

WESTERN ASSET HIGH INCOME FUND II INC.
Form N-CSR
June 24, 2014

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 811-08709

Western Asset High Income Fund II Inc.
(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY 10018
(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

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

Date of fiscal year end: April 30

Date of reporting period: April 30, 2014

ITEM 1. REPORT TO STOCKHOLDERS.

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

Annual Report

April 30, 2014

WESTERN ASSET

HIGH INCOME FUND II INC.

(HIX)

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

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Fund objectives	

The Fund seeks to maximize current income by investing at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield debt securities. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income.

Letter from the chairman

Dear Shareholder,

We are pleased to provide the annual report of Western Asset High Income Fund II Inc. for the twelve-month reporting period ended April 30, 2014. Please read on for a detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

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

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Kenneth D. Fuller

Chairman, President and Chief Executive Officer

May 30, 2014

II Western Asset High Income Fund II Inc.

Investment commentary

Economic review

After generally expanding at a moderate pace since the end of the Great Recession, the U.S. economy experienced a setback toward the end of the twelve months ended April 30, 2014 (the reporting period). Looking back, U.S. gross domestic product (GDP) growth, as reported by the U.S. Department of Commerce, was 2.5% during the second quarter of 2013. The economic expansion accelerated during the third quarter, with GDP growth of 4.1%, its best reading since the fourth quarter of 2011. The economy then moderated during the fourth quarter of 2013, as GDP growth was 2.6%. Slower growth was due to several factors, including a deceleration in private inventory investment, declining federal government spending and less residential fixed investments. The Commerce Department's second reading for first quarter 2014 GDP growth, released after the reporting period ended, was -1.0%. This represented the first negative reading for GDP growth since the first quarter of 2011. The contraction was partially attributed to severe winter weather in the U.S., as well as slower growth overseas. In particular, the Commerce Department reported that moderating growth primarily reflected negative contributions from private inventory investment, exports, nonresidential fixed investment, state and local government spending, and residential fixed investment that were partly offset by a positive contribution from personal consumption expenditures.

The U.S. job market improved during the reporting period. When the period began, unemployment, as reported by the U.S. Department of Labor, was 7.5%. Unemployment fell to 7.3% in July 2013 and as low as 6.6% in January 2014, before ticking up to 6.7% in February and holding steady in March 2014. Unemployment then fell to 6.3% in April, the lowest level since September 2008. However, falling unemployment during the period was partially due to a decline in the workforce participation rate, which was 62.8% in April 2014, matching its lowest level since 1978. The number of longer-term unemployed remained elevated, as roughly 35.3% of the 9.8 million Americans looking for work in April 2014 had been out of work for more than six months.

Sales of existing-homes declined at times during the reporting period given rising mortgage rates and weather-related factors. According to the National Association of Realtors (NAR), existing-home sales rose 1.3% on a seasonally adjusted basis in April 2014 versus the previous month's sales. This marked the first month-over-month sales increase in 2014. The NAR reported that the median existing-home price for all housing types was \$201,700 in April 2014, up 5.2% from April 2013. The inventory of homes available for sale in April 2014 was 16.8% higher than the previous month at a 5.9 month supply at the current sales pace and 6.5% higher than in April 2013.

The manufacturing sector continued to expand, although it decelerated on several occasions. Based on revised figures for the Institute for Supply Management's Purchasing Managers Index (PMI), manufacturing expanded during all twelve months of the reporting period. It peaked in November 2013, with a PMI of 57.0 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). This represented the PMI's highest reading since April 2011. The PMI then moderated somewhat in December 2013 to 56.5 and fell to

Investment commentary (cont d)

51.3 in January 2014, its weakest reading since May 2013. However, the PMI moved up to 53.2 in February, 53.7 in March and 54.9 in April 2014. During April 2014, seventeen of the eighteen industries within the PMI expanded, versus fourteen expanding in March 2014.

The Federal Reserve Board (Fedⁱⁱ) took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As has been the case since December 2008, the Fed kept the federal funds rate^{iv} at a historically low range between zero and 0.25%. At its meeting in December 2012, the Fed announced that it would continue purchasing \$40 billion per month of agency mortgage-backed securities (MBS), as well as initially purchasing \$45 billion per month of longer-term Treasuries. At a press conference following its meeting that ended on June 19, 2013, then Fed Chairman Ben Bernanke said the Committee currently anticipates that it would be appropriate to moderate the monthly pace of purchases later this year. In a surprise to many investors, at its meeting that ended on September 18, 2013, the Fed did not taper its asset purchase program. Then, at its meeting that concluded on December 18, 2013, the Fed announced that it would begin reducing its monthly asset purchases, saying Beginning in January 2014, the Committee will add to its holdings of agency MBS at a pace of \$35 billion per month rather than \$40 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$40 billion per month rather than \$45 billion per month. At the Fed s meeting that concluded on January 29, 2014, it announced that in February 2014 it would further taper its asset purchases, to a total of \$65 billion per month (\$30 billion per month of agency MBS and \$35 billion per month of longer-term Treasury securities). This was Ben Bernanke s final meeting as the Chairman of the Federal Reserve Board. Janet Yellen was approved by the U.S. Senate in January 2014, and became Chair of the Fed on February 3, 2014. At its meeting that concluded on March 19, 2014, the Fed announced a further tapering of its asset purchases in April to a total of \$55 billion per month (\$25 billion per month of agency MBS and \$30 billion per month of longer-term Treasuries). Finally, at its meeting that ended on April 30, 2014, the Fed cut its monthly asset purchases. Beginning in May, it will buy a total of \$45 billion per month (\$20 billion per month of agency MBS and \$25 billion per month of longer-term Treasuries).

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

Sincerely,

Kenneth D. Fuller

Chairman, President and Chief Executive Officer

May 30, 2014

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

- ⁱ Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ⁱⁱ The Institute for Supply Management 's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.
- ⁱⁱⁱ The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- ^{iv} The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

Western Asset High Income Fund II Inc.

