

WESTERN ASSET HIGH INCOME FUND II INC.

Form N-CSR

July 02, 2018

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**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, 2018**

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ITEM 1. REPORT TO STOCKHOLDERS.

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

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Annual Report

April 30, 2018

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. 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. In addition, the Fund may invest up to 35% of its total assets in debt securities of issuers located in emerging market countries.

II Western Asset High Income Fund II Inc.

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## 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, 2018. 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](http://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,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

May 31, 2018

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## Investment commentary

### Economic review

Economic activity in the U.S. was mixed during the twelve months ended April 30, 2018 (the reporting period). Looking back, the U.S. Department of Commerce reported that U.S. gross domestic product (GDP) growth was 3.1% and 3.2% during the second and third quarters of 2017, respectively. GDP growth then moderated to 2.9% for the fourth quarter of the year. Finally, the U.S. Department of Commerce's second reading for first quarter 2018 GDP growth released after the reporting period ended was 2.2%. The deceleration in GDP growth in the first quarter reflected decelerations in personal consumption expenditures (PCE), exports, state and local government spending, and federal government spending and a downturn in residential fixed investment. These movements were partly offset by an upturn in private inventory investment and a larger increase in nonresidential fixed investment.

Job growth in the U.S. was solid overall and supported the economy during the reporting period. When the reporting period ended on April 30, 2018, the unemployment rate was 3.9%, as reported by the U.S. Department of Labor. This was the lowest unemployment rate since December 2000. The percentage of longer-term unemployed declined during the reporting period. In April 2018, 20.0% of Americans looking for a job had been out of work for more than six months, versus 24.0% when the period began.

The Federal Reserve Board (the Fed) raised interest rates, as represented by the federal funds rate<sup>iii</sup>, three times during the reporting period. The first occurrence took place on June 14, 2017, as the Fed raised rates to a range between 1.00% and 1.25%. During its meeting that concluded on September 20, 2017, the Fed kept rates on hold, but reiterated its intention to begin reducing its balance sheet, saying, "In October, the Committee will initiate the balance sheet normalization program." At its meeting that ended on December 13, 2017, the Fed raised rates to a range between 1.25% and 1.50%. As expected, the Fed kept rates on hold at its meeting that concluded on January 31, 2018. However, at its meeting that ended on March 21, 2018, the Fed again raised the federal funds rate, moving it to a range between 1.50% and 1.75%.

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

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

May 31, 2018

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

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

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

<sup>iii</sup>

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

IV Western Asset High Income Fund II Inc.



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### 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, LLC (formerly known as 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.

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

**A.** The spread sectors (non-Treasuries) generated mixed results versus equal-duration<sup>1</sup> Treasuries over the twelve-month reporting period ended April 30, 2018. The fixed income market was impacted by a number of factors during the reporting period, including improving global economic growth, three interest rate hikes by the Federal Reserve Board (the Fed), mixed outlooks for inflation, the signing of the U.S. tax reform bill and several geopolitical issues.

Both short- and long-term Treasury yields moved higher during the reporting period. The yield for the two-year Treasury note

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## Fund overview (cont d)

began the reporting period at 1.28% and ended the period at 2.49% – the latter equaling the peak for the period. The low for the period of 1.26% occurred on May 17, 2017. The yield for the ten-year Treasury began the reporting period at 2.29% and ended the period at 2.95%. The low for the period of 2.05% occurred on September 7, 2017, and the peak of 3.03% took place on April 25, 2018.

Despite periods of volatility, the lower-rated credit market generated positive results during the twelve months ended April 30, 2018. The market was supported by corporate profits that often exceeded expectations and overall solid investor demand. As is often the case in a rising interest rate environment, the credit market outperformed equal-duration Treasuries. This occurred as the global economy continued to expand, resulting in better earnings results and a relatively low default rate.

All told, the Bloomberg Barclays U.S. Aggregate Index<sup>iii</sup>, returned -0.32% for the twelve months ended April 30, 2018. Comparatively, riskier fixed-income securities, including high-yield bonds, produced better results. Over the fiscal year, the Bloomberg Barclays U.S. Corporate High Yield – 2% Issuer Cap Index<sup>iv</sup> gained 3.27%. Elsewhere, the JPMorgan Emerging Markets Bond Index Global (EMBI Global) returned 0.19% for reporting period.

