

WESTERN ASSET PREMIER BOND FUND
Form N-CSRS
August 23, 2012

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

FORM N-CSR

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

Investment Company Act file number 811-10603

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

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

10018
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place,

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

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

Date of fiscal year end: December 31

Date of reporting period: June 30, 2012

ITEM 1. REPORT TO STOCKHOLDERS.

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

June 30, 2012

Semi-Annual Report

**Western Asset Premier Bond Fund
(WEA)**

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

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Fund objective

The Fund's investment objective is to provide current income and capital appreciation by investing primarily in a diversified portfolio of investment grade bonds.

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Letter from the president

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Dear Shareholder,

We are pleased to provide the semi-annual report of Western Asset Premier Bond Fund for the six-month reporting period ended June 30, 2012. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

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

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

We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

President

July 27, 2012

Investment commentary**Economic review**

The U.S. economy continued to grow over the six months ended June 30, 2012, albeit at an uneven pace. Looking back, U.S. gross domestic product (GDP) growth, as reported by the U.S. Department of Commerce, was 4.1% in the fourth quarter of 2011. Economic growth in the U.S. then decelerated, as the Commerce Department reported that first quarter 2012 GDP growth was 2.0%. The preliminary estimate for GDP growth in the second quarter was 1.5%. Moderating growth was partially due to weaker consumer spending, which rose 1.5% in the second quarter, versus 2.4% during the first three months of the year.

Two factors constraining economic growth were the weak job market and continued troubles in the housing market. While there was some improvement during the reporting period, unemployment remained elevated. When the reporting period began, unemployment, as reported by the U.S. Department of Labor, was 8.5%. Unemployment then generally declined over the next four months and was 8.1% in April 2012, the lowest rate since January 2009. However, the unemployment rate then moved up to 8.2% in May and was unchanged in June. Within the housing market, sales are still a bit soft, though home prices appear to be firming. According to the National Association of Realtors (NAR), existing-home sales fluctuated throughout the period. Existing-home sales fell 5.4% on a seasonally adjusted basis in June 2012 versus the previous month. However, the NAR reported that the median existing-home price for all housing types was \$189,400 in June 2012, up 7.9% from June 2011. This marked the fourth consecutive month that home prices rose from a year earlier, the first such occurrence since February through May 2006. In addition, the inventory of unsold homes fell 3.2% in June versus the previous month.

The manufacturing sector, a relative pillar of strength since the end of the Great Recession, weakened during the reporting period. Based on the Institute for Supply Management's PMI (PMI)ii, in December 2011 it had a reading of 53.9 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). Activity in the manufacturing sector fluctuated during the first half of the period and was 54.8 in April, its highest reading since June 2011. The PMI then dipped to 53.5 in May 2012 and fell to 49.7 in June. The latter represented the first contraction in the manufacturing sector since July 2009. In addition, whereas thirteen of the eighteen industries in the PMI grew in May, only seven expanded in June.

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Investment commentary (cont d)

Market review

Q. Did Treasury yields trend higher or lower during the six months ended June 30, 2012?

A. Both short- and long-term Treasury yields fluctuated during the reporting period. When the period began, two- and ten-year Treasury yields were 0.25% and 1.89%, respectively. With the economy initially gathering some momentum, Treasury yields moved higher during the first half of the period. Two-year Treasury yields rose as high as 0.41% on March 20, 2012 and ten-year Treasuries peaked at 2.39% around the same time. Yields then fell in late March, as well as in April, May and early June, given renewed fears over the European sovereign debt crisis. On June 1, 2012, ten-year Treasuries closed at an all-time low of 1.47%. Yields then moved higher as the month progressed due to some positive developments in Europe and hopes for additional Federal Reserve Board (Fed)iii actions to stimulate the economy. When the reporting period ended on June 30, 2012, two-year Treasury yields were 0.33% and ten-year Treasury yields were 1.67%.

Q. How did the Fed respond to the economic environment?

A. The Fed took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. Looking back, in September 2011, the Fed announced its intention to purchase \$400 billion of longer-term Treasury securities and to sell an equal amount of shorter-term Treasury securities by June 2012 (often referred to as Operation Twist). In January 2012, the Fed extended the period it expects to keep the federal funds rateiv at a historically low range between zero and 0.25%, saying economic conditions including low rates of resource utilization and a subdued outlook for inflation over the medium run are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014. In June, the Fed announced that it would extend Operation Twist until the end of 2012 and that it was prepared to take further action as appropriate to promote a stronger economic recovery and sustained improvement in labor market conditions in a context of price stability.

Q. What factors impacted the spread sectors (non-Treasuries) during the reporting period?

A. The spread sectors experienced periods of volatility during the period. Risk appetite was often robust over the first half of the period, due to some better-than-expected economic data and signs of progress in the European sovereign debt crisis. However, fears related to the situation in Europe caused a number of spread sectors to weaken in April. While the spread sectors posted positive absolute returns in April, they generally lagged equal-durationv Treasuries. Several of the riskiest spread sectors then performed poorly in May given a flight to quality that was triggered by escalating fears of contagion from Europe and some disappointing economic data in the U.S. The spread sectors then rallied in June as investor sentiment improved. For the six months ended June 30, 2012, the Barclays U.S. Aggregate Indexvi returned 2.37%.

Q. How did the high-yield market perform over the six months ended June 30, 2012?

A. The U.S. high-yield bond market generated a strong return during the reporting period. The asset class, as measured by the Barclays U.S. Corporate High Yield 2% Issuer Cap

Indexvii, posted positive returns during four of the six months of the period. Risk appetite was often solid as investors were drawn to higher yielding securities. While the high-yield market faltered in March and May given increased risk aversion, they proved to be temporary setbacks. All told, the high-yield market gained 7.23% for the six months ended June 30, 2012.

Performance review

For the six months ended June 30, 2012, Western Asset Premier Bond Fund returned 10.93% based on its net asset value (NAV)viii and 1.49% based on its New York Stock Exchange (NYSE) market price per share. The Fund’s unmanaged benchmarks, the Barclays U.S. Corporate High Yield Indexix and the Barclays U.S. Credit Indexx, returned 7.27% and 4.55%, respectively, for the same period. The Lipper Corporate Debt Closed-End Funds BBB-Rated Category Averagexi returned 6.09% over the same time frame. Please note that Lipper performance returns are based on each fund’s NAV.

During this six-month period, the Fund made distributions to shareholders totaling \$0.66 per share, which may have included a return of capital. The performance table shows the Fund’s six-month total return based on its NAV and market price as of June 30, 2012. **Past performance is no guarantee of future results.**

Performance Snapshot as of June 30, 2012 (unaudited)

Price Per Share	6-Month Total Return*
\$13.79 (NAV)	10.93%
\$15.50 (Market Price)	1.49%

All figures represent past performance and are not a guarantee of future results. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

* Total returns are based on changes in NAV or market price, respectively.

Total return assumes the reinvestment of all distributions, including returns of capital, if any, at NAV.

Total return assumes the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund’s Dividend Reinvestment Plan.

Looking for additional information?

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

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

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

Sincerely,

R. Jay Gerken, CFA

President

July 27, 2012

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Investment commentary (cont d)

***RISKS:** Bonds are subject to a variety of risks, including interest rate, credit and inflation risks. As interest rates rise, bond prices fall, reducing the value of a fixed-income investment's price. The Fund may invest in high-yield bonds, which are rated below investment grade and carry more risk than higher-rated securities. To the extent that the Fund invests in asset-backed, mortgage-backed or mortgage-related securities, its exposure to prepayment and extension risks may be greater than investments in other fixed-income securities. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss. The Fund may invest, to a limited extent, in foreign securities, including emerging markets, which involve additional risks. The Fund may make significant investments in derivative instruments. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.*

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

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

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

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

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

iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

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

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- vi The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- vii The Barclays Corporate U.S. High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- viii Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- ix The Barclays U.S. Corporate High Yield Index covers the universe of fixed-rate, non-investment grade debt, including corporate and non-corporate sectors. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging market countries are included. Original issue zero coupon bonds, step-up coupon structures and 144-A securities are also included.
- x The Barclays U.S. Credit Index is an index composed of corporate and non-corporate debt issues that are investment grade (rated Baa3/BBB- or higher).
- xi Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended June 30, 2012, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 27 funds in the Fund's Lipper category.

Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the Fund's portfolio as of June 30, 2012 and December 31, 2011 and does not include derivatives such as forward foreign currency contracts and swap contracts. The Fund's portfolio is actively managed. As a result, the composition of its portfolio holdings and sectors is subject to change at any time.

Represents less than 0.1%.

* Prior year percentages have been restated to reflect current period classifications.

Spread duration (unaudited)

Economic Exposure June 30, 2012

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

ABS	Asset-Backed Securities
BI	Barclays U.S. Credit Index
BHY	Barclays U.S. Corporate High Yield
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage Backed Securities

WEA Western Asset Premier Bond Fund

Effective duration (unaudited)**Interest Rate Exposure** June 30, 2012

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

ABS	Asset-Backed Securities
BI	Barclays U.S. Credit Index
BHY	Barclays U.S. Corporate High Yield
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage Backed Securities
WEA	Western Asset Premier Bond Fund

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Schedule of investments (unaudited)

June 30, 2012

Western Asset Premier Bond Fund

			Face	
Security	Rate	Maturity Date	Amount	Value
Corporate Bonds & Notes 43.7%				
Consumer Discretionary 6.3%				
<i>Automobiles 2.2%</i>				
DaimlerChrysler NA Holding Corp., Notes	8.500%	1/18/31	1,000,000	\$1,529,915
Ford Motor Credit Co., LLC, Senior Notes	12.000%	5/15/15	1,030,000	1,279,775
Ford Motor Credit Co., LLC, Senior Notes	8.000%	12/15/16	680,000	804,274
Total Automobiles				3,613,964
<i>Diversified Consumer Services 0.0%</i>				
Service Corp. International, Senior Notes	7.625%	10/1/18	5,000	5,675
Service Corp. International, Senior Notes	7.500%	4/1/27	60,000	61,500
Total Diversified Consumer Services				67,175
<i>Hotels, Restaurants & Leisure 0.7%</i>				
Caesars Entertainment Operating Co. Inc., Senior Notes	10.750%	2/1/16	300,000	237,000
El Pollo Loco Inc., Secured Notes	17.000%	1/1/18	388,122	357,072(a)
Inn of the Mountain Gods Resort & Casino, Senior Secured Notes	8.750%	11/30/20	99,000	95,535(a)
Mohegan Tribal Gaming Authority, Secured Notes	11.500%	11/1/17	170,000	175,100(a)
NCL Corp. Ltd., Senior Secured Notes	11.750%	11/15/16	170,000	195,075
Station Casinos Inc., Senior Subordinated Notes	6.625%	3/15/18	100,000	0(b)(c)(d)(e)
Total Hotels, Restaurants & Leisure				1,059,782
<i>Media 3.2%</i>				
CCH II LLC/CCH II Capital Corp., Senior Notes	13.500%	11/30/16	61,940	69,063
Cengage Learning Acquisitions Inc., Senior Notes	10.500%	1/15/15	270,000	205,200(a)
Comcast Corp., Notes	5.900%	3/15/16	400,000	460,660
Comcast Corp., Notes	7.050%	3/15/33	1,000,000	1,262,800
CSC Holdings LLC, Senior Notes	6.750%	11/15/21	1,000,000	1,065,000(a)
DISH DBS Corp., Senior Notes	7.875%	9/1/19	385,000	443,713
News America Inc.	8.875%	4/26/23	400,000	509,604
Time Warner Inc., Senior Debentures	7.700%	5/1/32	980,000	1,279,719
Total Media				5,295,759
<i>Textiles, Apparel & Luxury Goods 0.2%</i>				
Oxford Industries Inc., Senior Secured Notes	11.375%	7/15/15	255,000	269,984
Total Consumer Discretionary				10,306,664
Consumer Staples 2.8%				
<i>Food & Staples Retailing 2.2%</i>				
CVS Corp., Pass-Through Trust, Secured Bonds	5.789%	1/10/26	524,224	575,991(a)
CVS Corp., Pass-Through Trust, Secured Notes	6.943%	1/10/30	477,283	565,213
CVS Pass-Through Trust, Secured Notes	5.880%	1/10/28	512,929	562,278

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face	
			Amount	Value
Food & Staples Retailing continued				
CVS Pass-Through Trust, Secured Notes	6.036%	12/10/28	505,523	\$ 570,134
CVS Pass-Through Trust, Secured Notes	7.507%	1/10/32	457,542	568,323(a)
Delhaize Group, Senior Notes	5.700%	10/1/40	235,000	197,406
Safeway Inc., Notes	5.800%	8/15/12	500,000	502,839
Total Food & Staples Retailing				3,542,184
Food Products 0.5%				
Ahold Lease USA Inc., Pass-Through Certificates	8.620%	1/2/25	714,462	864,499(e)
Tobacco 0.1%				
Alliance One International Inc., Senior Notes	10.000%	7/15/16	160,000	160,400
Total Consumer Staples				4,567,083
Energy 4.5%				
Energy Equipment & Services 0.6%				
Compagnie Generale de Geophysique-Veritas, Senior Notes	6.500%	6/1/21	750,000	750,000
Hercules Offshore LLC, Senior Secured Notes	10.500%	10/15/17	155,000	155,000(a)
Total Energy Equipment & Services				905,000
Oil, Gas & Consumable Fuels 3.9%				
Anadarko Finance Co., Senior Notes	7.500%	5/1/31	570,000	717,593
Arch Coal Inc., Senior Notes	7.000%	6/15/19	750,000	633,750(a)
Burlington Resources Finance Co., Senior Notes	7.400%	12/1/31	450,000	636,255
Chesapeake Energy Corp., Senior Notes	7.250%	12/15/18	270,000	275,400
Colorado Interstate Gas Co., Senior Notes	6.800%	11/15/15	150,000	173,001
CONSOL Energy Inc., Senior Notes	8.250%	4/1/20	440,000	462,000
Devon Energy Corp., Debentures	7.950%	4/15/32	310,000	445,074
El Paso Corp., Medium-Term Notes	7.800%	8/1/31	190,000	213,251
EXCO Resources Inc., Senior Notes	7.500%	9/15/18	500,000	432,500
Hess Corp., Notes	7.875%	10/1/29	350,000	457,737
Plains Exploration & Production Co., Senior Notes	8.625%	10/15/19	125,000	137,969
Quicksilver Resources Inc., Senior Notes	11.750%	1/1/16	185,000	180,144
Regency Energy Partners LP/Regency Energy Finance Corp., Senior Notes	6.500%	7/15/21	750,000	787,500
Teekay Corp., Senior Notes	8.500%	1/15/20	310,000	314,650
Williams Cos. Inc., Debentures	7.500%	1/15/31	413,000	502,914
Williams Cos. Inc., Senior Notes	8.750%	3/15/32	39,000	52,924
Total Oil, Gas & Consumable Fuels				6,422,662
Total Energy				7,327,662

See Notes to Financial Statements.