V

Fund overview

Q. What is the Fund's investment strategy?

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

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

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio management personnel, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. The individuals responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are S. Kenneth Leech, Michael C. Buchanan and Christopher F. Kilpatrick. Effective on March 31, 2014, Mr. Leech joined the Fund's portfolio management team. Mr. Leech has been employed by Western Asset as an investment professional for more than 20 years.

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

A. The spread sectors (non-Treasuries) experienced several periods of volatility but generally outperformed equal-durationⁱ Treasuries over the twelve months ended April 30, 2014. However, most spread sectors posted only modest absolute returns during the reporting period. Risk aversion was prevalent at times given mixed economic data, shifting monetary policy by the Federal Reserve Board (Fedⁱⁱ) the U.S. government's sixteen-day partial shutdown in October 2013 and several geopolitical issues.

Fund overview (cont d)

Both short- and long-term Treasury yields moved higher during the twelve months ended April 30, 2014. Two-year Treasury yields rose from 0.22% at the beginning of the period to 0.42% at the end of the period. Their peak of 0.52% occurred on September 5, 2013 and they were as low as 0.20% in early May 2013. Ten-year Treasury yields were 1.70% at the beginning of the period and reached a low of 1.66% in early May 2013. Their peak of 3.04% occurred on December 31, 2013 and they ended the reporting period at 2.67%.

The Barclays U.S. Aggregate Indexⁱⁱⁱ returned -0.26% for the twelve months ended April 30, 2014. Comparatively, riskier fixed-income securities, including high-yield bonds and emerging market debt, produced stronger results. Over the fiscal year, the Barclays U.S. Corporate High Yield 2% Issuer Cap Index (the Index) returned 6.28%. Elsewhere, the JPMorgan Emerging Markets Bond Index Global (EMBI Global) returned -2.28% for the twelve months ended April 30, 2014.

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

A. A number of adjustments were made to the Fund's portfolio during the reporting period. In terms of sector positioning, we increased the Fund's allocation to Financials as banks continued to focus on their balance sheets and face regulatory hurdles prior to engaging in shareholder friendly activities. We added a small amount of emerging market exposure given their compelling valuations. In particular, we continued to emphasize emerging market corporate bonds over sovereign exposure. Additionally, we reduced the Fund's exposures to Consumer Cyclical¹ and increased our exposure to Communications² in an attempt to get more defensive from a sector prospective. Finally, we actively participated in the new issue market and purchased securities that we felt were attractively valued.

From a duration and ratings perspective, we maintained the Fund's lower quality bias, with an overweight to CCC-rated securities, coupled with an underweight to BB-rated securities. We felt the positive fundamental backdrop for corporate credit, as well as the shorter duration characteristics of lower quality securities, would be beneficial. We maintained a shorter duration versus the Index during the reporting period so the Fund would be less sensitive to changes in interest rates. We ended the reporting period with a duration of roughly 3.06 years, which was shorter than the overall high-yield market as measured by the Index, and significantly shorter than the duration of the EMBI Global.

The Fund employed U.S. Treasury futures to manage its duration positioning. The use of these instruments did not have a material impact to the Fund's performance. We increased our use of Treasury futures toward the end of the reporting period to maintain our shorter duration bias. High-yield index swaps and options on high-yield index swaps were used to manage our high-yield exposure. Overall, they were a small negative for performance. These market

¹ Consumer Cyclical consists of the following industries: Automotive, Entertainment, Gaming, Home Construction, Lodging, Retailers, Restaurants, Textiles and other consumer services.

² Communications consists of the following industries: Media - Cable, Media - Non-Cable and Telecommunications.

hedged were intended to protect the portfolio from risk-off periods, while maintaining the Fund's lower quality biases. Finally, currency forwards were employed to hedge the Fund's currency exposure. The loss from our currency hedges were largely offset by the increase in the value of our non-U.S. dollar currencies when translated back to U.S. dollars.

During the reporting period, we tactically utilized leverage in the Fund. We ended the period with liabilities as a percentage of gross assets of approximately 24%, which was roughly 3% higher than at the beginning of the period. We added a majority of the leverage during the second quarter of 2013, as we saw an opportunity to add exposure and income to the portfolio at attractive levels. This opportunity developed as investors were reducing fixed income exposure in general in anticipation of the Fed tapering its asset purchase program at its meeting in September 2013. The use of leverage was additive for results given the strong performance of our high-yield exposure.

Performance review

For the twelve months ended April 30, 2014, Western Asset High Income Fund II Inc. returned 8.89% based on its net asset value (NAVⁱ) and 1.30% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Barclays U.S. Corporate High Yield 2% Issuer Cap Index and the EMBI Global, returned 6.28% and -2.28%, respectively, for the same period. The Lipper High Yield (Leveraged) Closed-End Funds Category Average^{viii} returned 8.95% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling \$0.89 per share*. The performance table shows the Fund's twelve-month total return based on its NAV and market price as of April 30, 2014. **Past performance is no guarantee of future results.**

Performance Snapshot as of April 30, 2014

Price Per Share	12-Month Total Return**
\$9.47 (NAV)	8.89%
\$9.39 (Market Price)	1.30%

All figures represent past performance and are not a guarantee of future results.

**** Total returns are based on changes in NAV or market price, respectively. Returns reflect the deduction of all Fund expenses, including management fees, operating expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.**

Total return assumes the reinvestment of all distributions at NAV.

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

Q. What were the leading contributors to performance?

A. The largest contributor to the Fund's relative performance during the reporting period was our quality biases. Positioning the portfolio with an overweight to higher-coupon and shorter-duration CCC-rated, as well as an underweight to higher-rated longer-duration BB-rated securities, significantly

*For the tax character of distributions paid during the fiscal year ended April 30, 2014, please refer to page 51 of this report.

Fund overview (cont'd)

benefited the Fund's performance. During this period as a whole, as measured by the Index, lower-quality CCC-rated bonds outperformed higher-quality BB-rated securities, as they returned 9.54% and 5.12%, respectively.