### **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. We increased the overall quality of the portfolio by decreasing its allocation to lower rated CCC securities and increasing its investment-grade credit exposure. Our strategy to reduce the Fund’s risk exposure was not driven by a concern that the current credit cycle was turning negative, but rather that valuations had compressed to the point where, in our view, maintaining an elevated level of risk was unwarranted. From a sector perspective, we increased the Fund’s allocations to the Capital Goods<sup>1</sup> and Financials sectors. Within the Capital Goods sector, we initiated a position in a packaging company. We added to the Fund’s exposure to the Financials sector given generally improving fundamentals. In contrast, we reduced the Fund’s exposures to the metals & mining industry and the Consumer Non-Cyclicals<sup>2</sup> sector, as we found more attractive opportunities elsewhere. We swapped some of our fixed rate bond exposure for floating rate senior secured term loans to take advantage of the increase in short-term interest rates and cushion against an increase in the Fund’s borrowing costs. Finally, from a regional perspective, we increased the Fund’s allocation to emerging markets debt. We continue to maintain a positive outlook for the asset class as developing market growth has increased and commodity prices have continued to stabilize and move higher. It is worth noting that this increase in exposure has not been recently rewarded, as volatility has picked up post the reporting period. However, we still think emerging market valuations remain attractive.

<sup>1</sup> Capital Goods consists of the following industries: Aerospace & Defense, Building Materials, Diversified Manufacturing, Construction Machines, Packaging and Environmental.

<sup>2</sup> Consumer Non-Cyclicals consists of the following industries: Consumer Products, Food/Beverage, Health Care, Pharmaceuticals, Supermarkets and Tobacco.

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We employed U.S. Treasury futures to manage the duration of the Fund and currency forwards to hedge some of our non-U.S. currency exposure. These derivatives did not have a material impact on performance. All told, we reduced the Fund's duration to a more modest overweight driven mainly by swapping out of fixed rate bonds and into floating rate bank loans.

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 26%, which was roughly unchanged during the reporting period. The use of leverage contributed to results given the positive total returns posted by our high-yield, investment grade and emerging market positions.

**Performance review**

For the twelve months ended April 30, 2018, Western Asset High Income Fund II Inc. returned 2.41% based on its net asset value (NAV<sup>i</sup>) and -4.15% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index and the EMBI Global, returned 3.27% and 0.19%, respectively, for the same period. The Lipper High Yield (Leveraged) Closed-End Funds Category Average<sup>vii</sup> returned 4.35% 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 \$0.58 per share, of which \$0.01 will be treated as a return of capital for tax purposes.\* The performance table shows the Fund's twelve-month total return based on its NAV and market price as of April 30, 2018. **Past performance is no guarantee of future results.**

**Performance Snapshot as of April 30, 2018**

Price Per Share	12-Month Total Return**
\$7.39 (NAV)	2.41%
\$6.55 (Market Price)	-4.15%

**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, including returns of capital, at NAV.**

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

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

**A.** Positioning in a number of sectors was the largest contributor to the Fund's results. In particular, overweights to the Financials and Energy sectors, and the metals & mining industry were additive for performance. The Financials sector was supported by solid growth and improving fundamentals. The Energy sector was buoyed by rising oil prices, as West Texas Intermediate (WTI) crude oil rose approximately 30% during the reporting period. In particular, the Fund's

\* For the character of distributions paid during the fiscal year ended April 30, 2018, please refer to page 47 of this report.

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## Fund overview (cont d)

overweight positions in Petrobras Global Finance BV, Continental Energy and Oasis Petroleum were positive for performance. The metals & mining industry rose on the back of improving global growth and rising commodity prices. These factors helped the Fund's overweight positions in Vale Overseas Ltd., Freeport-McMoRan Inc. and ArcelorMittal SA.