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Schedule of investments (unaudited) (cont d)

June 30, 2012

Western Asset Premier Bond Fund

Security	Maturity		Face Amount	Value
	Rate	Date		
Financials 9.4%				
Capital Markets 1.1%				
Goldman Sachs Group Inc., Senior Notes	5.250%	7/27/21	800,000	\$ 812,654
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	1,000,000	980,053
Total Capital Markets				1,792,707
Commercial Banks 1.3%				
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	610,000	719,647(a)
Credit Agricole SA, Subordinated Notes	8.375%	10/13/19	510,000	419,475(a)(f)(g)
Intesa Sanpaolo SpA, Senior Notes	3.625%	8/12/15	300,000	269,985(a)
Royal Bank of Scotland Group PLC, Subordinated Notes	5.050%	1/8/15	400,000	399,384
Santander US Debt SA Unipersonal, Senior Notes	3.724%	1/20/15	300,000	279,035(a)
Total Commercial Banks				2,087,526
Consumer Finance 1.3%				
Ally Financial Inc., Senior Notes	8.000%	3/15/20	350,000	402,500
HSBC Finance Corp., Notes	4.750%	7/15/13	1,670,000	1,723,769
Total Consumer Finance				2,126,269
Diversified Financial Services 4.5%				
Bank of America Corp., Senior Notes	5.000%	5/13/21	1,100,000	1,134,878
Citigroup Inc., Subordinated Notes	6.625%	6/15/32	1,000,000	1,042,717
General Electric Capital Corp., Notes	5.300%	2/11/21	450,000	505,072
General Electric Capital Corp., Subordinated Debentures	6.375%	11/15/67	500,000	520,625(f)
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	1,380,000	1,549,050
JPMorgan Chase & Co., Subordinated Notes	5.125%	9/15/14	1,300,000	1,381,099
UFJ Finance Aruba AEC	6.750%	7/15/13	500,000	527,257
Unitymedia GmbH, Senior Secured Bonds	8.125%	12/1/17	100,000	107,500(a)
ZFS Finance USA Trust II, Bonds	6.450%	12/15/65	500,000	500,000(a)(f)
Total Diversified Financial Services				7,268,198
Insurance 1.2%				
ING Capital Funding Trust III, Junior Subordinated Bonds	4.061%	9/30/12	100,000	83,127(f)(g)
Liberty Mutual Group, Junior Subordinated Bonds	7.800%	3/7/87	200,000	202,000(a)
Metlife Inc., Junior Subordinated Notes	10.750%	8/1/69	500,000	698,750
XL Capital Ltd.	5.250%	9/15/14	1,000,000	1,053,369
Total Insurance				2,037,246
Total Financials				15,311,946

See Notes to Financial Statements.

Western Asset Premier Bond Fund

			Face	
Security	Rate	Maturity Date	Amount	Value
Health Care 0.7%				
Health Care Providers & Services 0.7%				
Community Health Systems Inc., Senior Notes	8.875%	7/15/15	99,000	\$ 101,599
HCA Inc., Debentures	7.500%	11/15/95	185,000	148,000
HCA Inc., Notes	6.375%	1/15/15	430,000	456,875
HCA Inc., Notes	7.690%	6/15/25	90,000	86,625
HCA Inc., Senior Notes	6.250%	2/15/13	85,000	86,913
Vanguard Health Holdings Co., II LLC, Senior Notes	8.000%	2/1/18	215,000	219,837
Total Health Care				1,099,849
Industrials 12.3%				
Aerospace & Defense 0.5%				
Boeing Co., Notes	6.125%	2/15/33	600,000	785,135
Airlines 11.3%				
Air 2 US, Notes	8.027%	10/1/19	2,157,186	2,184,151(a)
America West Airlines Inc., Ambac Assurance Corp.	8.057%	7/2/20	2,224,781	2,358,267
Continental Airlines Inc., Pass-Through Certificates	7.160%	9/24/14	95,117	95,240
Continental Airlines Inc., Pass-Through Certificates	6.900%	1/2/18	748,727	788,035
Continental Airlines Inc., Pass-Through Certificates	6.820%	5/1/18	908,918	949,819
Continental Airlines Inc., Pass-Through Certificates	6.545%	2/2/19	1,027,875	1,097,256
Continental Airlines Inc., Pass-Through Certificates	8.048%	11/1/20	512,269	563,496
Continental Airlines Inc., Pass-Through Certificates	6.703%	6/15/21	674,732	725,337
Continental Airlines Inc., Secured Notes	6.250%	10/22/21	1,000,000	1,010,000
DAE Aviation Holdings Inc., Senior Notes	11.250%	8/1/15	250,000	257,500(a)
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	156,259	158,025
Delta Air Lines Inc., Senior Secured Notes	9.500%	9/15/14	59,000	62,319(a)
JetBlue Airways Corp., Pass-Through Certificates	0.917%	11/15/16	1,050,000	924,000(f)
Northwest Airlines Corp., Pass-Through Certificates	7.575%	9/1/20	458,537	480,913
Northwest Airlines Inc., Senior Notes	0.946%	2/6/15	2,382,137	2,259,933(e)(f)
US Airways Pass-Through Trust, Pass-Through Certificates	6.850%	1/30/18	2,586,615	2,560,749
US Airways Pass-Through Trust, Secured Notes	7.125%	10/22/23	1,967,871	2,085,944
Total Airlines				18,560,984

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont d)

June 30, 2012

Western Asset Premier Bond Fund

	Maturity		Face	
Security	Rate	Date	Amount	Value
Building Products 0.0%				
Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes	11.000%	6/30/15	65,000	\$ 59,638(a)(d)
Commercial Services & Supplies 0.2%				
Altegrity Inc., Senior Subordinated Notes	10.500%	11/1/15	310,000	282,100(a)
Road & Rail 0.1%				
Kansas City Southern de Mexico, Senior Notes	12.500%	4/1/16	111,000	125,985
Trading Companies & Distributors 0.2%				
Ashtead Capital Inc., Notes	9.000%	8/15/16	129,000	133,676(a)
H&E Equipment Services Inc., Senior Notes	8.375%	7/15/16	245,000	252,656
Total Trading Companies & Distributors				386,332
Total Industrials				20,200,174
Information Technology 0.4%				
IT Services 0.4%				
Electronic Data Systems Corp., Notes	7.450%	10/15/29	500,000	618,216
Semiconductors & Semiconductor Equipment 0.0%				
Freescall Semiconductor Inc., Senior Subordinated Notes	10.125%	12/15/16	28,000	29,540
Total Information Technology				647,756
Materials 2.4%				
Chemicals 0.6%				
Dow Chemical Co., Notes	6.000%	10/1/12	1,000,000	1,012,084
Metals & Mining 1.0%				
Metals USA Inc., Senior Secured Notes	11.125%	12/1/15	445,000	463,356
Molycorp Inc., Senior Secured Notes	10.000%	6/1/20	1,000,000	990,000(a)
Vedanta Resources PLC, Senior Notes	8.750%	1/15/14	130,000	134,394(a)
Total Metals & Mining				1,587,750
Paper & Forest Products 0.8%				
Appleton Papers Inc., Senior Secured Notes	11.250%	12/15/15	235,000	250,863
NewPage Corp., Senior Secured Notes	11.375%	12/31/14	595,000	383,775(b)
PE Paper Escrow GmbH, Senior Secured Notes	12.000%	8/1/14	100,000	106,750(a)
Weyerhaeuser Co., Debentures	7.375%	3/15/32	560,000	625,481
Total Paper & Forest Products				1,366,869
Total Materials				3,966,703
Telecommunication Services 2.0%				
Diversified Telecommunication Services 1.6%				
AT&T Inc., Senior Notes	5.350%	9/1/40	170,000	195,103
Cincinnati Bell Telephone Co., Senior Debentures	6.300%	12/1/28	25,000	20,562
Deutsche Telekom International Finance BV	5.250%	7/22/13	600,000	626,245
France Telecom SA, Notes	8.500%	3/1/31	600,000	842,057

See Notes to Financial Statements.