Security selection, overall, was beneficial for the Fund's performance. In particular, our overweight exposures to Deep Ocean Holdings (Deep Ocean), Sprint Nextel Corp. and Ono Finance II Plc. were additive for the Fund's performance. Our common stock position in Deep Ocean was positive for performance. Deep Ocean is a global marine drilling services provider. The company's fundamental performance has strongly rebounded post restructuring and there were rumors that a bid for the company was developing. Bonds issued by Sprint Nextel Corp. (and Sprint Capital Corp.) rallied given their improved fundamental performance and the company accessed the capital markets improving their balance sheet during the period. In addition, both Moody's and Standard & Poor's upgraded Sprint Capital Corp. and Sprint Communications, Inc. bonds in July 2013 after Japan's wireless operator SoftBank acquired the company. Ono Finance II Plc. (and Nara Cable Funding) is a Spanish cable company that has been beneficial to performance for several reporting periods, as the southern European sovereign bond crisis and recession fears have dissipated. Additionally, CCC-rated Ono Communications was purchased by investment grade rated global communications service provider, Vodafone, during the reporting period, sending the company's bonds even higher.

Our bias to U.S. high-yield issuers versus emerging market debt was beneficial for the reporting period given the outperformance of the former. This positioning was based on our belief that U.S. high-yield valuations were more attractive on a risk/reward basis. We also felt that emerging market debt, overall, was more susceptible to rising interest rates compared to the less sensitive high-yield market.

Q. What were the leading detractors from performance?

A. Although the Fund outperformed its benchmarks during the reporting period, its relative performance was negatively impacted by our exposure to a few sectors. In particular, an underweight to Technology, the best performing sector in the Index, was a negative for results. Fundamental performance for high-yield technology companies can be cyclical and we did not feel we were being adequately compensated for the risk. Our underweight to the Utility sector was also a detriment for performance as it outperformed the Index.

A number of individual holdings detracted from performance, including overweight positions in Mirabela Nickel Ltd. and Physiotherapy Associates Holdings, Inc. Mirabela Nickel Ltd. is a nickel producer operating one of the world's largest open pit nickel mines, located in Brazil. In addition to an environment of low nickel prices, one of Mirabela Nickel's key customers unexpectedly terminated its contract, leading to a liquidity shortfall at the company. The company defaulted in late November 2013. Mirabela Nickel has subsequently been working with lenders on a restructuring plan and expects to complete the plan during the summer of 2014. From the time of the November 2013 default to the end of the reporting period, nickel prices rallied more than 35%. Physiotherapy Associates Holdings is a national provider of outpatient

rehabilitation and orthotics and prosthetics services. The company experienced headwinds due to both billing and accounting issues and, in May 2013, it defaulted on a bond payment. The reorganization is complete. The Fund's position in Physiotherapy Associates Holdings' bonds was exchanged for equity, and a new Board of Directors and senior management team are in place. The company's market position includes more than 500 outpatient rehabilitation and orthotic and prosthetic clinics in 34 states.

Looking for additional information?

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

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

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

Sincerely,

Western Asset Management Company

May 20, 2014

***RISKS:** The Fund's investments are subject to credit risk, inflation risk and interest rate risk. As interest rates rise, bond prices fall generally, reducing the value of the Fund's holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. High-yield bonds involve greater credit and liquidity risks than investment grade bonds. Foreign securities are subject to certain risks not associated with domestic investing, such as currency fluctuations and changes in political and economic conditions which could result in significant fluctuations. These risks are magnified in emerging markets. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss.*

Portfolio holdings and breakdowns are as of April 30, 2014 and are subject to change and may not be representative of the portfolio managers current or future investments. Please refer to pages 10 through 28 for a list and percentage breakdown of the Fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund's top five sector holdings (as a percentage of net assets) as of April 30, 2014 were: Consumer Discretionary (26.5%), Industrials (22.5%), Energy (16.6%), Materials (14.6%) and Financials (14.2%). The Fund's portfolio composition is subject to change at any time.

Fund overview (cont d)

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

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

- ⁱ Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- ⁱⁱ The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- ⁱⁱⁱ The 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.
- ^{iv} The Barclays U.S. Corporate 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.
- ^v The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.
- ^{vi} 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.
- ^{vii} Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended April 30, 2014, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 35 funds in the Fund's Lipper category.

Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund's investments as of April 30, 2014 and April 30, 2013 and does not include derivatives, such as futures contracts, written options, swap contracts and forward foreign currency contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.
Represents less than 0.1%.

Spread duration (unaudited)

Economic exposure April 30, 2014

Total Spread Duration

HIX 3.22 years

Benchmark 4.60 years

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.

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

Effective duration (unaudited)

Interest rate exposure April 30, 2014

Total Effective Duration

HIX 3.06 years

Benchmark 4.66 years

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.

