          | 1,079,607      |    | 941,130(d)          |
| Thornburg Mortgage Securities Trust, 2004-03 A                                  | 0.616% | 9/25/44          | 1,082,164      |    | 937,631(d)          |
| Thornburg Mortgage Securities Trust, 2007-4<br>2A1                              | 6.198% | 9/25/37          | 883,018        |    | 786,446(d)          |
| Thornburg Mortgage Securities Trust, 2007-4<br>3A1                              | 6.201% | 9/25/37          | 901,525        |    | 770,202(d)          |
| WaMu Mortgage Pass-Through Certificates,<br>2004-AR13 A2A                       | 0.620% | 11/25/34         | 2,220,031      |    | 1,527,396(d)        |
| WaMu Mortgage Pass-Through Certificates,<br>2007-HY7 2A3                        | 5.790% | 7/25/37          | 2,000,000      |    | 1,289,139(d)        |
| Washington Mutual Alternative Mortgage<br>Pass-Through Certificates, 2006-5 3A3 | 6.221% | 7/25/36          | 896,185        |    | 476,400             |
| Washington Mutual Alternative Mortgage<br>Pass-Through Certificates, 2006-7 A2A | 5.667% | 9/25/36          | 1,519,910      |    | 677,500             |
| Washington Mutual Alternative Mortgage<br>Pass-Through Certificates, 2006-7 A3  | 6.081% | 9/25/36          | 185,000        |    | 85,538              |

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|   |        |          |           |              |
|---|--------|----------|-----------|--------------|
| Washington Mutual Inc., 2004-AR11   | 2.890% | 10/25/34 | 98,334    | 90,071(d)    |
| Washington Mutual Inc., 2004-AR12 A2A   | 0.640% | 10/25/44 | 214,768   | 145,090(d)   |
| Washington Mutual Inc., 2005-AR06 2A1A  | 0.476% | 4/25/45  | 466,432   | 372,095(d)   |
| Washington Mutual Inc., 2005-AR8 2A1A   | 0.536% | 7/25/45  | 515,127   | 397,682(d)   |
| Washington Mutual Inc. Mortgage Pass-Through<br>Certificates, 2004-AR13 A1A   | 0.610% | 11/25/34 | 1,578,601 | 1,292,029(d) |
| Washington Mutual Inc. Pass-Through<br>Certificates, 2005-AR19 A1A1           | 0.516% | 12/25/45 | 856,069   | 652,372(d)   |
| Washington Mutual Inc., Mortgage Pass-Through<br>Certificates, 2005-AR08 1A1A | 0.516% | 7/25/45  | 35,925    | 28,318(d)    |
| Washington Mutual Inc., Mortgage Pass-Through<br>Certificates, 2005-AR13 A1A1 | 0.536% | 10/25/45 | 415,452   | 320,187(d)   |
| Washington Mutual Inc., Mortgage Pass-Through<br>Certificates, 2005-AR9 A1A   | 0.566% | 7/25/45  | 252,781   | 187,942(d)   |
| Washington Mutual Inc., MSC Pass-Through<br>Certificates, 2004-RA1 2A         | 7.000% | 3/25/34  | 62,764    | 64,633       |

*See Notes to Schedule of Investments.*



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|   |        |          |         |            |
|---|--------|----------|---------|------------|
| CONVERTIBLE PREFERRED                                 |        |          |         |            |
| STOCKS 1.5%   |        |          |         |            |
| CONSUMER DISCRETIONARY 1.3%                           |        |          |         |            |
| <b>Automobiles 1.3%</b>                               |        |          |         |            |
| Motors Liquidation Co., Senior                        |        |          |         |            |
| Debentures, Series B                                  | 5.250% | 3/6/32   | 225,000 | 1,919,250* |
| FINANCIALS 0.2%                                       |        |          |         |            |
| <b>Diversified Financial Services 0.2%</b>            |        |          |         |            |
| Citigroup Inc.  | 7.500% | 12/15/12 | 2,200   | 268,136    |
| <b>Thriffs &amp; Mortgage Finance 0.0%</b>            |        |          |         |            |
| Federal National Mortgage Association                 |        |          |         |            |
| (FNMA)  | 5.375% |          | 15      | 45,000*    |
| TOTAL FINANCIALS                                      |        |          |         | 313,136    |
| TOTAL CONVERTIBLE PREFERRED STOCKS (Cost \$5,263,000) |        |          |         | 2,232,386  |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (continued)

