

Western Asset Income Fund
Form N-Q
May 25, 2011

**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 811-02351

Western Asset Income 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: 1-888-777-0102

Date of fiscal year end: December 31

Date of reporting period: March 31, 2011

ITEM 1. SCHEDULE OF INVESTMENTS

WESTERN ASSET INCOME FUND

FORM N-Q

MARCH 31, 2011

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Schedule of investments (unaudited)

March 31, 2011

WESTERN ASSET INCOME FUND

| | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|------------------|----------------|---------------|
| SECURITY | | | | |
| CORPORATE BONDS & NOTES 93.2% | | | | |
| CONSUMER DISCRETIONARY 5.9% | | | | |
| Automobiles 0.6% | | | | |
| Motors Liquidation Co., Senior Debentures | 8.250% | 7/15/23 | \$ 2,710,000 | \$ 772,350(a) |
| Hotels, Restaurants & Leisure 0.2% | | | | |
| NCL Corp. Ltd., Senior Secured Notes | 11.750% | 11/15/16 | 180,000 | 207,900 |
| Media 4.3% | | | | |
| Comcast Cable Holdings LLC | 9.800% | 2/1/12 | 375,000 | 403,231 |
| Comcast Corp., Bonds | 6.400% | 5/15/38 | 950,000 | 967,420 |
| Comcast Corp., Notes | 6.450% | 3/15/37 | 120,000 | 122,932 |
| Comcast Corp., Senior Notes | 6.950% | 8/15/37 | 160,000 | 174,189 |
| News America Inc., Senior Notes | 6.550% | 3/15/33 | 545,000 | 572,401 |
| Omnicom Group Inc., Notes | 6.250% | 7/15/19 | 370,000 | 413,493 |
| TCI Communications Inc. | 8.750% | 8/1/15 | 160,000 | 194,171 |
| Time Warner Cable Inc., Senior Notes | 8.750% | 2/14/19 | 520,000 | 648,302 |
| Time Warner Entertainment Co., LP, Senior Notes | 8.375% | 7/15/33 | 530,000 | 648,334 |
| Time Warner Inc., Senior Debentures | 7.700% | 5/1/32 | 595,000 | 693,864 |
| United Business Media Ltd., Notes | 5.750% | 11/3/20 | 640,000 | 622,541(b) |
| WPP Finance UK, Senior Notes | 8.000% | 9/15/14 | 180,000 | 209,811 |
| <i>Total Media</i> | | | | 5,670,689 |
| Multiline Retail 0.5% | | | | |
| Macy's Retail Holdings Inc., Notes | 5.750% | 7/15/14 | 400,000 | 428,000 |
| Macy's Retail Holdings Inc., Senior Notes | 5.350% | 3/15/12 | 270,000 | 278,100 |
| <i>Total Multiline Retail</i> | | | | 706,100 |
| Specialty Retail 0.3% | | | | |
| Home Depot Inc., Senior Notes | 4.400% | 4/1/21 | 330,000 | 329,470 |
| TOTAL CONSUMER DISCRETIONARY | | | | 7,686,509 |
| CONSUMER STAPLES 3.3% | | | | |
| Beverages 0.3% | | | | |
| Anheuser-Busch InBev Worldwide Inc., Senior Notes | 5.375% | 1/15/20 | 340,000 | 364,922 |
| Food & Staples Retailing 0.7% | | | | |
| Delhaize Group, Senior Notes | 6.500% | 6/15/17 | 290,000 | 326,182 |
| Safeway Inc., Senior Notes | 3.950% | 8/15/20 | 190,000 | 179,713 |
| Wal-Mart Stores Inc., Senior Notes | 6.500% | 8/15/37 | 380,000 | 432,528 |
| <i>Total Food & Staples Retailing</i> | | | | 938,423 |
| Food Products 0.3% | | | | |
| Kraft Foods Inc., Senior Notes | 5.375% | 2/10/20 | 370,000 | 390,626 |
| Tobacco 2.0% | | | | |
| Lorillard Tobacco Co., Senior Notes | 8.125% | 6/23/19 | 300,000 | 349,304 |
| Lorillard Tobacco Co., Senior Notes | 8.125% | 5/1/40 | 270,000 | 300,226 |
| Philip Morris International Inc., Senior Notes | 6.875% | 3/17/14 | 490,000 | 562,387 |
| Reynolds American Inc., Senior Notes | 7.250% | 6/1/12 | 1,360,000 | 1,451,002 |
| <i>Total Tobacco</i> | | | | 2,662,919 |
| TOTAL CONSUMER STAPLES | | | | 4,356,890 |
| ENERGY 14.4% | | | | |

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|--|--------------|----------|---------|----------------|
| Energy Equipment & Services | 0.7% | | | |
| Baker Hughes Inc., Senior Notes | 7.500% | 11/15/18 | 370,000 | 461,873 |
| Baker Hughes Inc., Senior Notes | 5.125% | 9/15/40 | 240,000 | 227,609 |
| EnSCO PLC, Senior Notes | 4.700% | 3/15/21 | 230,000 | 228,299 |
| <i>Total Energy Equipment & Services</i> | | | | <i>917,781</i> |
| Oil, Gas & Consumable Fuels | 13.7% | | | |
| Anadarko Finance Co., Senior Notes | 7.500% | 5/1/31 | 465,000 | 513,357 |
| Anadarko Petroleum Corp., Senior Notes | 6.375% | 9/15/17 | 35,000 | 38,524 |
| Apache Corp. | 6.900% | 9/15/18 | 100,000 | 120,120 |
| Apache Corp., Senior Notes | 6.000% | 1/15/37 | 190,000 | 200,821 |
| Apache Corp., Senior Notes | 5.100% | 9/1/40 | 80,000 | 74,369 |
| Apache Corp., Senior Notes | 5.250% | 2/1/42 | 90,000 | 85,127 |
| ConocoPhillips, Notes | 6.500% | 2/1/39 | 810,000 | 922,112 |
| ConocoPhillips, Senior Notes | 6.000% | 1/15/20 | 360,000 | 413,406 |
| Devon Financing Corp. ULC, Debentures | 7.875% | 9/30/31 | 380,000 | 487,873 |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