Other contributors to results included the Fund's overweight to bank loans as interest rates moved higher during the reporting period. In addition, an overweight to Valeant Pharmaceuticals International Inc. (VRX Escrow Corp.) and Sprint Communications (Sprint Corp. and Sprint Capital Corp.) were additive to results. Valeant Pharmaceuticals International Inc. continued to execute on its plan to sell assets, reduce debt and stabilize its fundamental performance sending the company's bonds higher. Sprint Communications posted consistent positive fundamental results, reduced its cost of funding and recently announced an all stock agreement to merge with T-Mobile US, Inc. In addition, Sprint Communications bonds were recently placed on positive watch for an upgrade by all three credit rating agencies.

From a quality bias perspective, the Fund's overweight to securities rated CCC for most of the reporting period was rewarded. During the twelve months ended April 30, 2018, lower quality securities outperformed given the overall risk-on environment.

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

**A.** The largest detractor from the Fund's relative performance was a handful of specific issuers that underperformed the market. In particular, the Fund's overweight positions in Dish DBS Corp. (Dish Network Corp.), PetSmart, Inc. and Sanchez Energy Corp. were negative for results. The bonds of satellite television service provider, Dish DBC Corp., moved lower after the company posted weaker than anticipated fundamental results and chose not to provide sufficient detail to investors on its longer-term plans for some of its valuable spectrum assets. Pet servicer and retailer PetSmart, Inc. is in the process of transforming its business after the acquisition of online pet retailer, Chewy.com, and is experiencing higher customer acquisition costs to grow its online presence. While leverage remains high, the company maintains adequate liquidity. Eagle Ford oil and gas producer Sanchez Energy Corp. used debt to acquire additional acreage through a joint venture, further complicating the company's corporate structure. While we purchased most of the Fund's Sanchez Energy Corp. bonds at attractive levels during the commodity crisis, the bonds gave some of their gains back and moved lower during the reporting period. We maintained an overweight to Dish DBS Corp. and PetSmart, Inc., while we moved Sanchez Energy Corp. to an underweight position.

Finally, an overweight to emerging market debt detracted from results, as the asset class underperformed developed market high-yield bonds over the reporting period.

### **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](http://www.lmcef.com) (click on the name of the Fund).

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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, LLC

May 31, 2018

***RISKS:** The Fund is a diversified closed-end management investment company designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objective. The Fund's common stock is traded on the New York Stock Exchange. Similar to stocks, the Fund's share price will fluctuate with market conditions and, at the time of sale, may be worth more or less than the original investment. Shares of closed-end funds often trade at a discount to their net asset value. Diversification does not assure against market loss. The Fund's investments are subject to a number of risks, such as credit risk, inflation risk and interest rate risk. As interest rates rise, bond prices fall, 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, known as junk 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. The Fund is also permitted purchases of equity securities. Equity securities generally have greater price volatility than fixed income securities. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss.*

Portfolio holdings and breakdowns are as of April 30, 2018 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, 2018 were: Consumer Discretionary (28.1%), Energy (20.7%), Financials (17.4%), Sovereign Bonds (13.9%) and Industrials (12.6%). The Fund's portfolio composition is subject to change at any time.

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.

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**Fund overview (cont d)**

- <sup>i</sup> 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.
- <sup>ii</sup> The Federal Reserve Board (the Fed) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- <sup>iii</sup> The Bloomberg 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.
- <sup>iv</sup> The Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Bloomberg Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- <sup>v</sup> 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.
- <sup>vi</sup> Net asset value (NAV) is calculated by subtracting total liabilities, including liabilities associated with financial leverage (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.
- <sup>vii</sup> 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, 2018, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 35 funds in the Fund's Lipper category.

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**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, 2018 and April 30, 2017 and does not include derivatives, such as futures 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%.