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

Schedule of investments

April 30, 2014

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Corporate Bonds & Notes 117.9%				
Consumer Discretionary 25.4%				
<i>Auto Components 0.4%</i>				
Europcar Groupe SA, Senior Notes	11.500%	5/15/17	380,000 EUR	\$ 612,134 (a)
Europcar Groupe SA, Senior Notes	9.375%	4/15/18	2,010,000 EUR	2,997,938 (a)
<i>Total Auto Components</i>				<i>3,610,072</i>
<i>Automobiles 0.5%</i>				
Chrysler Group LLC/CG Co.-Issuer Inc., Secured Notes	8.250%	6/15/21	2,482,000	2,801,558 (b)
Jaguar Holding Co. II/Jaguar Merger Sub Inc., Senior Notes	9.500%	12/1/19	1,020,000	1,132,200 (a)(b)
<i>Total Automobiles</i>				<i>3,933,758</i>
<i>Diversified Consumer Services 0.7%</i>				
Co-operative Group Holdings 2011 Ltd., Senior Notes	6.875%	7/8/20	337,000 GBP	575,392 (a)
Co-operative Group Holdings 2011 Ltd., Senior Notes	7.500%	7/8/26	500,000 GBP	850,531
Service Corp. International, Senior Notes	7.500%	4/1/27	2,090,000	2,241,525 (b)
StoneMor Partners LP/Cornerstone Family Services of WV, Senior Notes	7.875%	6/1/21	1,810,000	1,886,925 (a)(b)
<i>Total Diversified Consumer Services</i>				<i>5,554,373</i>
<i>Hotels, Restaurants & Leisure 6.4%</i>				
Arcos Dorados Holdings Inc., Senior Notes	6.625%	9/27/23	1,730,000	1,799,200 (a)
Bossier Casino Venture Holdco Inc., Senior Secured Bonds	14.000%	2/9/18	2,923,250	2,878,399 (a)(c)(d)(e)
Boyd Gaming Corp., Senior Notes	9.125%	12/1/18	1,470,000	1,583,925 (b)
Burger King Capital Holdings LLC/Burger King Capital Finance Inc., Senior Notes, Step Bond	0.000%	4/15/19	840,000	774,900 (a)
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	11.250%	6/1/17	1,735,000	1,665,600 (b)
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	8.500%	2/15/20	4,500,000	3,903,750 (b)
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	9.000%	2/15/20	1,180,000	1,035,450
Carrols Restaurant Group Inc., Senior Secured Notes	11.250%	5/15/18	2,720,000	3,134,800 (b)
CCM Merger Inc., Senior Notes	9.125%	5/1/19	3,360,000	3,620,400 (a)(b)
CEC Entertainment Inc., Senior Notes	8.000%	2/15/22	1,490,000	1,534,700 (a)
Downstream Development Quapaw, Senior Secured Notes	10.500%	7/1/19	2,580,000	2,760,600 (a)(b)
Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., Senior Secured Notes	10.250%	6/15/15	975,000	4,875 (a)(f)
Gala Electric Casinos Ltd., Secured Notes	11.500%	6/1/19	1,724,000 GBP	3,160,896 (a)
Greektown Holdings LLC/Greektown Mothership Corp., Senior Secured Notes	8.875%	3/15/19	1,630,000	1,687,050 (a)
Hoa Restaurant Group LLC/Hoa Finance Corp., Senior Secured Notes	11.250%	4/1/17	3,140,000	3,344,100 (a)(b)
Landry's Holdings II Inc., Senior Notes	10.250%	1/1/18	1,530,000	1,644,750 (a)(b)

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Hotels, Restaurants & Leisure continued</i>				
Landry's Inc., Senior Notes	9.375%	5/1/20	6,978,000	\$ 7,728,135 (a)(b)
Mohegan Tribal Gaming Authority, Senior Notes	9.750%	9/1/21	1,640,000	1,812,200
Paris Las Vegas Holding LLC/Harrah's Las Vegas LLC/Flamingo Las Vegas Holding LLC, Senior Secured Notes	8.000%	10/1/20	3,340,000	3,490,300 (a)
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., Senior Secured Notes	9.500%	6/15/19	585,000	642,037 (a)(b)
Seven Seas Cruises S de RL LLC, Senior Secured Notes	9.125%	5/15/19	3,770,000	4,165,850 (b)
<i>Total Hotels, Restaurants & Leisure</i>				<i>52,371,917</i>
<i>Household Durables 1.8%</i>				
APX Group Inc., Senior Secured Notes	6.375%	12/1/19	1,210,000	1,237,225 (b)
Century Intermediate Holding Co. 2, Senior Notes	9.750%	2/15/19	3,860,000	4,130,200 (a)(c)
Standard Pacific Corp., Senior Notes	6.250%	12/15/21	2,590,000	2,784,250
William Lyon Homes Inc., Senior Notes	8.500%	11/15/20	2,980,000	3,337,600 (b)
Woodside Homes Co. LLC/Woodside Homes Finance Inc., Senior Notes	6.750%	12/15/21	3,520,000	3,608,000 (a)
<i>Total Household Durables</i>				<i>15,097,275</i>
<i>Media 10.1%</i>				
Altice SA, Senior Secured Notes	7.750%	5/15/22	4,860,000	5,072,625 (a)
Carmike Cinemas Inc., Secured Notes	7.375%	5/15/19	1,040,000	1,138,800 (b)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	8.125%	4/30/20	5,050,000	5,548,687 (b)
CCU Escrow Corp., Senior Secured Notes	10.000%	1/15/18	2,170,000	2,132,025 (a)
Cerved Group SpA, Senior Secured Notes	6.375%	1/15/20	200,000 ^{EUR}	303,830 (a)
Cerved Group SpA, Senior Subordinated Notes	8.000%	1/15/21	300,000 ^{EUR}	463,028 (a)
Clear Channel Worldwide Holdings Inc., Senior Notes	6.500%	11/15/22	1,960,000	2,107,000 (b)
Clear Channel Worldwide Holdings Inc., Senior Notes	6.500%	11/15/22	900,000	963,000
Clear Channel Worldwide Holdings Inc., Senior Subordinated Notes	7.625%	3/15/20	260,000	279,500
CSC Holdings Inc., Senior Debentures	7.875%	2/15/18	1,500,000	1,743,750 (b)
CSC Holdings LLC, Senior Notes	6.750%	11/15/21	230,000	257,313
DISH DBS Corp., Senior Notes	7.875%	9/1/19	1,815,000	2,157,581 (b)
DISH DBS Corp., Senior Notes	6.750%	6/1/21	2,270,000	2,570,775 (b)
Gibson Brands Inc., Senior Secured Notes	8.875%	8/1/18	1,950,000	2,079,188 (a)(b)
MDC Partners Inc., Senior Notes	6.750%	4/1/20	800,000	850,000 (a)
Nara Cable Funding Ltd., Senior Secured Notes	8.875%	12/1/18	5,000,000 ^{EUR}	7,510,416 (a)(b)
New Cotai LLC/New Cotai Capital Corp., Senior Secured Notes	10.625%	5/1/19	1,775,200	2,041,480 (a)(c)
Numericable Group SA, Senior Secured Bonds	6.000%	5/15/22	4,170,000	4,274,250 (a)
Ono Finance II PLC, Senior Bonds	10.875%	7/15/19	4,061,000	4,538,167 (a)(b)

See Notes to Financial Statements.