March 31, 2011

WESTERN ASSET INCOME FUND

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|--------|------------------|----------------|-------------------|
| Oil, Gas & Consumable Fuels continued | | | | |
| Duke Capital LLC, Senior Notes | 6.250% | 2/15/13 | \$ 800,000 | \$ 866,159 |
| El Paso Corp., Medium-Term Notes | 7.800% | 8/1/31 | 2,000,000 | 2,218,722 |
| Enbridge Energy Partners LP | 9.875% | 3/1/19 | 120,000 | 156,851 |
| Energy Transfer Partners LP, Senior Notes | 9.700% | 3/15/19 | 170,000 | 221,891 |
| Enterprise Products Operating LLC, Senior Notes | 6.125% | 10/15/39 | 320,000 | 318,496 |
| EOG Resources Inc., Senior Notes | 5.875% | 9/15/17 | 540,000 | 604,124 |
| Hess Corp., Notes | 7.875% | 10/1/29 | 1,180,000 | 1,456,998 |
| Hess Corp., Senior Bonds | 6.000% | 1/15/40 | 300,000 | 303,265 |
| Kerr-McGee Corp., Notes | 6.950% | 7/1/24 | 1,080,000 | 1,194,608 |
| Kinder Morgan Energy Partners LP, Senior Notes | 7.125% | 3/15/12 | 530,000 | 559,890 |
| LUKOIL International Finance BV, Bonds | 6.356% | 6/7/17 | 310,000 | 332,847(b) |
| Noble Energy Inc., Senior Notes | 6.000% | 3/1/41 | 390,000 | 391,705 |
| Pemex Project Funding Master Trust, Senior Bonds | 6.625% | 6/15/35 | 2,635,000 | 2,643,203 |
| Petrobras International Finance Co., Global Notes | 5.875% | 3/1/18 | 879,000 | 931,080 |
| Petrobras International Finance Co., Senior Notes | 6.750% | 1/27/41 | 700,000 | 721,145 |
| Petroplus Finance Ltd., Senior Notes | 7.000% | 5/1/17 | 600,000 | 570,000(b) |
| Shell International Finance BV, Senior Notes | 6.375% | 12/15/38 | 250,000 | 282,523 |
| Williams Cos. Inc., Debentures | 7.500% | 1/15/31 | 76,000 | 88,912 |
| Williams Cos. Inc., Senior Notes | 7.750% | 6/15/31 | 60,000 | 71,257 |
| Williams Cos. Inc., Senior Notes | 8.750% | 3/15/32 | 986,000 | 1,276,084 |
| <i>Total Oil, Gas & Consumable Fuels</i> | | | | <i>18,065,469</i> |
| TOTAL ENERGY | | | | 18,983,250 |
| FINANCIALS 39.5% | | | | |
| Capital Markets 6.0% | | | | |
| Credit Suisse AG, Subordinated Notes | 5.400% | 1/14/20 | 480,000 | 484,788 |
| Goldman Sachs Capital I, Capital Securities | 6.345% | 2/15/34 | 555,000 | 533,306 |
| Goldman Sachs Capital II, Junior Subordinated Bonds | 5.793% | 6/1/12 | 880,000 | 759,000(c)(d) |
| Goldman Sachs Group Inc., Senior Notes | 6.000% | 5/1/14 | 40,000 | 43,924 |
| Goldman Sachs Group Inc., Senior Notes | 5.375% | 3/15/20 | 270,000 | 274,140 |
| Goldman Sachs Group Inc., Senior Notes | 6.250% | 2/1/41 | 570,000 | 567,639 |
| Goldman Sachs Group Inc., Subordinated Notes | 6.750% | 10/1/37 | 640,000 | 645,523 |
| Kaupthing Bank HF, Senior Notes | 5.750% | 10/4/11 | 480,000 | 134,400(a)(b)(e) |
| Kaupthing Bank HF, Senior Notes | 7.625% | 2/28/15 | 620,000 | 173,600(a)(b)(e) |
| Kaupthing Bank HF, Subordinated Notes | 7.125% | 5/19/16 | 1,250,000 | 0(a)(b)(e)(f) |
| Merrill Lynch & Co. Inc., Senior Notes | 6.400% | 8/28/17 | 300,000 | 327,023 |
| Merrill Lynch & Co. Inc., Senior Notes, Medium-Term Notes | 6.050% | 8/15/12 | 400,000 | 425,087 |
| Merrill Lynch & Co. Inc., Subordinated Notes | 5.700% | 5/2/17 | 1,000,000 | 1,037,783 |
| Merrill Lynch & Co. Inc., Subordinated Notes | 6.110% | 1/29/37 | 320,000 | 303,493 |
| Morgan Stanley, Medium-Term Notes | 6.625% | 4/1/18 | 100,000 | 109,912 |
| Morgan Stanley, Senior Notes | 6.000% | 5/13/14 | 860,000 | 935,551 |
| Morgan Stanley, Senior Notes | 5.500% | 7/24/20 | 100,000 | 99,930 |
| Morgan Stanley, Subordinated Notes | 4.750% | 4/1/14 | 60,000 | 62,521 |

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| | | | | |
|--|---------|----------|-----------|--------------------|
| State Street Corp., Junior Subordinated Notes | 4.956% | 3/15/18 | 880,000 | 906,805 |
| <i>Total Capital Markets</i> | | | | 7,824,425 |
| Commercial Banks 10.9% | | | | |
| BAC Capital Trust XIV, Junior Subordinated Notes | 5.630% | 3/15/12 | 585,000 | 450,450(c)(d) |
| Banco Mercantil del Norte SA, Subordinated Bonds | 6.135% | 10/13/16 | 750,000 | 750,000(b)(c) |
| BankAmerica Capital III, Junior Subordinated Notes | 0.873% | 1/15/27 | 215,000 | 165,570(c) |
| BankAmerica Institutional Capital A, Junior Subordinated Bonds | 8.070% | 12/31/26 | 130,000 | 133,250(b) |
| BankAmerica Institutional Capital B, Junior Subordinated Bonds | 7.700% | 12/31/26 | 480,000 | 488,400(b) |
| Barclays Bank PLC, Subordinated Notes | 10.179% | 6/12/21 | 240,000 | 304,826(b) |
| BB&T Capital Trust II, Junior Subordinated Notes | 6.750% | 6/7/36 | 230,000 | 229,722 |
| BNP Paribas, Senior Notes | 5.000% | 1/15/21 | 400,000 | 403,739 |
| BPCE SA, Subordinated Bonds | 12.500% | 9/30/19 | 361,000 | 404,995(b)(c)(d) |
| CIT Group Inc., Secured Notes | 5.250% | 4/1/14 | 370,000 | 372,320(b) |
| Credit Agricole SA, Subordinated Notes | 8.375% | 10/13/19 | 1,050,000 | 1,123,500(b)(c)(d) |
| First Union Capital I, Junior Subordinated Notes | 7.935% | 1/15/27 | 420,000 | 430,036 |
| Glitnir Banki HF, Notes | 6.330% | 7/28/11 | 400,000 | 122,000(a)(b)(e) |
| Glitnir Banki HF, Subordinated Bonds | 7.451% | 9/14/16 | 210,000 | 0(a)(b)(d)(e)(f) |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