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**Spread duration** (unaudited)

**Economic exposure** April 30, 2018

**Total Spread Duration**

HIX 5.66 years  
 Benchmark 4.68 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 Bloomberg 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



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**Effective duration** (unaudited)

**Interest rate exposure** April 30, 2018

**Total Effective Duration**

HIX 5.48 years

Benchmark 4.54 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 Bloomberg 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

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April 30, 2018

**Western Asset High Income Fund II Inc.**

	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<b>Corporate Bonds &amp; Notes</b> 99.9%				
<b>Consumer Discretionary</b> 17.7%				
<i>Auto Components</i> 1.3%				
Adient Global Holdings Ltd., Senior Notes	4.875%	8/15/26	4,003,000	\$ 3,762,820 (a)(b)
IHO Verwaltungs GmbH, Senior Secured Bonds (4.750% Cash or 5.500% PIK)	4.750%	9/15/26	1,460,000	1,401,600 (a)(c)
ZF North America Capital Inc., Senior Notes	4.750%	4/29/25	3,116,000	3,186,110 (a)(b)
<i>Total Auto Components</i>				<i>8,350,530</i>
<i>Diversified Consumer Services</i> 2.1%				
Prime Security Services Borrower LLC/Prime Finance Inc., Secured Notes	9.250%	5/15/23	3,487,000	3,748,525 (a)(b)
Service Corp. International, Senior Notes	7.500%	4/1/27	2,090,000	2,390,438 (b)
VOC Escrow Ltd., Senior Secured Notes	5.000%	2/15/28	7,330,000	7,128,425 (a)(b)
<i>Total Diversified Consumer Services</i>				<i>13,267,388</i>
<i>Hotels, Restaurants &amp; Leisure</i> 2.7%				
1011778 BC ULC/New Red Finance Inc., Secured Notes	5.000%	10/15/25	1,240,000	1,199,316 (a)
Bossier Casino Venture Holdco Inc., Senior Secured Bonds (14.000% PIK)	14.000%	2/9/23	2,647,579	2,647,579 (a)(c)(d)(e)
Boyne USA Inc., Secured Notes	7.250%	5/1/25	1,060,000	1,100,068 (a)
Brinker International Inc., Senior Notes	5.000%	10/1/24	1,186,000	1,165,245 (a)(b)
Carrols Restaurant Group Inc., Secured Notes	8.000%	5/1/22	3,500,000	3,653,125 (b)
Downstream Development Authority of the Quapaw Tribe of Oklahoma, Senior Secured Notes	10.500%	2/15/23	1,330,000	1,379,875 (a)(b)
Fontainebleau Las Vegas Holdings LLC, Senior Secured Notes	10.250%	6/15/15	975,000	98 *(a)(b)(f)
Hilton Worldwide Finance LLC/Hilton Worldwide Finance Corp., Senior Notes	4.625%	4/1/25	2,895,000	2,814,808 (b)
Hilton Worldwide Finance LLC/Hilton Worldwide Finance Corp., Senior Notes	4.875%	4/1/27	635,000	615,950 (b)
MGM Resorts International, Senior Notes	4.625%	9/1/26	490,000	466,112 (b)
Silversea Cruise Finance Ltd., Senior Secured Notes	7.250%	2/1/25	1,933,000	2,054,392 (a)(b)
<i>Total Hotels, Restaurants &amp; Leisure</i>				<i>17,096,568</i>
<i>Household Durables</i> 0.4%				
Lennar Corp., Senior Notes	4.500%	4/30/24	730,000	713,575
Lennar Corp., Senior Notes	4.750%	5/30/25	940,000	917,675
Lennar Corp., Senior Notes	4.750%	11/29/27	1,280,000	1,212,800 (a)(b)
<i>Total Household Durables</i>				<i>2,844,050</i>
<i>Media</i> 10.1%				
Altice France SA, Senior Secured Bonds	6.000%	5/15/22	320,000	315,798 (a)
Altice France SA, Senior Secured Bonds	6.250%	5/15/24	2,570,000	2,457,562 (a)(b)

See Notes to Financial Statements.