Western Asset Premier Bond Fund

			Face	
Security	Rate	Maturity Date	Amount	Value
Diversified Telecommunication Services continued				
Intelsat Luxembourg SA, Senior Notes	11.250%	2/4/17	750,000	\$ 772,500
Qwest Corp., Senior Notes	7.500%	10/1/14	150,000	167,212
Total Diversified Telecommunication Services				2,623,679
Wireless Telecommunication Services 0.4%				
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	750,000	603,750
Total Telecommunication Services				3,227,429
Utilities 2.9%				
Electric Utilities 0.9%				
FirstEnergy Corp., Notes	7.375%	11/15/31	1,020,000	1,280,375
MidAmerican Energy Holdings Co., Senior Notes	5.875%	10/1/12	250,000	253,143
Total Electric Utilities				1,533,518
Gas Utilities 0.0%				
Southern Natural Gas Co., Senior Notes	8.000%	3/1/32	20,000	25,939
Independent Power Producers & Energy Traders 1.5%				
AES Corp., Senior Notes	9.750%	4/15/16	360,000	426,600
AES Corp., Senior Notes	8.000%	6/1/20	100,000	114,750
Calpine Corp., Senior Secured Notes	7.875%	1/15/23	700,000	763,000(a)
Edison Mission Energy, Senior Notes	7.750%	6/15/16	320,000	180,000
Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes	10.000%	12/1/20	885,000	962,438
Total Independent Power Producers & Energy Traders				2,446,788
Multi-Utilities 0.5%				
Dominion Resources Inc., Senior Notes	5.700%	9/17/12	770,000	777,876
Total Utilities				4,784,121
Total Corporate Bonds & Notes (Cost \$67,207,980)				71,439,387
Asset-Backed Securities 35.3%				
AAA Trust, 2005-1A 1A3B	0.655%	2/27/35	477,324	331,292(a)(f)
ABFS Mortgage Loan Trust, 2002-3 M1	5.902%	9/15/33	1,108,661	751,178
ACE Securities Corp., 2005-WF1 M1	0.665%	5/25/35	470,000	437,938(f)
Amerquest Mortgage Securities Inc., 2004-R1 A1B	1.045%	2/25/34	605,794	485,037(f)
Amerquest Mortgage Securities Inc., 2004-R9 M1	1.175%	10/25/34	400,000	349,940(f)
Amortizing Residential Collateral Trust, 2004-1 A5	0.745%	10/25/34	231,962	202,281(f)
Argent Securities Inc., 2003-W3 M1	1.370%	9/25/33	173,321	162,757(f)
Associates Manufactured Housing Pass Through Certificates, 1997-CLB2	8.900%	6/15/28	2,582,221	2,579,639(e)
Associates Manufactured Housing Pass-Through Certificates, 1997-1 B1	7.600%	6/15/28	320,944	347,646(f)

See Notes to Financial Statements.

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Western Asset Premier Bond Fund 2012 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

June 30, 2012

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Asset-Backed Securities continued				
Associates Manufactured Housing Pass-Through Certificates, 1997-2 B1	7.150%	3/15/28	1,255,308	\$ 1,256,165(f)
Bank of America Manufactured Housing Contract Trust, 1997-2M	6.900%	4/10/28	100,000	115,847(f)
Bayview Financial Acquisition Trust, 2007-B 2A1	0.545%	8/28/47	105,282	103,982(f)
Bayview Financial Asset Trust, 2004-SSRA A1	0.845%	12/25/39	320,815	259,860(a)(f)
Bayview Financial Asset Trust, 2007-SR1A A	0.695%	3/25/37	1,947,470	1,411,916(a)(f)
Bayview Financial Asset Trust, 2007-SR1A M1	1.045%	3/25/37	1,280,649	835,624(a)(f)
Bayview Financial Asset Trust, 2007-SR1A M3	1.395%	3/25/37	485,764	262,312(a)(f)
Bayview Financial Asset Trust, 2007-SR1A M4	1.745%	3/25/37	132,481	62,266(a)(f)
Bear Stearns Asset Backed Securities Trust, 2006-SD3 1P0, STRIPS, PO	0.000%	8/25/36	895,151	608,652
Bear Stearns Asset Backed Securities Trust, 2007-SD1 1A3A	6.500%	10/25/36	1,255,087	817,474
Centex Home Equity Loan Trust, 2003-B AF4	3.735%	2/25/32	349,152	308,429
Citigroup Mortgage Loan Trust Inc., 2006-SHL1 A1	0.445%	11/25/45	167,833	121,653(a)(f)
Contimortgage Home Equity Trust, 1997-4 B1F	7.330%	10/15/28	333,035	343,142
Countrywide Asset-Backed Certificates, 2004-3 3A3	0.625%	8/25/34	255,530	242,382(f)
Countrywide Asset-Backed Certificates, 2006-3 3A1	0.365%	6/25/36	739,722	476,785(f)
Countrywide Asset-Backed Certificates, 2007-13 2A1	1.145%	10/25/47	1,073,722	725,399(f)
Countrywide Asset-Backed Certificates, 2007-SEA2 1A1	1.245%	8/25/47	52,263	34,065(a)(e)(f)
Countrywide Home Equity Loan Trust, 2006-HW 2A1B	0.392%	11/15/36	1,168,469	854,755(f)
Credit-Based Asset Servicing & Securitization, 2005-CB4 M1	0.665%	8/25/35	2,000,000	1,408,290(f)
Credit-Based Asset Servicing & Securitization LLC, 2004-CB2 M1	1.025%	7/25/33	2,209,205	1,633,994(f)
Credit-Based Asset Servicing and Securitization LLC, 2005-RP1 M1	0.865%	1/25/35	780,000	716,361(a)(f)
Credit-Based Asset Servicing and Securitization LLC, 2007-SP1 A4	6.020%	12/25/37	900,000	750,135(a)
CS First Boston Mortgage Securities Corp., 2004-CF2 2A1	0.715%	5/25/44	27,768	26,991(a)(f)
Educap Student Loan Asset-Backed Notes, 2004-1 B	1.786%	6/25/38	1,430,097	1,258,485(e)(f)
Education Funding Capital Trust, 2004-1 B1	1.990%	6/15/43	1,200,000	1,044,000(e)(f)
EMC Mortgage Loan Trust, 2003-B A1	0.795%	11/25/41	70,096	62,880(a)(f)