Schedule of investments (cont d)

April 30, 2014

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Media continued</i>				
Polish Television Holding BV, Senior Secured Bonds	11.000%	1/15/21	420,000 EUR	\$ 687,570 (a)(c)
Time Warner Cable Inc., Senior Notes	8.750%	2/14/19	2,500,000	3,204,773 (b)
Time Warner Cable Inc., Senior Notes	8.250%	4/1/19	1,336,000	1,693,791 (b)
TVN Finance Corp. III AB, Senior Bonds	7.375%	12/15/20	1,258,000 EUR	1,989,625 (a)
Univision Communications Inc., Senior Notes	8.500%	5/15/21	4,450,000	4,917,250 (a)(b)
Univision Communications Inc., Senior Secured Notes	6.875%	5/15/19	1,780,000	1,906,825 (a)(b)
Univision Communications Inc., Senior Secured Notes	7.875%	11/1/20	400,000	441,500 (a)(b)
UPC Holding BV, Junior Secured Subordinated Notes	6.375%	9/15/22	5,060,000 EUR	7,557,592 (a)
UPCB Finance II Ltd., Senior Notes	6.375%	7/1/20	3,500,000 EUR	5,195,623 (a)(b)
Virgin Media Finance PLC, Senior Notes	6.375%	4/15/23	5,420,000	5,718,100 (a)(b)
WMG Acquisition Corp., Senior Notes	6.750%	4/15/22	3,150,000	3,189,375 (a)
<i>Total Media</i>				<i>82,533,439</i>
<i>Multiline Retail 0.8%</i>				
Neiman Marcus Group LLC, Senior Secured Notes	7.125%	6/1/28	660,000	669,900 (b)
Neiman Marcus Group Ltd. LLC, Senior Notes	8.750%	10/15/21	4,940,000	5,483,400 (a)(b)(c)
<i>Total Multiline Retail</i>				<i>6,153,300</i>
<i>Specialty Retail 3.7%</i>				
American Greetings Corp., Senior Notes	7.375%	12/1/21	2,480,000	2,644,300 (b)
Edcon Holdings Pty Ltd., Senior Secured Subordinated Bonds	13.375%	6/30/19	360,000 EUR	454,496 (a)
Edcon Pty Ltd., Senior Secured Notes	9.500%	3/1/18	3,550,000 EUR	4,925,090 (a)
Edcon Pty Ltd., Senior Secured Notes	9.500%	3/1/18	1,000,000 EUR	1,387,349 (a)
Edcon Pty Ltd., Senior Secured Notes	9.500%	3/1/18	760,000	756,200 (a)
Guitar Center Inc., Senior Bonds	9.625%	4/15/20	6,850,000	6,473,250 (a)
Gymboree Corp., Senior Notes	9.125%	12/1/18	2,540,000	1,943,100 (b)
Hot Topic Inc., Senior Secured Notes	9.250%	6/15/21	1,570,000	1,723,075 (a)(b)
New Academy Finance Co. LLC/New Academy Finance Corp., Senior Notes	8.000%	6/15/18	530,000	544,580 (a)(c)
Spencer Spirit Holdings Inc., Senior Notes	9.000%	5/1/18	4,165,000	4,263,919 (a)(b)(c)
Spencer Spirit Holdings Inc./Spencer Gifts LLC/Spirit Halloween Superstores, Senior Notes	11.000%	5/1/17	4,860,000	5,163,799 (a)(b)
<i>Total Specialty Retail</i>				<i>30,279,158</i>
<i>Textiles, Apparel & Luxury Goods 1.0%</i>				
Boardriders SA, Senior Notes	8.875%	12/15/17	2,900,000 EUR	4,350,207 (a)
Chinos Intermediate Holdings A Inc., Senior Notes	7.750%	5/1/19	2,130,000	2,209,875 (a)(b)(c)
Empire Today LLC/Empire Today Finance Corp., Senior Secured Notes	11.375%	2/1/17	1,300,000	1,345,500 (a)(b)
<i>Total Textiles, Apparel & Luxury Goods</i>				<i>7,905,582</i>
Total Consumer Discretionary				207,438,874

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
Consumer Staples 3.7%				
<i>Beverages 0.5%</i>				
Carolina Beverage Group LLC/Carolina Beverage Group Finance Inc., Secured Notes	10.625%	8/1/18	1,590,000	\$ 1,713,225 (a)(b)
Crestview DS Merger Subordinated II Inc., Senior Secured Notes	10.000%	9/1/21	2,390,000	2,664,850 (a)(b)
<i>Total Beverages</i>				4,378,075
<i>Food & Staples Retailing 0.4%</i>				
Beverages & More Inc., Senior Secured Notes	10.000%	11/15/18	3,220,000	3,344,775 (a)(b)
<i>Food Products 2.3%</i>				
Chiquita Brands International Inc./Chiquita Brands LLC, Senior Secured Notes	7.875%	2/1/21	3,642,000	4,074,487
Dole Food Co. Inc., Senior Secured Notes	7.250%	5/1/19	2,510,000	2,538,237 (a)(b)
Hearthside Group Holdings LLC/Hearthside Finance Co., Senior Notes	6.500%	5/1/22	2,970,000	3,029,400 (a)
Land O Lakes Capital Trust I, Junior Subordinated Bonds	7.450%	3/15/28	2,090,000	2,063,875 (a)
Simmons Foods Inc., Senior Secured Notes	10.500%	11/1/17	4,890,000	5,305,650 (a)(b)
Wells Enterprises Inc., Senior Secured Notes	6.750%	2/1/20	1,593,000	1,652,738 (a)(b)
<i>Total Food Products</i>				18,664,387
<i>Personal Products 0.2%</i>				
Hypermarcas SA, Notes	6.500%	4/20/21	1,230,000	1,339,163 (a)
<i>Tobacco 0.3%</i>				
Alliance One International Inc., Secured Notes	9.875%	7/15/21	2,460,000	2,496,900
Total Consumer Staples				30,223,300
Energy 16.2%				
<i>Energy Equipment & Services 2.8%</i>				
Atwood Oceanics Inc., Senior Notes	6.500%	2/1/20	1,470,000	1,572,900 (b)
CGG, Senior Notes	9.500%	5/15/16	723,000	743,822 (b)
CGG, Senior Notes	7.750%	5/15/17	1,120,000	1,141,000 (b)
Gulfmark Offshore Inc., Senior Notes	6.375%	3/15/22	1,600,000	1,668,000 (b)
Hercules Offshore Inc., Senior Notes	10.250%	4/1/19	1,760,000	1,975,600 (a)(b)
Hercules Offshore Inc., Senior Notes	8.750%	7/15/21	2,400,000	2,598,000 (a)(b)
Hercules Offshore Inc., Senior Notes	7.500%	10/1/21	2,140,000	2,166,750 (a)
Hercules Offshore Inc., Senior Notes	6.750%	4/1/22	590,000	571,563 (a)
Parker Drilling Co., Senior Notes	6.750%	7/15/22	2,540,000	2,641,600 (a)
Petroleum Geo-Services ASA, Senior Notes	7.375%	12/15/18	1,720,000	1,857,600 (a)(b)
SESI LLC, Senior Notes	7.125%	12/15/21	2,780,000	3,141,400 (b)
Sierra Hamilton LLC/Sierra Hamilton Finance Inc., Senior Secured Notes	12.250%	12/15/18	2,730,000	2,811,900 (a)
TMK OAO Via TMK Capital SA, Senior Notes	6.750%	4/3/20	210,000	180,075 (a)
<i>Total Energy Equipment & Services</i>				23,070,210