March 31, 2010

**WESTERN ASSET PREMIER BOND FUND**

| SECURITY   | RATE            | SHARES      | VALUE        |
|--|-----------------|-------------|--------------|
| PREFERRED STOCKS 4.5%  |                 |             |              |
| CONSUMER DISCRETIONARY 2.4%  |                 |             |              |
| <b>Automobiles 2.4%</b>  |                 |             |              |
| Corts-Ford Motor Co.   | 8.000%          | 155,100     | \$ 3,672,768 |
| <b>Media 0.0%</b>  |                 |             |              |
| CMP Susquehanna Radio Holdings Corp.   | 0.000%          | 3,171       | 3*(b)(c)(e)  |
| TOTAL CONSUMER DISCRETIONARY   |                 |             | 3,672,771    |
| <b>FINANCIALS 2.1%</b>   |                 |             |              |
| <b>Diversified Financial Services 2.1%</b>   |                 |             |              |
| Corp-Backed Trust Certificates   | 8.000%          | 15,600      | 362,544      |
| Corporate-Backed Trust Certificates, Series 2001-8, Class A-1  | 7.375%          | 33,900      | 267,810*(a)  |
| Preferred Plus, Series FMC1 Trust  | 8.250%          | 5,100       | 120,870      |
| SATURNS-F, 2003-5  | 8.125%          | 104,100     | 2,457,801    |
| <i>Total Diversified Financial Services</i>  |                 |             | 3,209,025    |
| <b>Thriffs &amp; Mortgage Finance 0.0%</b>   |                 |             |              |
| Federal Home Loan Mortgage Corp. (FHLMC)   | 5.000%          | 200         | 310*         |
| Federal Home Loan Mortgage Corp. (FHLMC)   | 5.160%          | 100         | 144*         |
| Federal Home Loan Mortgage Corp. (FHLMC)   | 8.375%          | 20,500      | 26,035*(d)   |
| <i>Total Thriffs &amp; Mortgage Finance</i>  |                 |             | 26,489       |
| TOTAL FINANCIALS   |                 |             | 3,235,514    |
| TOTAL PREFERRED STOCKS (Cost \$5,559,688)  |                 |             | 6,908,285    |
|  | EXPIRATION DATE | WARRANTS    |              |
| WARRANTS 0.0%  |                 |             |              |
| Buffets Restaurant Holdings  | 4/28/14         | 224         | 2*(b)(e)     |
| Charter Communications Inc.  | 11/30/14        | 265         | 1,060*       |
| CNB Capital Trust  | 3/23/19         | 3,624       | 4*(b)(c)(e)  |
| Nortek Inc.  | 12/7/14         | 576         | 1,440*(e)    |
| SemGroup Corp.   | 11/30/14        | 831         | 6,230*(b)    |
| TOTAL WARRANTS (Cost \$7,974)  |                 |             | 8,736        |
| TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost \$216,179,472)   |                 |             | 214,028,787  |
|  | MATURITY DATE   | FACE AMOUNT |              |
| SHORT-TERM INVESTMENTS 4.6%  |                 |             |              |
| <b>U.S. Government Obligations 1.9%</b>  |                 |             |              |
| U.S. Treasury Bills (Cost - \$2,799,662)   | 0.155%          | 4/29/10     | 2,800,000    |
| <b>Repurchase Agreement 2.7%</b>   |                 |             |              |
| Morgan Stanley repurchase agreement dated 3/31/10; Proceeds at maturity - \$4,120,001; (Fully collateralized by U.S. | 0.010%          | 4/1/10      | 4,120,000    |



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|   |    |              |
|---|----|--------------|
| government agency obligation, 2.100%            |    |              |
| due 10/5/12; Market value - \$4,202,532)        |    |              |
| (Cost - \$4,120,000)                            |    |              |
| TOTAL SHORT-TERM INVESTMENTS (Cost \$6,919,662) |    | 6,919,662    |
| TOTAL INVESTMENTS 145.6% (Cost \$223,099,134#)  |    | 220,948,449  |
| Other Assets in Excess of Liabilities 1.9%      |    | 2,845,793    |
| Liquidation value of Preferred Shares (47.4)%   |    | (72,000,000) |
| TOTAL NET ASSETS 100.0%                         | \$ | 151,794,242  |

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

- \* Non-income producing security.
- (a) The coupon payment on these securities is currently in default as of March 31, 2010.
- (b) Illiquid security.
- (c) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Trustees, unless otherwise noted.
- (d) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2010.
- (e) Security is valued in good faith at fair value by or under the direction of the Board of Trustees (See Note 1).
- (f) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (g) Rate shown represents yield-to-maturity.