March 31, 2011

WESTERN ASSET INCOME FUND

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|------------------|----------------|--------------------|
| Commercial Banks continued | | | | |
| Glitnir Banki HF, Subordinated Notes | 6.693% | 6/15/16 | \$ 680,000 | \$ 0(a)(b)(e)(f) |
| HBOS Capital Funding LP, Tier 1 Notes, Perpetual Bonds | 6.071% | 6/30/14 | 560,000 | 511,700(b)(c)(d) |
| HSBC Finance Capital Trust IX, Junior Subordinated Notes | 5.911% | 11/30/35 | 1,350,000 | 1,292,625(c) |
| HSBC Holdings PLC, Senior Notes | 5.100% | 4/5/21 | 250,000 | 251,283 |
| ICICI Bank Ltd., Junior Subordinated Bonds | 6.375% | 4/30/22 | 200,000 | 199,000(b)(c) |
| Intesa Sanpaolo SpA, Senior Notes | 6.500% | 2/24/21 | 790,000 | 829,042(b) |
| Landsbanki Islands HF | 7.431% | 10/19/17 | 730,000 | 0(a)(b)(d)(e)(f) |
| Lloyds TSB Bank PLC, Senior Notes | 6.375% | 1/21/21 | 590,000 | 614,837 |
| Rabobank Nederland NV, Junior Subordinated Notes | 11.000% | 6/30/19 | 858,000 | 1,117,545(b)(c)(d) |
| Resona Preferred Global Securities Cayman Ltd., Junior Subordinated Bonds | 7.191% | 7/30/15 | 1,095,000 | 1,091,415(b)(c)(d) |
| Royal Bank of Scotland Group PLC, Junior Subordinated Bonds | 7.648% | 9/30/31 | 860,000 | 804,100(c)(d) |
| Royal Bank of Scotland Group PLC, Subordinated Notes | 5.000% | 11/12/13 | 70,000 | 70,938 |
| Royal Bank of Scotland Group PLC, Subordinated Notes | 5.000% | 10/1/14 | 510,000 | 511,436 |
| SunTrust Capital, Trust Preferred Securities | 6.100% | 12/15/36 | 520,000 | 507,000(c) |
| Wachovia Capital Trust III, Junior Subordinated Bonds | 5.570% | 5/16/11 | 750,000 | 688,125(c)(d) |
| Wells Fargo Capital X, Capital Securities | 5.950% | 12/15/36 | 450,000 | 443,093 |
| <i>Total Commercial Banks</i> | | | | <i>14,310,947</i> |
| Consumer Finance 4.7% | | | | |
| Ally Financial Inc., Senior Notes | 7.500% | 12/31/13 | 1,551,000 | 1,669,264 |
| Ally Financial Inc., Senior Notes | 8.300% | 2/12/15 | 370,000 | 405,612 |
| Ally Financial Inc., Senior Notes | 8.000% | 11/1/31 | 728,000 | 793,520 |
| Ally Financial Inc., Subordinated Notes | 8.000% | 12/31/18 | 201,000 | 215,824 |
| American Express Co., Senior Notes | 8.125% | 5/20/19 | 220,000 | 274,488 |
| American Express Co., Subordinated Debentures | 6.800% | 9/1/66 | 370,000 | 377,400(c) |
| Capital One Financial Corp., Senior Notes | 6.750% | 9/15/17 | 230,000 | 264,552 |
| Ford Motor Credit Co., LLC, Senior Notes | 7.000% | 4/15/15 | 610,000 | 660,280 |
| HSBC Finance Corp., Senior Subordinated Notes | 6.676% | 1/15/21 | 1,000,000 | 1,037,985(b) |
| SLM Corp., Medium-Term Notes | 8.000% | 3/25/20 | 360,000 | 392,400 |
| SLM Corp., Medium-Term Notes, Senior Notes | 5.050% | 11/14/14 | 130,000 | 131,225 |
| <i>Total Consumer Finance</i> | | | | <i>6,222,550</i> |
| Diversified Financial Services 12.6% | | | | |
| AES El Salvador Trust, Senior Notes | 6.750% | 2/1/16 | 750,000 | 738,750(b) |
| Bank of America Corp., Notes, Preferred Securities | 8.000% | 1/30/18 | 150,000 | 161,306(c)(d) |
| Bank of America Corp., Senior Notes | 7.625% | 6/1/19 | 70,000 | 81,074 |
| Bank of America Corp., Senior Notes | 5.625% | 7/1/20 | 60,000 | 61,601 |
| Beaver Valley Funding Corp., Senior Secured Bonds | 9.000% | 6/1/17 | 199,000 | 220,896 |
| | 6.500% | 6/13/13 | 330,000 | 358,993 |