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Asset-Backed Securities continued				
Firstfed Corp. Manufactured Housing Contract, 1996-1 B	8.060%	10/15/22	1,428,588	\$ 1,192,525(a)
Fremont Home Loan Trust, 2006-2 2A2	0.355%	2/25/36	40,371	40,234(f)
GMAC Mortgage Corp. Loan Trust, 2004-VF1 A1	0.995%	2/25/31	351,243	310,836(a)(f)
Green Tree Financial Corp., 1992-2 B	9.150%	1/15/18	45,523	11,819
Green Tree Financial Corp., 1993-1 B	8.450%	4/15/18	82,143	61,071
Green Tree Home Improvement Loan Trust, 1996-D HIB2	8.000%	9/15/27	33,487	24,789
Greenpoint Manufactured Housing, 1999-2 A2	2.985%	3/18/29	425,000	345,460(f)
Greenpoint Manufactured Housing, 1999-3 2A2	3.641%	6/19/29	125,000	99,908(f)
Greenpoint Manufactured Housing, 1999-4 A2	3.740%	2/20/30	125,000	99,528(f)
Greenpoint Manufactured Housing, 1999-5 A5	7.820%	12/15/29	706,000	755,779(f)
Greenpoint Manufactured Housing, 2001-2 IA2	3.739%	2/20/32	500,000	379,904(f)
Greenpoint Manufactured Housing, 2001-2 IIA2	3.739%	3/13/32	825,000	662,656(f)
GSAA Home Equity Trust, 2004-8 A3A	0.615%	9/25/34	215,741	196,713(f)
GSAA Home Equity Trust, 2006-19 A3A	0.485%	12/25/36	752,028	345,782(f)
GSAMP Trust, 2003-SEA2 A1	4.422%	7/25/33	1,816,353	1,549,028
GSRPM Mortgage Loan Trust, 2006-1 A1	0.545%	3/25/35	137,719	112,646(a)(f)
GSRPM Mortgage Loan Trust, 2006-2 A2	0.545%	9/25/36	261,576	208,301(a)(f)
Indymac Manufactured Housing Contract, 1997-1 A5	6.970%	2/25/28	194,484	193,744
Keycorp Student Loan Trust, 2002-A 1A2	0.657%	8/27/31	2,185,831	1,997,226(f)
Keycorp Student Loan Trust, 2003-A 1A2	0.726%	10/25/32	1,018,682	939,065(f)
Lehman XS Trust, 2007-1 WF1	5.581%	1/25/37	857,768	474,942(f)
Long Beach Mortgage Loan Trust, 2004-4 M1	1.145%	10/25/34	1,620,000	1,317,109(f)
Merit Securities Corp., 13 A4	7.903%	12/28/33	2,240,178	2,397,339(f)
Morgan Stanley ABS Capital I, 2003-SD1 A1	1.245%	3/25/33	19,765	16,983(f)
Morgan Stanley Capital Inc., 2003-NC9 M	1.370%	9/25/33	1,750,282	1,329,460(f)
Morgan Stanley Capital Inc., 2004-HE7 M1	1.145%	8/25/34	1,539,471	1,167,941(f)
MSDWCC Heloc Trust, 2003-2 A	0.765%	4/25/16	69,228	66,197(f)
New Century Home Equity Loan Trust, 2004-2 A2	0.615%	8/25/34	475,320	369,365(f)
New Century Home Equity Loan Trust, 2004-3 M1	1.175%	11/25/34	1,480,740	1,019,409(f)
Oakwood Mortgage Investors Inc., 2002-B A3	6.060%	3/15/25	238,899	221,005(f)
Option One Mortgage Loan Trust, 2003-2 A2	0.845%	4/25/33	384,120	318,849(f)
Origen Manufactured Housing, 2006-A A2	3.739%	10/15/37	2,700,000	1,782,000(f)
Origen Manufactured Housing, 2007-A A2	3.739%	4/15/37	3,356,762	2,148,328(f)
PAMCO CLO, 1997-1A B	7.910%	8/6/09	738,191	216,844(b)(h)
Park Place Securities Inc., 2004-WCW1 M2	0.925%	9/25/34	1,900,000	1,733,495(f)
Park Place Securities Inc., 2004-WHQ2 M2	0.875%	2/25/35	750,000	695,307(f)
Pegasus Aviation Lease Securitization, 2000-1 A2	8.370%	3/25/30	1,600,000	464,000(a)

See Notes to Financial Statements.

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Western Asset Premier Bond Fund 2012 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

June 30, 2012

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Asset-Backed Securities continued				
Pennsylvania Higher Education Assistance Agency, 2003-1 B1	2.430%	7/25/42	3,000,000	\$ 2,610,000(f)
People's Choice Home Loan Securities Trust, 2004-1 A3	1.285%	6/25/34	400,842	341,702(f)
RAAC Series, 2007-RP1 M1	0.795%	5/25/46	210,000	42,305(a)(f)
Renaissance Home Equity Loan Trust, 2004-2 AF4	5.392%	7/25/34	512,316	521,776
Renaissance Home Equity Loan Trust, 2005-2 AF5	5.201%	8/25/35	750,000	425,840
Renaissance Home Equity Loan Trust, 2005-3 AV3	0.625%	11/25/35	688,427	499,486(f)
Residential Asset Mortgage Products Inc., 2004-RZ1 AII	0.725%	3/25/34	373,228	287,588(f)
Residential Asset Securities Corp., 2001-KS3 AII	0.705%	9/25/31	285,468	222,635(f)
Residential Asset Securities Corp., 2002-KS2 AI6	6.228%	4/25/32	414,506	425,301(f)
Residential Asset Securities Corp., 2003-KS8 AI6	4.830%	10/25/33	575,781	557,278(f)
Settlement Fee Finance LLC, 2004-1A A	9.100%	7/25/34	846,400	872,382(a)
SLM Student Loan Trust, 2001-4 B	0.966%	1/25/21	1,000,000	935,062(f)
Structured Asset Securities Corp., 2002-AL1 A3	3.450%	2/25/32	678,987	613,900
Structured Asset Securities Corp., 2003-AL1 A	3.357%	4/25/31	98,416	95,749(a)
Structured Asset Securities Corp., 2005-4XS 2A1A	1.995%	3/25/35	485,102	368,338(f)
Structured Asset Securities Corp., 2006-GEL3 A2	0.475%	7/25/36	1,481,897	1,295,627(a)(f)
Structured Asset Securities Corp., 2007-BC1 A2	0.295%	2/25/37	243,824	238,115(f)
Vanderbilt Mortgage Finance, 2000-B IB2	9.250%	7/7/30	700,035	707,818(f)
Total Asset-Backed Securities (Cost \$55,095,092)				57,716,041
Collateralized Mortgage Obligations 34.2%				
American Home Mortgage Investment Trust, 2007-A 4A	0.695%	7/25/46	754,839	212,598(a)(f)
Banc of America Funding Corp., 2004-B 6A1	2.947%	12/20/34	532,951	277,187(f)
Bayview Commercial Asset Trust, 2005-3A A2	0.645%	11/25/35	576,144	363,325(a)(f)
Bayview Commercial Asset Trust, 2005-4A A1	0.545%	1/25/36	324,731	226,586(a)(f)
BCAP LLC Trust, 2009-RR12 2A2	0.599%	3/26/35	1,844,014	773,094(a)(f)
Bear Stearns Adjustable Rate Mortgage Trust, 2004-1 23A1	5.362%	4/25/34	177,218	175,782(f)
Bear Stearns Alt-A Trust, 2004-03 A1	0.885%	4/25/34	429,103	382,418(f)
Bear Stearns Alt-A Trust, 2004-08 1A	0.945%	9/25/34	221,806	192,196(f)
Bear Stearns Alt-A Trust, 2005-10 21A1	3.067%	1/25/36	1,018,934	515,988(f)
Bear Stearns Asset Backed Securities Trust, 2002-AC1 B4	7.000%	1/25/32	772,575	248,023(a)