See Notes to Financial Statements.

Schedule of investments (cont d)

April 30, 2014

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels 13.4%</i>				
Arch Coal Inc., Senior Notes	7.000%	6/15/19	2,340,000	\$ 1,813,500 ^(b)
Arch Coal Inc., Senior Notes	9.875%	6/15/19	1,360,000	1,176,400 ^(b)
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes	9.625%	8/1/20	1,570,000	1,813,350 ^(b)
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes	6.500%	4/15/21	1,520,000	1,520,000 ^(a)
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes	7.625%	1/15/22	2,130,000	2,244,487
Carrizo Oil & Gas Inc., Senior Notes	7.500%	9/15/20	1,140,000	1,254,000 ^(b)
Chesapeake Energy Corp., Senior Notes	6.875%	11/15/20	2,100,000	2,394,000 ^(b)
Comstock Resources Inc., Senior Notes	9.500%	6/15/20	2,130,000	2,444,175 ^(b)
CONSOL Energy Inc., Senior Notes	8.250%	4/1/20	2,870,000	3,139,062 ^(b)
Corral Petroleum Holdings AB, Senior Notes	15.000%	12/31/17	5,048,907	4,972,888 ^{(a)(c)}
EDC Finance Ltd., Senior Notes	4.875%	4/17/20	1,100,000	984,500 ^(a)
El Paso Corp., Medium-Term Notes	7.800%	8/1/31	1,952,000	2,106,056
Enterprise Products Operating LLC, Junior Subordinated Notes	8.375%	8/1/66	285,000	322,930 ^{(b)(g)}
EP Energy LLC/EP Energy Finance Inc., Senior Notes	9.375%	5/1/20	910,000	1,053,325 ^(b)
EXCO Resources Inc., Senior Notes	8.500%	4/15/22	1,910,000	1,967,300
Globe Luxembourg SCA, Senior Secured Notes	10.125%	5/1/18	3,530,000	3,874,175 ^{(a)(b)}
Halcon Resources Corp., Senior Notes	9.750%	7/15/20	2,860,000	3,067,350 ^(a)
Halcon Resources Corp., Senior Notes	9.750%	7/15/20	2,190,000	2,354,250 ^(b)
Halcon Resources Corp., Senior Notes	8.875%	5/15/21	1,730,000	1,801,362
Kodiak Oil & Gas Corp., Senior Notes	8.125%	12/1/19	2,720,000	3,032,800 ^(b)
Lonestar Resources America Inc., Senior Notes	8.750%	4/15/19	1,080,000	1,090,800 ^(a)
LUKOIL International Finance BV, Bonds	6.356%	6/7/17	1,720,000	1,816,750 ^(a)
Magnum Hunter Resources Corp., Senior Notes	9.750%	5/15/20	4,530,000	5,050,950 ^(b)
MEG Energy Corp., Senior Notes	7.000%	3/31/24	5,020,000	5,333,750 ^{(a)(b)}
Milagro Oil & Gas Inc., Secured Notes	10.500%	5/15/16	3,290,000	2,467,500 ^(f)
Murray Energy Corp., Senior Secured Notes	8.625%	6/15/21	1,740,000	1,896,600 ^{(a)(b)}
Natural Resource Partners LP, Senior Notes	9.125%	10/1/18	2,240,000	2,340,800 ^{(a)(b)}
Novatek Finance Ltd., Notes	6.604%	2/3/21	2,300,000	2,248,250 ^{(a)(h)}
Pacific Rubiales Energy Corp., Senior Notes	5.375%	1/26/19	2,350,000	2,420,500 ^(a)
Peabody Energy Corp., Senior Notes	7.875%	11/1/26	1,780,000	1,871,225 ^(b)
Petrobras Global Finance BV, Senior Notes	6.250%	3/17/24	920,000	968,672
Petrobras International Finance Co., Senior Notes	6.875%	1/20/40	1,145,000	1,196,364 ^(h)
Petrobras International Finance Co., Senior Notes	6.750%	1/27/41	1,820,000	1,865,074 ^(b)
Plains Exploration & Production Co., Senior Notes	8.625%	10/15/19	1,140,000	1,235,475 ^(b)
PT Adaro Indonesia, Senior Notes	7.625%	10/22/19	770,000	813,312 ^{(a)(b)}