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Capital One Bank USA N.A., Senior Subordinated

| | | | | |
|---|--------|----------|-----------|---------------|
| Notes | | | | |
| Capital One Capital VI | 8.875% | 5/15/40 | 190,000 | 200,213 |
| Citigroup Inc., Senior Notes | 6.375% | 8/12/14 | 620,000 | 685,372 |
| Citigroup Inc., Senior Notes | 5.500% | 10/15/14 | 270,000 | 291,222 |
| Citigroup Inc., Senior Notes | 6.010% | 1/15/15 | 210,000 | 229,491 |
| Citigroup Inc., Senior Notes | 8.500% | 5/22/19 | 1,280,000 | 1,579,361 |
| Citigroup Inc., Senior Notes | 8.125% | 7/15/39 | 450,000 | 564,081 |
| Citigroup Inc., Subordinated Notes | 6.125% | 8/25/36 | 550,000 | 524,477 |
| General Electric Capital Corp., Notes | 5.300% | 2/11/21 | 1,710,000 | 1,736,794 |
| General Electric Capital Corp., Senior Notes | 5.900% | 5/13/14 | 1,000,000 | 1,103,730 |
| General Electric Capital Corp., Senior Notes | 6.000% | 8/7/19 | 1,120,000 | 1,222,778 |
| General Electric Capital Corp., Senior Notes | 4.375% | 9/16/20 | 560,000 | 544,208 |
| General Electric Capital Corp., Senior Notes | 4.625% | 1/7/21 | 330,000 | 324,991 |
| General Electric Capital Corp., Subordinated | | | | |
| Debentures | 6.375% | 11/15/67 | 600,000 | 616,500(c) |
| ILFC E-Capital Trust II, Bonds | 6.250% | 12/21/65 | 790,000 | 663,600(b)(c) |
| International Lease Finance Corp., Senior Notes | 9.000% | 3/15/17 | 190,000 | 213,750(b) |
| International Lease Finance Corp., Senior Notes | 8.875% | 9/1/17 | 470,000 | 529,925 |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

March 31, 2011

WESTERN ASSET INCOME FUND

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|--------|---------------|-------------|-------------------|
| Diversified Financial Services continued | | | | |
| International Lease Finance Corp., Senior Notes | 8.250% | 12/15/20 | \$ 190,000 | \$ 208,287 |
| International Lease Finance Corp., Senior Secured Notes | 6.500% | 9/1/14 | 80,000 | 85,400(b) |
| JPMorgan Chase & Co., Subordinated Notes | 6.125% | 6/27/17 | 720,000 | 783,505 |
| JPMorgan Chase Capital XXV, Junior Subordinated Notes | 6.800% | 10/1/37 | 1,000,000 | 1,005,134 |
| UFJ Finance Aruba AEC | 6.750% | 7/15/13 | 355,000 | 390,970 |
| ZFS Finance USA Trust II, Bonds | 6.450% | 12/15/65 | 1,440,000 | 1,468,800(b)(c) |
| <i>Total Diversified Financial Services</i> | | | | <i>16,595,209</i> |
| Insurance 4.1% | | | | |
| Allstate Corp., Junior Subordinated Debentures | 6.500% | 5/15/57 | 480,000 | 487,800(c) |
| American International Group Inc., Junior Subordinated Debentures | 6.250% | 3/15/37 | 80,000 | 73,200 |
| American International Group Inc., Senior Notes | 6.400% | 12/15/20 | 90,000 | 96,056 |
| ASIF Global Financing XIX | 4.900% | 1/17/13 | 30,000 | 31,350(b) |
| AXA SA, Subordinated Bonds | 8.600% | 12/15/30 | 200,000 | 236,577 |
| Dai-ichi Life Insurance Co., Ltd., Subordinated Notes | 7.250% | 7/25/21 | 250,000 | 247,139(b)(c)(d) |
| Delphi Financial Group Inc., Senior Notes | 7.875% | 1/31/20 | 170,000 | 186,671 |
| ING Capital Funding Trust III, Junior Subordinated Bonds | 3.907% | 6/30/11 | 530,000 | 513,876(c)(d) |
| Liberty Mutual Group, Junior Subordinated Bonds | 7.800% | 3/15/37 | 300,000 | 298,500(b) |
| Liberty Mutual Group, Senior Notes | 5.750% | 3/15/14 | 270,000 | 283,436(b) |
| MetLife Inc., Junior Subordinated Debentures | 6.400% | 12/15/36 | 1,160,000 | 1,117,196 |
| Prudential Financial Inc., Junior Subordinated Debentures | 8.875% | 6/15/38 | 340,000 | 401,200(c) |
| Prudential Holdings LLC, Bonds, FSA-Insured | 7.245% | 12/18/23 | 260,000 | 297,214(b) |
| Teachers Insurance & Annuity Association of America - College Retirement Equity Fund, Notes | 6.850% | 12/16/39 | 400,000 | 451,011(b) |
| Travelers Cos. Inc., Senior Notes | 5.350% | 11/1/40 | 500,000 | 475,785 |
| Willis North America Inc., Senior Notes | 5.625% | 7/15/15 | 230,000 | 244,798 |
| <i>Total Insurance</i> | | | | <i>5,441,809</i> |
| Real Estate Investment Trusts (REITs) 0.1% | | | | |
| Health Care REIT Inc., Senior Notes | 5.875% | 5/15/15 | 130,000 | 141,813 |
| Thriffs & Mortgage Finance 1.1% | | | | |
| Countrywide Financial Corp., Medium-Term Notes | 5.800% | 6/7/12 | 850,000 | 894,081 |
| Countrywide Financial Corp., Subordinated Notes | 6.250% | 5/15/16 | 500,000 | 533,794 |
| <i>Total Thriffs & Mortgage Finance</i> | | | | <i>1,427,875</i> |
| TOTAL FINANCIALS | | | | |
| | | | | 51,964,628 |
| HEALTH CARE 4.1% | | | | |
| Health Care Equipment & Supplies 0.2% | | | | |
| Hospira Inc., Senior Notes | 6.050% | 3/30/17 | 210,000 | 232,721 |
| Health Care Providers & Services 3.3% | | | | |
| Aetna Inc., Senior Notes | 6.500% | 9/15/18 | 240,000 | 276,138 |
| CIGNA Corp., Senior Notes | 4.500% | 3/15/21 | 270,000 | 265,799 |