*See Notes to Schedule of Investments.*

Schedule of investments (**unaudited**) (**continued**)

March 31, 2010

**WESTERN ASSET PREMIER BOND FUND**

# Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

|        |  |
|--------|--|
| ARM    | - Adjustable Rate Mortgage   |
| BRL    | - Brazilian Real   |
| CMB    | - Cash Management Bill   |
| GSAMP  | - Goldman Sachs Alternative Mortgage Products                      |
| MASTR  | - Mortgage Asset Securitization Transactions Inc.                  |
| PAC    | - Planned Amortization Class                                       |
| STRIPS | - Separate Trading of Registered Interest and Principal Securities |

*See Notes to Schedule of Investments.*

Notes to Schedule of Investments (unaudited)

1. Organization and Significant Accounting Policies

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

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

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

**(a) Investment Valuation. Debt securities are valued at the last quoted bid price provided by an independent pricing service that are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the bid price as of the close of business of that market. Equity securities for which market quotations are readily available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. When prices are not readily available, or are determined not to reflect fair**

(a) Investment Valuation. Debt securities are valued at the last quoted bid price provided by an independent pricing

**value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities at fair value as determined in accordance with procedures approved by the Fund's Board of Trustees. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade.**

The Fund has adopted Financial Accounting Standards Board Codification Topic 820 ( ASC Topic 820 ). ASC Topic 820 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

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

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of the security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to convert future amounts of cash flow to a single present amount.

Notes to Schedule of Investments (unaudited) (continued)

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

| DESCRIPTION   | QUOTED<br>PRICES<br>(LEVEL 1) | OTHER<br>SIGNIFICANT<br>OBSERVABLE<br>INPUTS<br>(LEVEL 2) | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS<br>(LEVEL 3) | TOTAL          |
|---|-------------------------------|---|--|----------------|
| Long-term investments :                                 |                               |   |  |                |
| Corporate bonds & notes                                 |                               | \$ 98,064,248   | \$ 4,185   | \$ 98,068,433  |
| Asset-backed securities                                 |                               | 38,132,756  | 3,818,259  | 41,951,015     |
| Collateralized mortgage obligations                     |                               | 55,489,386  | 967,398  | 56,456,784     |
| Mortgage-backed security                                |                               | 692,761   |  | 692,761        |
| Sovereign bonds   |                               | 5,024,464   |  | 5,024,464      |
| U.S. government & agency obligations                    |                               | 2,226,569   |  | 2,226,569      |
| Common stocks   | \$ 459,354                    |   |  | 459,354        |
| Convertible preferred stocks                            | 268,136                       | 1,964,250   |  | 2,232,386      |
| Preferred stocks  | 6,908,282                     |   | 3  | 6,908,285      |
| Warrants  |                               | 7,290   | 1,446  | 8,736          |
| Total long-term investments                             | \$ 7,635,772                  | \$ 201,601,724  | \$ 4,791,291                                       | \$ 214,028,787 |
| Short-term investments                                  |                               | 6,919,662   |  | 6,919,662      |
| Total investments                                       | \$ 7,635,772                  | \$ 208,521,386  | \$ 4,791,291                                       | \$ 220,948,449 |
| Other financial instruments:                            |                               |   |  |                |
| Credit default swaps on corporate issues buy protection |                               | (237,172)   |  | (237,172)      |
| Credit default swaps on credit indices sell protection  |                               | 199,182   |  | 199,182        |
| Total other financial instruments                       |                               | (37,990)  |  | (37,990)       |
| Total   | \$ 7,635,772                  | \$ 208,483,396  | \$ 4,791,291                                       | \$ 220,910,459 |

See Schedule of Investments for additional detailed categorizations.

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

Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

| INVESTMENTS IN<br>SECURITIES                        | CORPORATE<br>BONDS &<br>NOTES | ASSET-<br>BACKED<br>SECURITIES | COLLATERALIZED<br>MORTGAGE<br>OBLIGATIONS | COMMON<br>STOCKS | PREFERRED<br>STOCKS | WARRANTS | TOTAL        |
|---|-------------------------------|--------------------------------|---|------------------|---------------------|----------|--------------|
| Balance as of December 31, 2009                     |                               | \$ 3,926,578                   |   | \$ 18,940        | \$ 3                | \$ 7,348 | \$ 3,952,869 |
| Accrued premiums/discounts                          |                               | 25,151                         | \$ 120                                    |                  |                     |          | 25,271       |
| Realized gain/(loss)(1)                             |                               | (50,856)                       | 691                                       |                  |                     |          | (50,165)     |
| Change in unrealized appreciation (depreciation)(2) |                               | (54,647)                       | (1,146)                                   | 3,828            |                     | 328      | (51,637)     |
| Net purchases (sales)                               |                               | (27,967)                       | 237,364                                   |                  |                     |          | 209,397      |
| Transfers into Level 3                              | \$ 4,185                      |                                | 730,369                                   |                  |                     |          | 734,554      |
| Transfers out of Level 3                            |                               |                                |   | (22,768)         |                     | (6,230)  | (28,998)     |