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Security	Rate	Maturity Date	Face Amount	Value
<i>Media continued</i>				
Altice France SA, Senior Secured Notes	7.375%	5/1/26	14,450,000	\$ 14,052,625 (a)(b)
Altice Luxembourg SA, Senior Secured Notes	7.750%	5/15/22	10,470,000	10,038,112 (a)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	5.125%	5/1/27	250,000	234,868 (a)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	5.875%	5/1/27	1,100,000	1,078,000 (a)(b)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	5.000%	2/1/28	1,270,000	1,179,043 (a)
DISH DBS Corp., Senior Notes	5.875%	7/15/22	825,000	761,888 (b)
DISH DBS Corp., Senior Notes	5.000%	3/15/23	1,135,000	987,450
DISH DBS Corp., Senior Notes	5.875%	11/15/24	9,649,000	8,249,895 (b)
DISH DBS Corp., Senior Notes	7.750%	7/1/26	5,800,000	5,296,125 (b)
Meredith Corp., Senior Notes	6.875%	2/1/26	1,860,000	1,885,482 (a)(b)
Time Warner Cable LLC, Senior Notes	8.750%	2/14/19	2,500,000	2,610,472 (b)
Time Warner Cable LLC, Senior Notes	8.250%	4/1/19	1,336,000	1,400,155 (b)
Univision Communications Inc., Senior Secured Notes	5.125%	2/15/25	999,000	926,573 (a)(b)
UPC Holding BV, Senior Secured Notes	5.500%	1/15/28	5,360,000	4,971,400 (a)
Virgin Media Finance PLC, Senior Notes	6.375%	4/15/23	5,620,000	5,690,250 (a)(b)
Virgin Media Finance PLC, Senior Notes	6.000%	10/15/24	2,490,000	2,449,537 (a)(b)
<i>Total Media</i>				<i>64,585,235</i>
<i>Specialty Retail 0.6%</i>				
Hertz Corp., Senior Notes	5.875%	10/15/20	2,520,000	2,501,100 (b)
PetSmart Inc., Senior Secured Notes	5.875%	6/1/25	1,430,000	1,033,175 (a)(b)
<i>Total Specialty Retail</i>				<i>3,534,275</i>
<i>Textiles, Apparel &amp; Luxury Goods 0.5%</i>				
Hanesbrands Inc., Senior Notes	4.625%	5/15/24	3,110,000	3,016,700 (a)(b)
<b>Total Consumer Discretionary</b>				<b>112,694,746</b>
<i>Consumer Staples 1.6%</i>				
<i>Beverages 0.4%</i>				
Carolina Beverage Group LLC/Carolina Beverage Group Finance Inc., Secured Notes	10.625%	8/1/18	2,130,000	2,135,325 (a)(b)
<i>Food &amp; Staples Retailing 0.1%</i>				
Beverages & More Inc., Senior Secured Notes	11.500%	6/15/22	760,000	687,800 (a)(b)
<i>Food Products 0.2%</i>				
Lamb Weston Holdings Inc., Senior Notes	4.625%	11/1/24	1,440,000	1,434,600 (a)(b)
<i>Household Products 0.8%</i>				
Central Garden & Pet Co., Senior Notes	6.125%	11/15/23	1,290,000	1,351,275 (b)
Spectrum Brands Inc., Senior Notes	6.125%	12/15/24	1,630,000	1,662,600 (b)
Spectrum Brands Inc., Senior Notes	5.750%	7/15/25	2,080,000	2,088,424 (b)
<i>Total Household Products</i>				<i>5,102,299</i>