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|---|---------|----------|---------|------------------|
| HCA Inc., Senior Notes | 6.250% | 2/15/13 | 930,000 | 964,875 |
| HCA Inc., Senior Notes | 5.750% | 3/15/14 | 65,000 | 66,219 |
| Humana Inc. | 8.150% | 6/15/38 | 190,000 | 218,689 |
| Humana Inc., Senior Notes | 6.450% | 6/1/16 | 220,000 | 243,501 |
| McKesson Corp., Senior Notes | 4.750% | 3/1/21 | 180,000 | 182,550 |
| Tenet Healthcare Corp., Senior Secured Notes | 9.000% | 5/1/15 | 682,000 | 750,200 |
| Tenet Healthcare Corp., Senior Secured Notes | 10.000% | 5/1/18 | 732,000 | 857,355 |
| Tenet Healthcare Corp., Senior Secured Notes | 8.875% | 7/1/19 | 50,000 | 57,000 |
| UnitedHealth Group Inc., Senior Notes | 6.000% | 11/15/17 | 31,000 | 34,679 |
| WellPoint Inc., Notes | 5.875% | 6/15/17 | 290,000 | 325,284 |
| WellPoint Inc., Senior Notes | 4.350% | 8/15/20 | 140,000 | 139,674 |
| <i>Total Health Care Providers & Services</i> | | | | <i>4,381,963</i> |
| Life Sciences Tools & Services 0.2% | | | | |
| Life Technologies Corp., Senior Notes | 6.000% | 3/1/20 | 200,000 | 215,414 |
| Pharmaceuticals 0.4% | | | | |
| Pfizer Inc., Senior Notes | 6.200% | 3/15/19 | 270,000 | 311,135 |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

March 31, 2011

WESTERN ASSET INCOME FUND

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|--------|---------------|-------------|------------|
| Pharmaceuticals continued | | | | |
| Wyeth, Notes | 5.950% | 4/1/37 | \$ 170,000 | \$ 181,739 |
| <i>Total Pharmaceuticals</i> | | | | 492,874 |
| TOTAL HEALTH CARE | | | | 5,322,972 |
| INDUSTRIALS 5.0% | | | | |
| Aerospace & Defense 1.3% | | | | |
| Esterline Technologies Corp., Senior Notes | 7.000% | 8/1/20 | 750,000 | 784,687 |
| L-3 Communications Corp., Senior Subordinated Notes | 6.375% | 10/15/15 | 660,000 | 679,800 |
| Systems 2001 Asset Trust | 6.664% | 9/15/13 | 253,620 | 270,740(b) |
| <i>Total Aerospace & Defense</i> | | | | 1,735,227 |
| Airlines 1.4% | | | | |
| Continental Airlines Inc., Pass-Through Certificates | 9.250% | 5/10/17 | 47,493 | 49,393 |
| Continental Airlines Inc., Pass-Through Certificates | 6.545% | 2/2/19 | 99,958 | 105,955 |
| Continental Airlines Inc., Pass-Through Certificates, Senior Secured Notes | 7.250% | 11/10/19 | 213,922 | 231,036 |
| Continental Airlines Inc., Senior Secured Notes | 7.256% | 3/15/20 | 180,768 | 191,614 |
| Delta Air Lines, Pass-Through Trust, Senior Secured Notes | 7.750% | 12/17/19 | 302,624 | 331,373 |
| Delta Air Lines, Secured Notes | 4.950% | 5/23/19 | 380,000 | 380,000 |
| Delta Air Lines Inc., Pass-Through Certificates | 7.111% | 9/18/11 | 290,000 | 298,700 |
| Delta Air Lines Inc., Pass-Through Certificates | 7.711% | 9/18/11 | 110,000 | 111,925 |
| United Airlines, Pass-Through Trust, Pass-Through Certificates, Secured Notes | 9.750% | 1/15/17 | 129,199 | 147,287 |
| <i>Total Airlines</i> | | | | 1,847,283 |
| Commercial Banks 0.7% | | | | |
| Mizuho Financial Group Cayman Ltd. | 5.790% | 4/15/14 | 800,000 | 858,813(b) |
| Commercial Services & Supplies 0.6% | | | | |
| Republic Services Inc., Senior Notes | 5.500% | 9/15/19 | 130,000 | 139,480 |
| Republic Services Inc., Senior Notes | 5.250% | 11/15/21 | 330,000 | 345,461 |
| Waste Management Inc., Senior Notes | 4.600% | 3/1/21 | 340,000 | 339,716 |
| <i>Total Commercial Services & Supplies</i> | | | | 824,657 |
| Industrial Conglomerates 0.3% | | | | |
| United Technologies Corp., Senior Notes | 6.125% | 2/1/19 | 300,000 | 349,958 |
| Machinery 0.5% | | | | |
| Valmont Industries Inc., Senior Notes | 6.625% | 4/20/20 | 680,000 | 700,697 |
| Road & Rail 0.2% | | | | |
| Asciano Finance Ltd., Senior Notes | 4.625% | 9/23/20 | 310,000 | 293,602(b) |
| TOTAL INDUSTRIALS | | | | 6,610,237 |
| INFORMATION TECHNOLOGY 1.7% | | | | |
| Electronic Equipment, Instruments & Components 0.3% | | | | |
| Corning Inc., Senior Notes | 5.750% | 8/15/40 | 360,000 | 358,453 |
| IT Services 1.1% | | | | |

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| | | | | |
|---|--------|----------|-----------|------------------|
| Electronic Data Systems Corp., Notes | 7.450% | 10/15/29 | 420,000 | 526,302 |
| Fiserv Inc., Senior Notes | 4.625% | 10/1/20 | 630,000 | 617,910 |
| Mantech International Corp., Senior Notes | 7.250% | 4/15/18 | 320,000 | 336,000 |
| <i>Total IT Services</i> | | | | <i>1,480,212</i> |
| Semiconductors & Semiconductor Equipment 0.3% | | | | |
| KLA-Tencor Corp., Senior Notes | 6.900% | 5/1/18 | 210,000 | 231,604 |
| National Semiconductor Corp., Senior Notes | 6.600% | 6/15/17 | 110,000 | 121,043 |
| <i>Total Semiconductors & Semiconductor Equipment</i> | | | | <i>352,647</i> |
| TOTAL INFORMATION TECHNOLOGY MATERIALS 4.8% | | | | 2,191,312 |
| Chemicals 0.7% | | | | |
| Dow Chemical Co., Debentures | 7.375% | 11/1/29 | 800,000 | 957,414 |
| Metals & Mining 3.6% | | | | |
| Barrick Gold Financeco LLC, Senior Notes | 6.125% | 9/15/13 | 250,000 | 277,256 |
| Cliffs Natural Resources Inc., Senior Notes | 4.875% | 4/1/21 | 360,000 | 355,094 |
| Freeport-McMoRan Copper & Gold Inc., Senior Notes | 8.375% | 4/1/17 | 1,730,000 | 1,907,325 |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