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations continued				
Bella Vista Mortgage Trust, 2004-2 A1	0.615%	2/25/35	1,828,315	\$ 907,395(f)
BlackRock Capital Finance LP, 1997-R2 B5	6.188%	12/25/35	163,042	6,929(e)(f)
CBA Commercial Small Balance Commercial Trust, 2005-1A	0.565%	7/25/35	1,321,026	722,467(a)(f)
Chevy Chase Mortgage Funding Corp., 2004-3A A1	0.495%	8/25/35	1,323,415	906,272(a)(f)
Chevy Chase Mortgage Funding Corp., 2004-4A A1	0.475%	10/25/35	1,844,834	1,250,244(a)(f)
Chevy Chase Mortgage Funding Corp., 2005-4A A1	0.445%	10/25/36	1,632,318	1,013,754(a)(f)
Countrywide Home Loan Mortgage Pass-Through Trust, 2004-HYB5 7A1	2.441%	4/20/35	2,619,690	2,012,184(f)
Countrywide Home Loans, 2004-R1 1AF	0.645%	11/25/34	1,369,244	1,136,334(a)(f)
Countrywide Home Loans, 2004-R2 1AF1	0.665%	11/25/34	413,351	326,902(a)(f)
Countrywide Home Loans, 2004-R2 1AF2	0.665%	11/25/34	930,041	735,529(a)(f)
Countrywide Home Loans, 2005-7 1A1	0.515%	3/25/35	1,343,704	1,121,858(f)
Countrywide Home Loans, 2005-R2 2A1	7.000%	6/25/35	1,223,438	1,186,320(a)
Countrywide Home Loans, 2006-HYB4 3B	5.129%	6/20/36	1,170,801	668,996(f)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-R1 1AF1	0.605%	3/25/35	697,317	546,264(a)(f)
Credit Suisse Mortgage Capital Certificates, 2007-C3 A4	5.869%	6/15/39	242,000	259,127(f)
Credit Suisse Mortgage Capital Certificates, 2009-16R 4A1	2.733%	3/26/35	390,866	360,808(a)(f)
Extended Stay America Trust, 2010-ESHA XB1, IO	1.368%	1/5/16	20,500,000	109,941(a)(f)
Federal Home Loan Mortgage Corp. (FHLMC), Multi-Family Structured Pass-Through Certificates, K007 X1, IO	1.405%	4/25/20	11,123,199	768,902(f)
Federal Home Loan Mortgage Corp. (FHLMC), Multi-Family Structured Pass-Through Certificates, K008 X1, IO	1.836%	6/25/20	983,913	94,848(f)
Federal Home Loan Mortgage Corp. (FHLMC), Multi-Family Structured Pass-Through Certificates, K009 X1, IO	1.678%	8/25/20	5,812,978	493,092(f)
GMAC Commercial Mortgage Securities Inc., 1998-C2 F	6.500%	5/15/35	859,950	890,999(a)
Greenpoint Mortgage Funding Trust, 2005-AR5 2A2	0.515%	11/25/46	897,731	1,491,760(f)
Greenpoint Mortgage Funding Trust, 2005-AR5 3A2	0.515%	11/25/46	1,097,142	783,688(f)

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Western Asset Premier Bond Fund 2012 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

June 30, 2012

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations continued				
GS Mortgage Securities Corp., 2010-C1 X, IO	1.690%	8/10/43	12,691,022	\$ 1,058,964(a)(f)
GS Mortgage Securities Corp., IO	2.370%	2/10/21	6,193,228	148,613(a)(f)
GSMPS Mortgage Loan Trust, 2001-2 A	7.500%	6/19/32	1,415,766	1,432,128(a)(f)
GSMPS Mortgage Loan Trust, 2004-4 1AF	0.645%	6/25/34	877,922	748,771(a)(f)
GSMPS Mortgage Loan Trust, 2005-RP1 2A1	3.412%	1/25/35	1,397,645	1,271,526(a)(f)
GSMPS Mortgage Loan Trust, 2005-RP3 1AF	0.595%	9/25/35	1,155,540	905,672(a)(f)
Harborview Mortgage Loan Trust, 2004-08 3A2	0.643%	11/19/34	147,438	85,632(f)
Harborview Mortgage Loan Trust, 2004-10 4A	2.907%	1/19/35	378,900	369,542(f)
Harborview Mortgage Loan Trust, 2005-9 B10	1.994%	6/20/35	1,079,207	45,786(f)
Impac CMB Trust, 2004-9 1A1	1.005%	1/25/35	47,654	36,570(f)
Impac CMB Trust, 2005-2 2A2	0.645%	4/25/35	244,617	212,131(f)
Impac CMB Trust, 2A-10	0.885%	3/25/35	396,326	289,596(f)
Indymac Index Mortgage Loan Trust, 2007-AR15 2A1	4.831%	8/25/37	3,842,944	2,654,318(f)
Indymac Manufactured Housing Contract, A2-2	6.170%	8/25/29	187,842	187,119
Jefferies & Co., 2009-B 9A	0.574%	11/21/35	117,955	287,846(a)(e)(f)
JP Morgan Mortgage Trust, 2005-A6 3A3	2.776%	9/25/35	630,000	414,791(f)
JPMorgan Alternative Loan Trust, 2006-S1 3A4	6.180%	3/25/36	1,100,000	487,653(f)
JPMorgan Mortgage Trust, 2007-A2 4A2	5.678%	4/25/37	285,286	235,182(f)
LB-UBS Commercial Mortgage Trust, 2001-C3 X, IO, STRIPS	0.842%	6/15/36	379,827	357(a)(d)(f)
Luminent Mortgage Trust, 2006-6 A1	0.445%	10/25/46	942,823	588,416(f)
MASTR Adjustable Rate Mortgages Trust, 2004-13 3A7	2.656%	11/21/34	2,000,000	1,974,994(f)
MASTR Alternative Loans Trust, PAC, 2003-7 7A1	0.645%	11/25/33	46,206	45,885(f)
MASTR ARM Trust, 2004-7 6M1	0.895%	8/25/34	800,000	633,103(f)
Merit Securities Corp., 11PA 3A1	0.865%	4/28/27	149,514	112,893(a)(f)
Merit Securities Corp., 11PA B3	2.495%	9/28/32	850,000	545,761(a)(f)
Metropolitan Asset Funding Inc., 1998-BI B1	8.000%	11/20/24	696,622	440,302(f)
Nomura Asset Acceptance Corp., 2004-AR4 1A1	2.613%	12/25/34	387,912	378,524(f)
Prime Mortgage Trust, 2005-2 2XB, STRIPS, IO	1.743%	10/25/32	3,394,437	94,261(f)
Prime Mortgage Trust, 2005-5 1X, STRIPS, IO	0.917%	7/25/34	6,792,339	76,210(f)
Prime Mortgage Trust, 2005-5 1XB, STRIPS, IO	1.201%	7/25/34	1,965,269	17,309(f)
Regal Trust IV, 1999-1 A	2.663%	9/29/31	75,253	66,394(a)(f)
Residential Asset Mortgage Products Inc., 2004-SL4 A5	7.500%	7/25/32	1,142,280	1,081,730
Residential Asset Mortgage Products, Inc., 2005-SL2 AP0, STRIPS, PO	0.000%	2/25/32	177,243	174,637
Sequoia Mortgage Trust, 2003-2 A2	1.411%	6/20/33	43,921	37,816(f)

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations continued				
Sequoia Mortgage Trust, 2004-10 A1A	0.554%	11/20/34	27,475	\$ 24,654(f)
Sequoia Mortgage Trust, 2004-11 A1	0.544%	12/20/34	41,357	36,431(f)
Sequoia Mortgage Trust, 2004-12 A1	0.514%	1/20/35	326,737	270,374(f)
Structured Asset Securities Corp., 1998-RF2 A	7.571%	7/15/27	379,971	380,849(a)(f)
Structured Asset Securities Corp., 2002-9 A2	0.545%	10/25/27	831,637	771,009(f)
Structured Asset Securities Corp., 2003-9A 2A2	2.724%	3/25/33	232,588	215,586(f)
Structured Asset Securities Corp., 2004-NP1 A	0.645%	9/25/33	220,983	191,562(a)(f)
Structured Asset Securities Corp., 2005-4XS 3A4	4.790%	3/25/35	517,830	515,966
Structured Asset Securities Corp., 2005-RF2 A	0.595%	4/25/35	1,129,000	884,910(a)(f)
Structured Asset Securities Corp., 2005-RF3 2A	3.601%	6/25/35	1,875,186	1,651,778(a)(f)
Thornburg Mortgage Securities Trust, 2003-4 A1	0.885%	9/25/43	764,218	738,387(f)
Thornburg Mortgage Securities Trust, 2004-03 A	0.985%	9/25/44	761,315	690,513(f)
Thornburg Mortgage Securities Trust, 2007-4 3A1	6.147%	9/25/37	516,013	517,406(f)
WaMu Mortgage Pass-Through Certificates, 2004-AR06 A	0.608%	5/25/44	637,240	518,139(f)
WaMu Mortgage Pass-Through Certificates, 2004-AR08 A1	0.608%	6/25/44	408,485	286,062(f)
WaMu Mortgage Pass-Through Certificates, 2004-AR13 A2A	0.558%	11/25/34	1,696,929	1,415,920(f)
WaMu Mortgage Pass-Through Certificates, 2007-HY7 2A3	3.909%	7/25/37	1,499,067	930,321(f)
WaMu Mortgage Pass-Through Certificates, 2007-OA3 2A	0.918%	4/25/47	1,012,260	611,910(f)
Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-5 3A3	6.221%	7/25/36	792,249	366,218
Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-7 A2A	5.667%	9/25/36	1,307,423	724,341
Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-7 A3	6.081%	9/25/36	160,138	86,835
Washington Mutual Inc., 2004-AR11	2.475%	10/25/34	447,563	433,196(f)
Washington Mutual Inc., 2004-AR12 A2A	0.578%	10/25/44	496,430	388,209(f)
Washington Mutual Inc., 2005-AR8 2A1A	0.535%	7/25/45	402,543	326,622(f)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2004-AR02 A	1.547%	4/25/44	279,456	223,006(f)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2004-AR13 A1A	0.548%	11/25/34	1,206,638	995,958(f)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR08 1A1A	0.515%	7/25/45	27,183	21,646(f)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR09 A1A	0.565%	7/25/45	175,606	144,103(f)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR13 A1A1	0.535%	10/25/45	330,311	264,446(f)