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|  |    |       |    |           |    |         |    |   |    |         |    |           |
|--|----|-------|----|-----------|----|---------|----|---|----|---------|----|-----------|
| Balance as of March 31, 2010   | \$ | 4,185 | \$ | 3,818,259 | \$ | 967,398 | \$ | 3 | \$ | 1,446   | \$ | 4,791,291 |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at March 31, 2010(2) |    |       | \$ | (54,647)  | \$ | (1,146) |    |   | \$ | (5,902) | \$ | (61,695)  |

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

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

**(b) Repurchase Agreements.** The Fund may enter into repurchase agreements with institutions that its investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Under the terms of a typical repurchase agreement, a fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and of the fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during a fund's holding period. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian, acting on the Fund's behalf, take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction maturity exceeds one business day, the value of the collateral is marked to market and measured against the value of the agreement to ensure the adequacy of the collateral. If the counterparty defaults, the Fund generally has the right to use the collateral to satisfy the terms of the repurchase transaction. However, if the market value of the collateral declines during the period in which the Fund seeks to assert its rights or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

**(c) Foreign Currency Translation.** Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the date of valuation.

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

Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

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

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

Swap contracts are marked to market daily and changes in value are recorded as unrealized appreciation/(depreciation). Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund's custodian in compliance with the terms of the swap contracts. Securities held as collateral for swap contracts are identified in the Schedule of Investments.

*Credit Default Swaps.*

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

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

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

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

**(e) Credit and Market Risk.** Investments in securities that are collateralized by residential real estate mortgages are subject to certain credit and liquidity risks. When market conditions result in an increase in default rates of the underlying mortgages and the foreclosure values of underlying real estate properties are materially below the outstanding amount of these underlying mortgages, collection of the full amount of accrued interest and principal on



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

these investments may be doubtful. Such market conditions may significantly impair the value and liquidity of these investments and may result in a lack of correlation between their credit ratings and values.

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

**2. Investments**

At March 31, 2010, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

|                               |    |              |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 20,237,660   |
| Gross unrealized depreciation |    | (22,388,345) |
| Net unrealized depreciation   | \$ | (2,150,685)  |

At March 31, 2010, the Fund had the following open swap contracts:

| SWAP COUNTERPARTY<br>(REFERENCE ENTITY)   | NOTIONAL<br>AMOUNT(1) | TERMINATION<br>DATE | PERIODIC<br>PAYMENTS<br>MADE BY THE<br>FUND | MARKET<br>VALUE | UPFRONT<br>PREMIUMS<br>PAID/<br>(RECEIVED) | UNREALIZED<br>APPRECIATION/<br>(DEPRECIATION) |
|---|-----------------------|---------------------|---|-----------------|--|---|
| <b>Credit Default Swaps on<br/>Corporate Issues - Buy<br/>Protection(2)</b>                         |                       |                     |   |                 |  |   |
| The Goldman Sachs Group, Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.48023%, due<br>11/15/2013) | \$ 100,000            | 3/20/11             | 5% Quarterly                                | \$ (1,762)      | \$ (1,006)                                 | \$ (756)                                      |
| The Goldman Sachs Group, Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.48023%, due<br>11/15/2013) | 120,000               | 3/20/11             | 5% Quarterly                                | (2,115)         | (1,090)                                    | (1,025)                                       |
| The Goldman Sachs Group, Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.48023%, due<br>11/15/2013) | 70,000                | 3/20/13             | 5% Quarterly                                | (2,254)         | (459)                                      | (1,795)                                       |
| The Goldman Sachs Group, Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.48023%, due<br>11/15/2013) | 80,000                | 3/20/13             | 5% Quarterly                                | (2,576)         | (314)                                      | (2,262)                                       |
| The Goldman Sachs Group, Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.48023%, due<br>11/15/2013) | 100,000               | 3/20/15             | 5% Quarterly                                | (1,566)         | 970  | (2,536)                                       |