March 31, 2011

WESTERN ASSET INCOME FUND

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|--------|---------------|-------------|------------|
| Metals & Mining continued | | | | |
| Rio Tinto Finance USA Ltd., Senior Notes | 9.000% | 5/1/19 | \$ 660,000 | \$ 867,319 |
| Southern Copper Corp., Senior Notes | 5.375% | 4/16/20 | 150,000 | 152,475 |
| Vale Overseas Ltd., Notes | 6.875% | 11/21/36 | 1,148,000 | 1,222,460 |
| <i>Total Metals & Mining</i> | | | | 4,781,929 |
| Paper & Forest Products 0.5% | | | | |
| Georgia-Pacific Corp. | 7.375% | 12/1/25 | 250,000 | 263,750 |
| Georgia-Pacific Corp., Debentures | 9.500% | 12/1/11 | 325,000 | 341,656 |
| <i>Total Paper & Forest Products</i> | | | | 605,406 |
| TOTAL MATERIALS | | | | |
| | | | | 6,344,749 |
| TELECOMMUNICATION SERVICES 8.0% | | | | |
| Diversified Telecommunication Services 6.3% | | | | |
| AT&T Corp., Senior Notes | 8.000% | 11/15/31 | 9,000 | 11,276 |
| AT&T Inc., Global Notes | 6.550% | 2/15/39 | 1,230,000 | 1,281,953 |
| AT&T Inc., Senior Notes | 5.350% | 9/1/40 | 1,103,000 | 988,007(b) |
| British Telecommunications PLC, Bonds | 9.875% | 12/15/30 | 330,000 | 456,464 |
| Deutsche Telekom International Finance BV, Bonds | 8.750% | 6/15/30 | 580,000 | 760,436 |
| Deutsche Telekom International Finance BV, Senior Notes | 5.750% | 3/23/16 | 160,000 | 179,134 |
| Embarq Corp., Notes | 7.082% | 6/1/16 | 330,000 | 375,273 |
| Koninklijke KPN NV, Senior Notes | 8.375% | 10/1/30 | 240,000 | 309,648 |
| Qwest Corp., Debentures | 6.875% | 9/15/33 | 1,000,000 | 1,001,250 |
| Telecom Italia Capital SA, Senior Notes | 7.721% | 6/4/38 | 390,000 | 413,159 |
| Telecom Italia Capital SpA, Senior Notes | 7.200% | 7/18/36 | 20,000 | 20,071 |
| Telefonica Emisiones SAU, Senior Notes | 5.877% | 7/15/19 | 220,000 | 231,345 |
| Telefonica Emisiones SAU, Senior Notes | 5.134% | 4/27/20 | 650,000 | 646,723 |
| Telefonica Emisiones SAU, Senior Notes | 7.045% | 6/20/36 | 100,000 | 108,428 |
| Verizon Communications Inc., Senior Notes | 8.950% | 3/1/39 | 720,000 | 981,407 |
| Verizon Global Funding Corp., Senior Notes | 5.850% | 9/15/35 | 570,000 | 567,188 |
| <i>Total Diversified Telecommunication Services</i> | | | | 8,331,762 |
| Wireless Telecommunication Services 1.7% | | | | |
| America Movil SAB de CV, Senior Notes | 5.625% | 11/15/17 | 190,000 | 209,267 |
| Rogers Cable Inc., Senior Secured Second Priority Notes | 6.250% | 6/15/13 | 250,000 | 275,505 |
| Rogers Wireless Inc., Secured Notes | 6.375% | 3/1/14 | 300,000 | 336,492 |
| Sprint Capital Corp., Global Notes | 6.900% | 5/1/19 | 330,000 | 340,725 |
| Sprint Capital Corp., Senior Notes | 8.750% | 3/15/32 | 940,000 | 999,925 |
| <i>Total Wireless Telecommunication Services</i> | | | | 2,161,914 |
| TOTAL TELECOMMUNICATION SERVICES | | | | |
| | | | | 10,493,676 |
| UTILITIES 6.5% | | | | |
| Electric Utilities 4.2% | | | | |
| Commonwealth Edison Co., First Mortgage Bonds | 5.800% | 3/15/18 | 560,000 | 618,650 |
| CP&L Inc., First Mortgage Secured Bonds | 5.300% | 1/15/19 | 220,000 | 240,417 |

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| | | | | |
|--|--------|----------|-----------|------------|
| Duke Energy Corp., Senior Notes | 6.300% | 2/1/14 | 500,000 | 557,366 |
| EEB International Ltd., Senior Bonds | 8.750% | 10/31/14 | 260,000 | 279,500(b) |
| Enersis SA, Notes | 7.400% | 12/1/16 | 452,000 | 521,623 |
| FirstEnergy Corp., Notes | 6.450% | 11/15/11 | 3,000 | 3,090 |
| FirstEnergy Corp., Notes | 7.375% | 11/15/31 | 110,000 | 119,153 |
| Pacific Gas & Electric Co., First Mortgage Bonds | 6.050% | 3/1/34 | 140,000 | 145,885 |
| PNPP II Funding Corp. | 9.120% | 5/30/16 | 1,520,000 | 1,618,192 |
| Sithe Independence Funding, Notes | 9.000% | 12/30/13 | 826,160 | 843,666 |
| Virginia Electric and Power Co., Senior Notes | 8.875% | 11/15/38 | 390,000 | 565,638 |
| <i>Total Electric Utilities</i> | | | | 5,513,180 |
| Gas Utilities 0.1% | | | | |
| Southern Natural Gas Co., Senior Notes | 5.900% | 4/1/17 | 170,000 | 189,144(b) |
| Independent Power Producers & Energy Traders 0.7% | | | | |
| Energy Future Holdings Corp., Senior Notes | 5.550% | 11/15/14 | 1,500,000 | 982,500 |
| Multi-Utilities 1.5% | | | | |
| CenterPoint Energy Inc. | 6.850% | 6/1/15 | 1,150,000 | 1,293,887 |
| Dominion Resources Inc., Senior Notes | 8.875% | 1/15/19 | 250,000 | 319,114 |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