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels continued</i>				
Puma International Financing SA, Senior Bonds	6.750%	2/1/21	5,600,000	\$ 5,754,000 ^(a)
Quicksilver Resources Inc., Senior Notes	11.000%	7/1/21	3,980,000	4,253,625 ^{(a)(b)}
Range Resources Corp., Senior Subordinated Notes	8.000%	5/15/19	530,000	553,876 ^(b)
Rosneft Finance SA, Senior Notes	7.500%	7/18/16	270,000	285,863 ^(a)
Rosneft Finance SA, Senior Notes	6.625%	3/20/17	230,000	239,488 ^(a)
Rosneft Finance SA, Senior Notes	7.875%	3/13/18	1,390,000	1,504,675 ^{(a)(b)}
Rosneft Finance SA, Senior Notes	7.875%	3/13/18	200,000	216,500 ^(a)
Samson Investment Co., Senior Notes	10.750%	2/15/20	6,620,000	7,017,200 ^{(a)(b)}
Sanchez Energy Corp., Senior Notes	7.750%	6/15/21	3,960,000	4,257,000 ^(a)
SandRidge Energy Inc., Senior Notes	7.500%	2/15/23	920,000	979,800 ^(b)
Shelf Drilling Holdings Ltd., Senior Secured Notes	8.625%	11/1/18	1,810,000	1,959,325 ^(a)
Sibur Securities Ltd., Senior Notes	3.914%	1/31/18	400,000	353,000 ^(a)
Sidewinder Drilling Inc., Senior Notes	9.750%	11/15/19	1,100,000	1,094,500 ^{(a)(b)}
Summit Midstream Holdings LLC/Summit Midstream Finance Corp., Senior Notes	7.500%	7/1/21	1,370,000	1,479,600
Westmoreland Coal Co./Westmoreland Partners, Senior Secured Notes	10.750%	2/1/18	1,670,000	1,820,300 ^(a)
Xinergy Ltd., Senior Secured Notes	9.250%	5/15/19	2,180,000	1,471,500 ^(a)
<i>Total Oil, Gas & Consumable Fuels</i>				109,192,184
Total Energy				132,262,394
Financials 10.7%				
<i>Banks 5.4%</i>				
Bank of America Corp., Junior Subordinated Notes	5.200%	6/1/23	2,410,000	2,277,450 ^{(b)(g)(i)}
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	3,710,000	5,057,676 ^{(a)(b)}
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	5,000,000	5,690,625 ^(b)
Citigroup Inc., Junior Subordinated Bonds	6.300%	5/15/24	950,000	950,404 ^{(g)(i)}
Credit Agricole SA, Subordinated Notes	8.375%	10/13/19	3,180,000	3,704,700 ^{(a)(b)(g)(i)}
Intesa Sanpaolo SpA, Senior Notes	3.625%	8/12/15	3,920,000	4,021,406 ^(a)
JPMorgan Chase & Co., Junior Subordinated Bonds	6.000%	8/1/23	1,270,000	1,270,000 ^{(b)(g)(i)}
M&T Bank Corp., Junior Subordinated Bonds	6.875%	6/15/16	4,400,000	4,447,617 ⁽ⁱ⁾
Royal Bank of Scotland Group PLC, Junior Subordinated Bonds	7.648%	9/30/31	3,530,000	3,900,650 ^{(b)(g)(i)}
Royal Bank of Scotland Group PLC, Subordinated Notes	5.000%	10/1/14	1,660,000	1,681,749 ^(b)
Royal Bank of Scotland Group PLC, Subordinated Notes	6.100%	6/10/23	1,470,000	1,560,167
Royal Bank of Scotland NV, Subordinated Notes	7.750%	5/15/23	650,000	732,602 ^(b)
Royal Bank of Scotland PLC, Subordinated Notes	13.125%	3/19/22	4,860,000 ^{AUD}	5,391,607 ^{(a)(g)}
Wells Fargo & Co., Junior Subordinated Bonds	5.900%	6/15/24	3,570,000	3,628,013 ^{(g)(i)}
<i>Total Banks</i>				44,314,666

See Notes to Financial Statements.

Schedule of investments (cont d)

April 30, 2014

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Capital Markets 0.3%</i>				
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	2,320,000	\$ 2,676,918 (b)
<i>Consumer Finance 1.6%</i>				
Ally Financial Inc., Senior Notes	6.750%	12/1/14	6,140,000	6,354,900 (b)
SLM Corp., Medium-Term Notes, Senior Notes	8.450%	6/15/18	2,230,000	2,636,975 (b)
SLM Corp., Senior Notes	6.125%	3/25/24	1,490,000	1,484,040
Stearns Holdings Inc., Senior Secured Notes	9.375%	8/15/20	1,250,000	1,312,500 (a)
TMX Finance LLC/TitleMax Finance Corp., Senior Secured Notes	8.500%	9/15/18	1,110,000	1,187,700 (a)
<i>Total Consumer Finance</i>				<i>12,976,115</i>
<i>Diversified Financial Services 1.7%</i>				
International Lease Finance Corp., Senior Notes	5.750%	5/15/16	800,000	863,000
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	3,385,000	3,949,872 (b)
International Lease Finance Corp., Senior Notes	8.875%	9/1/17	5,180,000	6,177,150 (b)
International Lease Finance Corp., Senior Notes	8.250%	12/15/20	2,160,000	2,610,900 (b)
ZFS Finance USA Trust II, Bonds	6.450%	12/15/65	500,000	541,250 (a)(g)
<i>Total Diversified Financial Services</i>				<i>14,142,172</i>
<i>Insurance 1.1%</i>				
American International Group Inc., Senior Notes	8.250%	8/15/18	3,180,000	3,980,323 (b)
Fidelity & Guaranty Life Holdings Inc., Senior Notes	6.375%	4/1/21	1,450,000	1,551,500 (a)(b)
Liberty Mutual Group Inc., Junior Subordinated Bonds	7.800%	3/15/37	1,750,000	1,999,375 (a)(b)
MetLife Capital Trust IV, Junior Subordinated Notes	7.875%	12/15/37	1,100,000	1,342,000 (a)(b)
<i>Total Insurance</i>				<i>8,873,198</i>
<i>Real Estate Management & Development 0.6%</i>				
Howard Hughes Corp., Senior Notes	6.875%	10/1/21	4,140,000	4,471,200 (a)(b)
Total Financials				87,454,269
<i>Health Care 5.7%</i>				
<i>Health Care Equipment & Supplies 1.2%</i>				
Alere Inc., Senior Subordinated Notes	6.500%	6/15/20	2,800,000	2,954,000 (b)
ConvaTec Finance International SA, Senior Notes	8.250%	1/15/19	1,610,000	1,650,250 (a)(c)
Lantheus Medical Imaging Inc., Senior Notes	9.750%	5/15/17	4,820,000	4,820,000 (b)
<i>Total Health Care Equipment & Supplies</i>				<i>9,424,250</i>
<i>Health Care Providers & Services 3.5%</i>				
Acadia Healthcare Co. Inc., Senior Notes	12.875%	11/1/18	1,248,000	1,503,840 (b)
Acadia Healthcare Co. Inc., Senior Notes	6.125%	3/15/21	1,540,000	1,586,200 (a)(b)
CHS/Community Health Systems Inc., Senior Notes	8.000%	11/15/19	4,590,000	5,043,262 (b)
DJO Finance LLC/DJO Finance Corp., Senior Notes	9.875%	4/15/18	2,620,000	2,868,900 (b)
ExamWorks Group Inc., Senior Notes	9.000%	7/15/19	5,000,000	5,525,000 (b)
Fresenius Medical Care U.S. Finance Inc., Senior Notes	6.875%	7/15/17	105,000	119,175 (b)