See Notes to Financial Statements.

Western Asset Premier Bond Fund 2012 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

June 30, 2012

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations continued				
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR19 A1A1	0.515%	12/25/45	670,539	\$ 529,928(f)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2006-AR5 3A	1.092%	7/25/46	1,153,036	432,735(f)
Washington Mutual Inc., MSC Pass-Through Certificates, 2004-RA1 2A	7.000%	3/25/34	38,380	40,612
Wells Fargo Mortgage Loan Trust, 2010-RR2 1A2	5.075%	9/27/35	2,418,992	1,917,220(a)(f)
Total Collateralized Mortgage Obligations (Cost \$52,577,659)				55,849,094
Collateralized Senior Loans 4.4%				
Consumer Discretionary 1.7%				
Getty Images Inc., Term Loan B	5.250 - 6.000%	11/7/16	964,785	963,724(i)
Las Vegas Sands LLC, Extended Delayed Draw Term Loan	2.750%	11/23/16	141,267	137,206(i)
Las Vegas Sands LLC, Extended Term Loan B	2.750%	11/23/16	702,875	681,161(i)
Univision Communications Inc., Extended Term Loan	4.495%	3/31/17	990,478	932,287(i)
Total Consumer Discretionary				2,714,378
Energy 0.4%				
Chesapeake Energy Corp., Term Loan	8.500%	12/2/17	570,000	564,567(i)
Health Care 1.2%				
Community Health Systems Inc., Non-Extended Term Loan	2.495 - 2.717%	7/25/14	1,147,073	1,129,382(i)
MedAssets Inc., Term Loan B	1.000%	11/16/16	866,890	866,168(i)
Total Health Care				1,995,550
Industrials 0.0%				
Trico Shipping AS, New Term Loan A	10.000%	5/13/14	18,802	18,708(d)(i)
Trico Shipping AS, New Term Loan B		5/13/14	33,104	32,939(d)(j)
Total Industrials				51,647
Information Technology 1.1%				
First Data Corp., Extended Term Loan B	4.245%	3/23/18	424,158	388,833(i)
First Data Corp., Non-Extended Term Loan B2	2.995%	9/24/14	514,436	492,652(i)
Freescall Semiconductor Inc., Term Loan	4.489%	12/1/16	978,386	923,597(i)
Total Information Technology				1,805,082
Total Collateralized Senior Loans (Cost \$7,174,699)				7,131,224
Mortgage-Backed Securities 0.3%				
FNMA 0.3%				
Federal National Mortgage Association (FNMA), Whole Loan (Cost \$418,151)	6.500%	8/25/44	407,770	467,158

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Municipal Bonds 8.7%				
Florida 1.4%				
Florida Educational Loan Marketing Corp., 2002-1 B	0.595%	12/1/36	650,000	\$ 521,625(e)(f)(k)
Florida Educational Loan Marketing Corp., Education Loan Revenue	0.082%	12/1/18	2,300,000	1,725,000(f)(k)
Total Florida				2,246,625
Kentucky 0.8%				
Carroll County, KY, PCR, Kentucky Utilities Co. Project, AMBAC	0.242%	10/1/32	1,800,000	1,422,000(f)
Nevada 0.8%				
Washoe County, NV, Pollution Control, Gas & Water Facilities Revenue, Sierra Pacific Power Co., AMBAC	0.674%	3/1/36	1,700,000	1,343,000(f)(k)
New York 0.8%				
New York State Energy Research & Development Authority Facilities Revenue, Consolidated Edison Co. of New York Inc., AMBAC	0.333%	10/1/36	1,600,000	1,120,000(f)(k)
New York State Energy Research & Development Authority, Gas Facilities Revenue, Brooklyn Union Gas Project, NATL-RE	1.750%	12/1/20	200,000	156,000(e)(f)
Total New York				1,276,000
Pennsylvania 4.9%				
Pennsylvania State Higher Education Assistance Agency	0.282%	5/1/46	1,300,000	1,209,806(e)(f)
Pennsylvania State Higher Education Assistance Agency, Student Loan Revenue	0.221%	6/1/47	4,150,000	3,850,411(e)(f)
Pennsylvania State Higher Education Assistance Agency, Student Loan Revenue	0.229%	5/1/46	2,525,000	2,349,816(e)(f)
Pennsylvania State Higher Education Assistance Agency, Student Loan Revenue	0.231%	5/1/46	650,000	604,903(e)(f)
Total Pennsylvania				8,014,936
Total Municipal Bonds (Cost \$14,721,711)				14,302,561
Non-U.S. Treasury Inflation Protected Securities 5.8%				
Brazil Nota do Tesouro Nacional	6.000%	5/15/45	4,700,000BRL	6,093,739
Brazil Nota do Tesouro Nacional, Notes	6.000%	8/15/50	5,606,900BRL	3,432,201
Total Non-U.S. Treasury Inflation Protected Securities (Cost \$8,149,847)				9,525,940
Sovereign Bonds 1.7%				
Brazil 0.5%				
Brazil Nota do Tesouro Nacional, Notes	10.000%	1/1/14	280,000BRL	143,070
Brazil Nota do Tesouro Nacional, Notes	10.000%	1/1/17	1,348,000BRL	687,482
Total Brazil				830,552

See Notes to Financial Statements.