March 31, 2011

WESTERN ASSET INCOME FUND

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|--------|---------------|-------------|---------------|
| Multi-Utilities continued | | | | |
| DTE Energy Co. | 6.350% | 6/1/16 | \$ 260,000 | \$ 292,301 |
| <i>Total Multi-Utilities</i> | | | | 1,905,302 |
| TOTAL UTILITIES | | | | 8,590,126 |
| TOTAL CORPORATE BONDS & NOTES (Cost \$118,897,392) | | | | 122,544,349 |
| ASSET-BACKED SECURITIES 0.8% | | | | |
| AESOP Funding II LLC, 2010-3A A | 4.640% | 5/20/16 | 70,000 | 74,685(b) |
| Education Funding Capital Trust, 2004-1 A5 | 1.450% | 6/15/43 | 300,000 | 280,500(c)(f) |
| Hertz Vehicle Financing LLC, 2009-2A A1 | 4.260% | 3/25/14 | 490,000 | 513,380(b) |
| Hertz Vehicle Financing LLC, 2009-2X A2 | 5.290% | 3/25/16 | 100,000 | 106,780(b) |
| TOTAL ASSET-BACKED SECURITIES (Cost \$939,442) | | | | 975,345 |
| COLLATERALIZED MORTGAGE OBLIGATIONS 0.5% | | | | |
| Thornburg Mortgage Securities Trust, 2007-4 2A1 | 6.154% | 9/25/37 | 289,915 | 285,787(c) |
| Thornburg Mortgage Securities Trust, 2007-4 3A1 | 6.171% | 9/25/37 | 298,772 | 299,813(c) |
| TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (Cost \$583,452) | | | | 585,600 |
| SOVEREIGN BONDS 0.9% | | | | |
| Canada 0.7% | | | | |
| Quebec Province | 7.970% | 7/22/36 | 650,000 | 917,186 |
| Mexico 0.0% | | | | |
| United Mexican States, Medium-Term Notes | 6.750% | 9/27/34 | 24,000 | 27,072 |
| Russia 0.2% | | | | |
| RSHB Capital, Loan Participation Notes, Secured Notes | 7.125% | 1/14/14 | 200,000 | 217,640(b) |
| Russian Foreign Bond-Eurobond, Senior Bonds | 7.500% | 3/31/30 | 46,710 | 54,446(b) |
| <i>Total Russia</i> | | | | 272,086 |
| TOTAL SOVEREIGN BONDS (Cost \$1,014,733) | | | | 1,216,344 |
| MUNICIPAL BONDS 0.5% | | | | |
| State General Obligation 0.5% | | | | |
| Illinois State, GO | 5.665% | 3/1/18 | 310,000 | 309,408 |
| Illinois State, GO | 5.877% | 3/1/19 | 310,000 | 309,612 |
| TOTAL MUNICIPAL BONDS (Cost \$620,000) | | | | 619,020 |
| U.S. GOVERNMENT & AGENCY OBLIGATIONS 0.2% | | | | |
| U.S. Government Agencies 0.2% | | | | |
| Federal National Mortgage Association (FNMA), Debentures | 0.000% | 10/9/19 | 350,000 | 237,781 |
| U.S. Government Obligations 0.0% | | | | |

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| | | | | |
|---|---------|---------|--------|------------|
| U.S. Treasury Notes | 3.625% | 2/15/21 | 50,000 | 50,711 |
| TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS (Cost \$258,921) | | | | 288,492 |
| | | | SHARES | |
| COMMON STOCKS 0.0% | | | | |
| INDUSTRIALS 0.0% | | | | |
| Building Products 0.0% | | | | |
| Nortek Inc.(Cost - \$57,058) | | | 1,208 | 51,944* |
| PREFERRED STOCKS 2.1% | | | | |
| FINANCIALS 2.1% | | | | |
| Commercial Banks 0.1% | | | | |
| Santander Finance Preferred SA | | | | |
| Unipersonal | 10.500% | | 4,500 | 128,025 |
| Consumer Finance 0.9% | | | | |
| GMAC Capital Trust I | 8.125% | | 47,925 | 1,222,088* |
| Diversified Financial Services 1.0% | | | | |
| Citigroup Capital XII | 8.500% | | 23,150 | 609,539(c) |
| Citigroup Capital XIII | 7.875% | | 22,900 | 627,460(c) |
| <i>Total Diversified Financial Services</i> | | | | 1,236,999 |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

March 31, 2011

WESTERN ASSET INCOME FUND

| SECURITY | RATE | SHARES | VALUE |
|--|--------|--------|----------------|
| Thrifts & Mortgage Finance 0.1% | | | |
| Federal Home Loan Mortgage Corp. (FHLMC) | 8.375% | 96,825 | \$ 164,603*(c) |
| Federal National Mortgage Association (FNMA) | 8.250% | 11,700 | 19,890*(c) |
| <i>Total Thrifts & Mortgage Finance</i> | | | <i>184,493</i> |
| TOTAL PREFERRED STOCKS (Cost \$3,954,807) | | | 2,771,605 |
| TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost \$126,325,805) | | | 129,052,699 |

| | MATURITY DATE | FACE AMOUNT | |
|---|----------------|-------------|----------------|
| SHORT-TERM INVESTMENTS 0.2% | | | |
| U.S. Government Agencies 0.2% | | | |
| Federal National Mortgage Association (FNMA), Discount Notes (Cost - \$220,944) | 0.220 - 0.240% | 5/9/11 | \$ 221,000 |
| TOTAL INVESTMENTS 98.4% (Cost \$126,546,749#) | | | 220,944(g) |
| Other Assets in Excess of Liabilities 1.6% | | | 129,273,643 |
| TOTAL NET ASSETS 100.0% | | | 2,158,167 |
| | | | \$ 131,431,810 |

* Non-income producing security.