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|  |              |          |                 |              |             |              |
|--|--------------|----------|-----------------|--------------|-------------|--------------|
| 11/15/2013)<br>The Goldman Sachs Group, Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.48023%, due<br>11/15/2013) | 120,000      | 3/20/15  | 5% Quarterly    | (1,879)      | 1,624       | (3,503)      |
| The Goldman Sachs Group, Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.48023%, due<br>11/15/2013)                | 130,000      | 3/20/20  | 5% Quarterly    | (2,142)      | 3,415       | (5,557)      |
| The Goldman Sachs Group, Inc.<br>(Assured Guaranty Municipal<br>Corp., 0.48023%, due<br>11/15/2013)                | 50,000       | 3/20/20  | 5% Quarterly    | (824)        | 1,592       | (2,416)      |
| The Goldman Sachs Group, Inc.<br>(Citigroup Inc., 6.5%, due<br>1/18/11)  | 1,700,000    | 3/20/14  | 4.7% Quarterly  | (208,138)    |             | (208,138)    |
| The Goldman Sachs Group, Inc.<br>(CVS Corporation, 4.875%, due<br>9/15/2014)                                       | 2,000,000    | 12/20/14 | 0.68% Quarterly | (13,916)     | (29,664)    | 15,748       |
| Total  | \$ 4,470,000 |          |                 | \$ (237,172) | \$ (24,932) | \$ (212,240) |

| SWAP COUNTERPARTY<br>(REFERENCE ENTITY)                                    | NOTIONAL<br>AMOUNT(1) | TERMINATION<br>DATE | PERIODIC<br>PAYMENTS<br>RECEIVED BY<br>THE FUND | MARKET<br>VALUE(3) | UPFRONT<br>PREMIUMS<br>PAID/<br>(RECEIVED) | UNREALIZED<br>APPRECIATION/<br>(DEPRECIATION) |
|--|-----------------------|---------------------|---|--------------------|--|---|
| <b>Credit Default Swaps on<br/>Credit Indices - Sell<br/>Protection(4)</b> |                       |                     |   |                    |  |   |
| Merrill Lynch & Co., Inc.<br>(CDX HY 8)                                    | \$ 21,666,202         | 6/20/12             | 0.86%<br>Quarterly                              | \$ 199,182         |  | \$ 199,182                                    |

- (1) The maximum potential amount the Fund could be required to make as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.
- (2) If the Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the underlying securities comprising the referenced index.
- (3) The quoted market prices and resulting values for credit default swap agreements on asset-backed securities and credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement been closed/sold as of the period end. Decreasing market values when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.
- (4) If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Percentage shown is an annual percentage rate.

**Notes to Schedule of Investments (unaudited) (continued)****3. Derivative Instruments and Hedging Activities**

Financial Accounting Standards Board Codification Topic 815 ( ASC Topic 815 ) requires enhanced disclosure about an entity's derivative and hedging activities.

The following is a summary of the Fund's derivative instruments categorized by risk exposure at March 31, 2010.

| <b>Primary Underlying Risk Disclosure</b> |    | <b>Swap Contracts, at value</b> |    | <b>Total</b> |
|---|----|---------------------------------|----|--------------|
| Credit Contracts                          | \$ | (37,990)                        | \$ | (37,990)     |
| Other Contracts                           |    |                                 |    |              |
| Total                                     | \$ | (37,990)                        | \$ | (37,990)     |

During the period ended March 31, 2010, the Fund had average notional balances of \$4,478,600 and \$21,666,202 in credit default swap contracts (to buy protection) and credit default swap contracts (to sell protection), respectively.

The Fund has several credit related contingent features that if triggered would allow its derivatives counterparties to close out and demand payment or additional collateral to cover their exposure from the Fund. Credit related contingent features are established between the Fund and its derivatives counterparties to reduce the risk that the Fund will not fulfill its payment obligations to its counterparties. These triggering features include, but are not limited to, a percentage decrease in the Fund's net assets and or percentage decrease in the Fund's Net Asset Value or NAV. The contingent features are established within the Fund's International Swap and Derivatives Association, Inc. master agreements which govern positions in swaps, over-the-counter options, and forward currency exchange contracts for each individual counterparty.

As of March 31, 2010, the total value of swap positions with credit related contingent features in a net liability position was \$237,172. If a contingent feature would have been triggered as of March 31, 2010, the Fund would have been required to pay this amount in cash to its counterparties. The aggregate fair value of all assets posted as collateral for all swaps was \$300,000.

ITEM 2. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached hereto.

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**SIGNATURES**

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

**Western Asset Premier Bond Fund**

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

Date: May 27, 2010

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

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

Date: May 27, 2010

By */s/ Frances M. Guggino*  
Frances M. Guggino  
Principal Financial and Accounting Officer  
Western Asset Premier Bond Fund

Date: May 27, 2010

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