See Notes to Financial Statements.

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Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Health Care Providers & Services continued</i>				
Fresenius U.S. Finance II Inc., Senior Notes	9.000%	7/15/15	1,020,000	\$ 1,116,900 ^{(a)(b)}
HCA Inc., Debentures	7.500%	11/15/95	2,205,000	1,951,425 ^(b)
IASIS Healthcare LLC/IASIS Capital Corp., Senior Notes	8.375%	5/15/19	2,540,000	2,705,100 ^(b)
Labco SAS, Senior Secured Notes	8.500%	1/15/18	254,000 ^{EUR}	377,935 ^(a)
Tenet Healthcare Corp., Senior Notes	8.125%	4/1/22	2,870,000	3,192,875
Tenet Healthcare Corp., Senior Secured Notes	6.000%	10/1/20	2,580,000	2,713,838 ^(a)
<i>Total Health Care Providers & Services</i>				<i>28,704,450</i>
<i>Pharmaceuticals 1.0%</i>				
ConvaTec Healthcare E SA, Senior Notes	10.875%	12/15/18	2,500,000 ^{EUR}	3,847,120 ^{(a)(b)}
JLL/Delta Dutch Newco BV, Senior Notes	7.500%	2/1/22	2,830,000	2,911,362 ^(a)
Salix Pharmaceuticals Ltd., Senior Notes	6.000%	1/15/21	1,580,000	1,698,500 ^(a)
<i>Total Pharmaceuticals</i>				<i>8,456,982</i>
Total Health Care				46,585,682
<i>Industrials 21.0%</i>				
<i>Aerospace & Defense 2.3%</i>				
CBC Ammo LLC/CBC FinCo Inc., Senior Notes	7.250%	11/15/21	4,110,000	4,197,338 ^{(a)(b)}
Ducommun Inc., Senior Notes	9.750%	7/15/18	1,960,000	2,195,200 ^(b)
Erickson Inc., Senior Secured Notes	8.250%	5/1/20	4,854,000	5,072,430 ^{(a)(b)}
GenCorp Inc., Secured Notes	7.125%	3/15/21	1,490,000	1,624,100 ^(b)
Kratos Defense & Security Solutions Inc., Senior Secured Notes	10.000%	6/1/17	4,160,000	4,386,200 ^(b)
Triumph Group Inc., Senior Notes	8.625%	7/15/18	1,660,000	1,759,600 ^(b)
<i>Total Aerospace & Defense</i>				<i>19,234,868</i>
<i>Airlines 1.9%</i>				
Air Canada, Pass-Through Trust, Secured Notes	6.625%	5/15/18	1,100,000	1,133,088 ^(a)
American Airlines, Pass-Through Trust, Secured Notes	7.000%	1/31/18	1,199,827	1,301,812 ^(a)
Delta Air Lines Inc., Pass-Through Certificates	8.954%	8/10/14	4,871	4,968
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	1,308,912	1,518,339 ^(b)
Delta Air Lines Inc., Pass-Through Certificates, Subordinated Secured Notes	9.750%	12/17/16	547,200	625,176 ^(b)
Heathrow Finance PLC, Senior Secured Notes	7.125%	3/1/17	2,450,000 ^{GBP}	4,583,006 ^{(a)(b)}
United Airlines Inc., Pass-Through Certificates	5.983%	4/19/22	4,213,744	4,787,867 ^(b)
United Airlines Inc., Pass-Through Certificates, Senior Secured Notes	6.125%	4/29/18	1,430,000	1,522,950 ^(b)
<i>Total Airlines</i>				<i>15,477,206</i>
<i>Building Products 0.7%</i>				
Andrade Gutierrez International SA, Senior Notes	4.000%	4/30/18	1,230,000	1,233,075 ^(a)
Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Notes	6.875%	2/15/21	2,010,000	2,045,175 ^{(a)(b)}

See Notes to Financial Statements.

Schedule of investments (cont d)

April 30, 2014

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Building Products continued</i>				
Rearden G Holdings EINS GmbH, Senior Notes	7.875%	3/30/20	800,000	\$ 840,000 (a)
Spie BondCo 3 SCA, Secured Notes	11.000%	8/15/19	1,139,000 EUR	1,813,269 (a)
<i>Total Building Products</i>				<i>5,931,519</i>
<i>Commercial Services & Supplies 2.9%</i>				
Garda World Security Corp., Senior Notes	7.250%	11/15/21	780,000	825,825 (a)
JM Huber Corp., Senior Notes	9.875%	11/1/19	1,490,000	1,717,225 (a)(b)
Monitronics International Inc., Senior Notes	9.125%	4/1/20	6,080,000	6,498,000 (b)
RSC Equipment Rental Inc./RSC Holdings III LLC, Senior Notes	8.250%	2/1/21	1,600,000	1,798,000 (b)
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	7.750%	4/15/20	4,686,000	5,166,315 (a)(b)
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	7.750%	4/15/20	1,186,000	1,307,565 (a)(b)
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	5.250%	4/15/21	1,241,000	1,259,615 (a)
United Rentals North America Inc., Senior Notes	7.625%	4/15/22	3,018,000	