(a) The coupon payment on these securities are currently in default as of March 31, 2011.

(b) 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 Directors, unless otherwise noted.

(c) Variable rate security. Interest rate disclosed is as of the most recent information available.

(d) Security has no maturity date. The date shown represents the next call date.

(e) Illiquid security.

(f) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).

(g) Rate shown represents yield-to-maturity.

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

Abbreviation used in this schedule:

GO - General Obligation

See Notes to Schedule of Investments.

Notes to Schedule of Investments (unaudited)

1. Organization and significant accounting policies

Western Asset Income Fund (the Fund) is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a closed-end diversified investment company.

The Fund seeks high level of current income, consistent with prudent investment risk. Capital appreciation, when consistent with current income, is a secondary investment objective.

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. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. 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. When reliable prices are not readily available, 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 as determined in accordance with procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

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.

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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 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 discount estimated future cash flows to present value.

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

| ASSETS | | | | | |
|--------------------------------------|-------------------------------|---|--|-------|-------------|
| DESCRIPTION | QUOTED PRICES (LEVEL 1) | OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | TOTAL | |
| Long-term investments : | | | | | |
| Corporate bonds & notes | | \$ 122,544,349 | \$ 0* | \$ | 122,544,349 |
| Asset-backed securities | | 975,345 | | | 975,345 |
| Collateralized mortgage obligations | | 585,600 | | | 585,600 |
| Sovereign bonds | | 1,216,344 | | | 1,216,344 |
| Municipal Bonds | | 619,020 | | | 619,020 |
| U.S. government & agency obligations | | 288,492 | | | 288,492 |
| Common stocks | \$ 51,944 | | | | 51,944 |
| Preferred stocks | 2,771,605 | | | | 2,771,605 |
| Total long-term investments | \$ 2,823,549 | \$ 126,229,150 | \$ 0* | \$ | 129,052,699 |
| Short-term investments | | 220,944 | | | 220,944 |
| Total investments | \$ 2,823,549 | \$ 126,450,094 | \$ 0* | \$ | 129,273,643 |

Notes to Schedule of Investments (unaudited) (continued)

LIABILITIES

| DESCRIPTION | QUOTED PRICES (LEVEL 1) | OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | TOTAL |
|------------------------------|-------------------------------|---|--|-----------|
| Other financial instruments: | | | | |
| Futures contracts | \$ 36,194 | | | \$ 36,194 |
| Total | \$ 36,194 | | | \$ 36,194 |

See Schedule of Investments for additional detailed categorizations.

* Value is less than \$1.

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

| INVESTMENTS IN SECURITIES | CORPORATE BONDS & NOTES | |
|---|----------------------------|----|
| Balance as of December 31, 2010 | \$ | 0* |
| Accrued premiums/discounts | | |
| Realized gain(loss) | | |
| Change in unrealized appreciation (depreciation)(1) | | |
| Net purchases (sales) | | |
| Transfers into Level 3 | | |
| Transfers out of Level 3 | | |
| Balance as of March 31, 2011 | \$ | 0* |

Net change in unrealized appreciation (depreciation) for investments in securities still held at March 31, 2011(1)

* Value is less than \$1.

(1) 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, the Fund acquires a debt security subject to an obligation of the seller to repurchase, and of the Fund to resell, the security at an agreed-upon price and time, thereby determining the yield during the 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 in an effort 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

Notes to Schedule of Investments (unaudited) (continued)

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) Futures contracts. The Fund uses futures contracts to gain exposure to, or hedge against, changes in interest rates. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded.

Futures contracts involve, to varying degrees, risk of loss. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(d) Loan Participations. The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund's investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement related to the loan, or any rights of off-set against the borrower and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

The Fund assumes the credit risk of the borrower, the lender that is selling the participation and any other persons interpositioned between the Fund and the borrower. In the event of the insolvency of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not benefit from any off-set between the lender and the borrower.

(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 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

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At March 31, 2011, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

| | | |
|-------------------------------|----|-------------|
| Gross unrealized appreciation | \$ | 10,150,312 |
| Gross unrealized depreciation | | (7,423,418) |
| Net unrealized appreciation | \$ | 2,726,894 |

At March 31, 2011, the Fund had the following open futures contracts:

| | Number of Contracts | Expiration Date | Basis Value | Market Value | Unrealized Loss |
|--|------------------------|--------------------|-------------|-----------------|--------------------|
| Contracts to Buy: | | | | | |
| U.S. Treasury 10-Year Notes | 8 | 6/11 | \$ 965,745 | \$ 952,250 | \$ (13,495) |
| Contracts to Sell: | | | | | |
| U.S. Treasury 2-Year Notes | 2 | 6/11 | \$ 435,775 | \$ 436,250 | \$ (475) |
| U.S. Treasury 5-Year Notes | 39 | 6/11 | 4,541,936 | 4,554,774 | (12,838) |
| U.S. Treasury 30-Year Bonds | 18 | 6/11 | 2,153,989 | 2,163,375 | (9,386) |
| | | | | | (22,699) |
| Net Unrealized Loss on Open Futures Contracts | | | | | \$ (36,194) |

Notes to Schedule of Investments (unaudited) (continued)

3. Derivative Instruments and Hedging Activities

Financial Accounting Standards Board Codification 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, 2011.

| Primary Underlying Risk Disclosure | Unrealized Appreciation | Futures Contracts Unrealized Depreciation | Total |
|---|------------------------------------|--|--------------|
| Interest Rate Contracts | | \$ (36,194) | \$ (36,194) |

During the period ended March 31, 2011, the volume of derivative activity for the Fund was as follows:

| | Average Market Value |
|-----------------------------|---------------------------------|
| Futures contracts (to buy) | \$ 3,509,035 |
| Futures contracts (to sell) | 7,968,076 |

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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.

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 Income Fund

By: /s/ R. Jay Gerken
R. Jay Gerken
President and Trustee

Date: March 24, 2011

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
President and Trustee

Date: March 24, 2011

By: /s/ Kaprel Ozsolak
Kaprel Ozsolak
Principal Financial and Accounting Officer

Date: March 24, 2011