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**Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Tobacco 0.1%</i>				
Alliance One International Inc., Secured Notes	9.875%	7/15/21	610,000	\$ 580,262 <sup>(b)</sup>
<b>Total Consumer Staples</b>				<b>9,940,286</b>
<i>Energy 19.3%</i>				
<i>Energy Equipment &amp; Services 1.2%</i>				
KCA Deutag UK Finance PLC, Senior Secured Notes	9.875%	4/1/22	2,990,000	3,158,187 <sup>(a)(b)</sup>
Precision Drilling Corp., Senior Notes	7.125%	1/15/26	1,000,000	1,012,500 <sup>(a)</sup>
Pride International Inc., Senior Notes	7.875%	8/15/40	920,000	807,300 <sup>(b)</sup>
Transocean Inc., Senior Notes	9.000%	7/15/23	1,020,000	1,104,201 <sup>(a)(b)</sup>
Transocean Inc., Senior Notes	6.800%	3/15/38	1,955,000	1,651,975 <sup>(b)</sup>
<i>Total Energy Equipment &amp; Services</i>				<i>7,734,163</i>
<i>Oil, Gas &amp; Consumable Fuels 18.1%</i>				
Andeavor Logistics LP/Tesoro Logistics Finance Corp., Senior Notes	6.375%	5/1/24	810,000	864,675 <sup>(b)</sup>
Andeavor Logistics LP/Tesoro Logistics Finance Corp., Senior Notes	5.250%	1/15/25	1,870,000	1,919,088 <sup>(b)</sup>
Berry Petroleum Co. Escrow			1,550,000	0 <sup>*(d)(e)(g)</sup>
Blue Racer Midstream LLC/Blue Racer Finance Corp., Senior Notes	6.125%	11/15/22	2,260,000	2,327,800 <sup>(a)(b)</sup>
Cheniere Corpus Christi Holdings LLC, Senior Secured Notes	5.875%	3/31/25	2,630,000	2,721,287 <sup>(b)</sup>
Chesapeake Energy Corp., Senior Notes	6.875%	11/15/20	4,340,000	4,491,900 <sup>(b)</sup>
Chesapeake Energy Corp., Senior Notes	5.375%	6/15/21	940,000	918,850 <sup>(b)</sup>
Chesapeake Energy Corp., Senior Notes	5.750%	3/15/23	700,000	649,250
Chesapeake Energy Corp., Senior Notes	8.000%	1/15/25	450,000	437,400 <sup>(a)(b)</sup>
Chesapeake Energy Corp., Senior Notes	8.000%	6/15/27	900,000	868,500 <sup>(a)</sup>
Continental Resources Inc., Senior Notes	3.800%	6/1/24	4,170,000	4,081,387 <sup>(b)</sup>
Continental Resources Inc., Senior Notes	4.900%	6/1/44	3,220,000	3,171,700 <sup>(b)</sup>
Ecopetrol SA, Senior Notes	5.875%	5/28/45	2,500,000	2,420,000 <sup>(b)</sup>
Frontera Energy Corp., Senior Secured Notes (10.000% Cash or 14.000% PIK)	10.000%	11/2/21	1,810,000	2,018,150 <sup>(c)</sup>
Gazprom OAO Via Gaz Capital SA, Loan Participation Notes, Senior Notes	6.510%	3/7/22	2,550,000	2,711,537 <sup>(a)</sup>
Genesis Energy LP/Genesis Energy Finance Corp., Senior Bonds	5.625%	6/15/24	4,330,000	4,145,975 <sup>(b)</sup>
KazMunayGas National Co. JSC, Senior Notes	4.750%	4/19/27	3,000,000	2,961,516 <sup>(a)</sup>
Kinder Morgan Inc., Medium-Term Notes	7.750%	1/15/32	1,950,000	2,441,966 <sup>(b)</sup>
LUKOIL International Finance BV, Senior Notes	4.563%	4/24/23	2,040,000	2,028,301 <sup>(a)</sup>
Magnum Hunter Resources Corp. Escrow			8,070,000	0 <sup>*(d)(e)(g)</sup>
MEG Energy Corp., Senior Notes	6.375%	1/30/23	3,920,000	3,557,400 <sup>(a)</sup>
MEG Energy Corp., Senior Notes	7.000%	3/31/24	3,610,000	3,258,025 <sup>(a)</sup>