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Schedule of investments (unaudited) (cont d)

June 30, 2012

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
India 0.1%				
ICICI Bank Ltd., Junior Subordinated Bonds	6.375%	4/30/22	184,000	\$ 163,760 ^{(a)(f)}
Malaysia 0.3%				
Government of Malaysia, Senior Bonds	3.835%	8/12/15	1,500,000MYR	482,995
Government of Malaysia, Senior Bonds	4.262%	9/15/16	290,000MYR	95,316
Total Malaysia				578,311
Mexico 0.8%				
Mexican Bonos, Bonds	8.000%	6/11/20	11,147,000MXN	986,829
United Mexican States, Bonds	10.000%	12/5/24	2,750,000MXN	288,851
Total Mexico				1,275,680
Venezuela 0.0%				
Bolivarian Republic of Venezuela, Collective Action Securities, Global Senior Bonds	9.375%	1/13/34	2,000	1,540
Total Sovereign Bonds (Cost \$2,999,056)				2,849,843
U.S. Government & Agency Obligations 0.2%				
U.S. Government Obligations 0.2%				
U.S. Treasury Notes (Cost \$279,443)	1.250%	4/30/19	280,000	283,106
			Shares	
Common Stocks 0.2%				
Consumer Discretionary 0.0%				
Automobiles 0.0%				
General Motors Co.			64	1,262*
Motors Liquidation Co. GUC Trust			2	25*
Total Consumer Discretionary				1,287
Industrials 0.1%				
Marine 0.1%				
DeepOcean Group Holding AS			8,860	141,760 ^(e)
Materials 0.1%				
Chemicals 0.1%				
Georgia Gulf Corp.			8,950	229,746
Total Common Stocks (Cost \$472,904)				372,793
Convertible Preferred Stocks 0.5%				
Financials 0.5%				
Diversified Financial Services 0.5%				
Citigroup Inc.	7.500%		9,000	770,040
Thriffs & Mortgage Finance 0.0%				
Federal National Mortgage Association (FNMA)	5.375%		15	57,750*
Total Convertible Preferred Stocks (Cost \$2,107,796)				827,790

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Shares	Value
Preferred Stocks 0.7%			
Consumer Discretionary 0.0%			
Automobiles 0.0%			
Escrow GCB General Motors		55,025	\$ 0*(c)(d)(e)
Financials 0.7%			
Diversified Financial Services 0.7%			
Citigroup Capital XIII	7.875%	40,000	1,091,600(f)
Corporate-Backed Trust Certificates, Series 2001-8, Class A-1	7.375%	33,900	8,475*(b)(d)
Total Diversified Financial Services			1,100,075
Thrifts & Mortgage Finance 0.0%			
Federal Home Loan Mortgage Corp. (FHLMC)	0.000%	100	250*(f)
Federal Home Loan Mortgage Corp. (FHLMC)	5.000%	200	530*
Total Thrifts & Mortgage Finance			780
Total Financials			1,100,855
Total Preferred Stocks (Cost \$1,046,640)			1,100,855
	Expiration Date	Warrants	
Warrants 0.0%			
Buffets Restaurant Holdings	4/28/14	223	2*(d)(e)
Charter Communications Inc.	11/30/14	265	5,743*(e)
CMP Susquehanna Radio Holdings Co.	3/23/19	3,624	16,888*(a)(d)(e)
Nortek Inc.	12/7/14	576	2,880*(d)(e)
SemGroup Corp.	11/30/14	830	7,511*(d)
Total Warrants (Cost \$7,974)			33,024
Total Investments before Short-Term Investments (Cost \$212,258,952)			221,898,816
	Maturity Date	Face Amount	
Short-Term Investments 7.5%			
Repurchase Agreements 7.5%			
Deutsche Bank Securities Inc. repurchase agreement dated 6/29/12; Proceeds at maturity \$12,203,142; (Fully collateralized by U.S. government agency obligations, 0.800% due 4/24/15; Market value \$12,447,055) (Cost \$12,203,000)	0.140%	7/2/12	12,203,000
Total Investments 143.2% (Cost \$224,461,952#)			234,101,816
Other Assets in Excess of Liabilities 0.8%			1,389,286
Liquidation value of Preferred Shares (44.0)%			(72,000,000)
Total Net Assets 100.0%			\$163,491,102

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont d)

June 30, 2012

Western Asset Premier Bond Fund

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

* Non-income producing security.

- (a) 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.
 - (b) The coupon payment on these securities is currently in default as of June 30, 2012.
 - (c) Value is less than \$1.
 - (d) Illiquid security.
 - (e) Security is valued in good faith in accordance with procedures approved by the Board of Trustees (See Note 1).
 - (f) Variable rate security. Interest rate disclosed is as of the most recent information available.
 - (g) Security has no maturity date. The date shown represents the next call date.
 - (h) The maturity principal is currently in default as of June 30, 2012.
 - (i) Interest rates disclosed represent the effective rates on collateralized senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
 - (j) All or a portion of this loan is unfunded as of June 30, 2012.
 - (k) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax (AMT).
- # 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
IO	Interest Only
MXN	Mexican Peso
MYR	Malaysian Ringgit
PAC	Planned Amortization Class
PO	Principal Only
STRIPS	Separate Trading of Registered Interest and Principal Securities

See Notes to Financial Statements.

Statement of assets and liabilities (unaudited)

June 30, 2012

Assets:

Investments, at value (Cost \$224,461,952)	\$234,101,816
Foreign currency, at value (Cost \$350,637)	350,471
Cash	67,851
Interest and dividends receivable	1,857,048
Principal paydown receivable	25,873
Receivable for securities sold	20,408
Swaps, at value (premiums paid \$5,295)	16,906
Prepaid expenses	35,363
Total Assets	236,475,736

Liabilities:

Payable for securities purchased	751,779
Investment management fee payable	105,847
Trustees' fees payable	3,401
Swaps, at value (premiums received \$187)	1,815
Distributions payable to auction rate preferred stockholders	1,795
Payable for open swap contracts	840
Accrued expenses	119,157
Total Liabilities	984,634

Preferred Shares:

No par value, 2,880 shares authorized, issued and outstanding, \$25,000 liquidation value per share (Note 6)	72,000,000
Total Net Assets	\$163,491,102

Net Assets:

Common shares, no par value, unlimited number of shares authorized, 11,853,644 shares issued and outstanding (Note 5)	\$166,023,767
Undistributed net investment income	7,691,996
Accumulated net realized loss on investments, swap contracts and foreign currency transactions	(19,867,507)
Net unrealized appreciation on investments, swap contracts and foreign currencies	9,642,846
Total Net Assets	\$163,491,102

Shares Outstanding	11,853,644
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Net Asset Value	\$13.79
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See Notes to Financial Statements.

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Statement of operations (unaudited)

For the Six Months Ended June 30, 2012

Investment Income:

Interest	\$ 8,126,382
Dividends	17,591
Total Investment Income	8,143,973

Expenses:

Investment management fee (Note 2)	636,087
Excise tax (Note 1)	30,647
Audit and tax	30,134
Legal fees	27,519
Fund accounting fees	24,775
Shareholder reports	23,423
Custody fees	18,369
Auction participation fees	18,065
Rating agency fees	17,727
Transfer agent fees	16,738
Auction agent fees	13,688
Stock exchange listing fees	10,752
Trustees fees	7,523
Insurance	2,364
Miscellaneous expenses	3,548
Total Expenses	881,359
Net Investment Income	7,262,614

Realized and Unrealized Gain (Loss) on Investments, Swap Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):

Net Realized Gain (Loss) From:	
Investment transactions	100,484
Swap contracts	(24,260)
Foreign currency transactions	463,956
Net Realized Gain	540,180
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	8,704,688
Swap contracts	44,221
Foreign currencies	39,034
Change in Net Unrealized Appreciation (Depreciation)	8,787,943
Net Gain on Investments, Swap Contracts and Foreign Currency Transactions	9,328,123
Distributions Paid to Auction Rate Preferred Stockholders from Net Investment Income	(72,206)
Increase in Net Assets from Operations	\$16,518,531

See Notes to Financial Statements.

Statements of changes in net assets**For the Six Months Ended June 30, 2012 (unaudited)
and the Year Ended December 31, 2011**

	2012	2011
Operations:		
Net investment income	\$ 7,262,614	\$ 15,496,344
Net realized gain (loss)	540,180	(2,111,666)
Change in net unrealized appreciation (depreciation)	8,787,943	(6,392,357)
Distributions paid to auction rate preferred stockholders from net investment income	(72,206)	(165,905)
<i>Increase in Net Assets From Operations</i>	<i>16,518,531</i>	<i>6,826,416</i>
Distributions to Shareholders From (Note 1):		
Net investment income	(7,813,791)	(17,556,033)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(7,813,791)</i>	<i>(17,556,033)</i>
Fund Share Transactions:		