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Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas &amp; Consumable Fuels continued</i>				
NGPL PipeCo LLC, Senior Bonds	4.875%	8/15/27	910,000	\$ 887,250 <sup>(a)(b)</sup>
NGPL PipeCo LLC, Senior Secured Notes	7.768%	12/15/37	1,900,000	2,299,000 <sup>(a)(b)</sup>
Oasis Petroleum Inc., Senior Notes	7.250%	2/1/19	2,240,000	2,248,400 <sup>(b)</sup>
Oasis Petroleum Inc., Senior Notes	6.500%	11/1/21	3,238,000	3,327,045 <sup>(b)</sup>
Oasis Petroleum Inc., Senior Notes	6.875%	1/15/23	1,540,000	1,586,200 <sup>(b)</sup>
Oasis Petroleum Inc., Senior Notes	6.250%	5/1/26	2,070,000	2,070,000 <sup>(a)(h)</sup>
Petrobras Global Finance BV, Senior Notes	4.375%	5/20/23	800,000	782,000
Petrobras Global Finance BV, Senior Notes	7.375%	1/17/27	3,950,000	4,242,300
Petrobras Global Finance BV, Senior Notes	5.999%	1/27/28	1,810,000	1,767,646 <sup>(a)</sup>
Petrobras Global Finance BV, Senior Notes	6.750%	1/27/41	6,980,000	6,641,470
Petroleos de Venezuela SA, Senior Bonds	6.000%	5/16/24	1,120,000	288,400 <sup>*(f)(g)</sup>
Petroleos Mexicanos, Senior Notes	5.500%	1/21/21	1,540,000	1,591,205
Petroleos Mexicanos, Senior Notes	4.875%	1/24/22	1,000,000	1,018,750 <sup>(b)</sup>
Petroleos Mexicanos, Senior Notes	6.500%	3/13/27	1,370,000	1,420,498
Rockies Express Pipeline LLC, Senior Notes	7.500%	7/15/38	1,330,000	1,602,650 <sup>(a)(b)</sup>
Rockies Express Pipeline LLC, Senior Notes	6.875%	4/15/40	1,430,000	1,658,800 <sup>(a)(b)</sup>
Sabine Pass Liquefaction LLC, Senior Secured Notes	5.750%	5/15/24	1,570,000	1,687,529 <sup>(b)</sup>
Sanchez Energy Corp., Senior Notes	6.125%	1/15/23	4,614,000	3,355,301 <sup>(b)</sup>
Shelf Drilling Holdings Ltd., Senior Notes	8.250%	2/15/25	1,950,000	1,986,563 <sup>(a)</sup>
Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Bonds	5.125%	2/1/25	1,810,000	1,760,225 <sup>(b)</sup>
Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Notes	5.875%	4/15/26	1,400,000	1,391,530 <sup>(a)</sup>
Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Notes	5.000%	1/15/28	5,910,000	5,481,525 <sup>(a)(b)</sup>
Transportadora de Gas del Peru SA, Senior Notes	4.250%	4/30/28	1,500,000	1,485,000 <sup>(a)</sup>
Transportadora de Gas del Sur SA, Senior Notes	6.750%	5/2/25	950,000	952,375 <sup>(a)(h)</sup>
Whiting Petroleum Corp., Senior Notes	6.250%	4/1/23	340,000	350,625 <sup>(b)</sup>
Williams Cos. Inc., Debentures	7.500%	1/15/31	780,000	945,750 <sup>(b)</sup>
Williams Cos. Inc., Senior Notes	3.700%	1/15/23	2,830,000	2,751,326 <sup>(b)</sup>
Williams Cos. Inc., Senior Notes	4.550%	6/24/24	1,320,000	1,321,650 <sup>(b)</sup>
Williams Cos. Inc., Senior Notes	5.750%	6/24/44	3,900,000	4,085,250 <sup>(b)</sup>
WPX Energy Inc., Senior Notes	7.500%	8/1/20	610,000	663,375 <sup>(b)</sup>
WPX Energy Inc., Senior Notes	8.250%	8/1/23	1,070,000	1,219,800 <sup>(b)</sup>
YPF Sociedad Anonima, Senior Notes	8.500%	3/23/21	540,000	587,925 <sup>(a)</sup>
YPF Sociedad Anonima, Senior Notes	8.500%	7/28/25	3,530,000	3,863,585 <sup>(a)(b)</sup>
<i>Total Oil, Gas &amp; Consumable Fuels</i>				<i>115,315,655</i>
<b>Total Energy</b>				<b>123,049,818</b>

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April 30, 2018

**Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<b>Financials 16.0%</b>				
<i>Banks 9.0%</i>				
Bank of America Corp., Junior Subordinated Notes (6.500% to 10/23/24 then 3 mo. USD LIBOR + 4.174%)	6.500%	10/23/24	2,550,000	\$ 2,706,187 (b)(k)(l)
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	3,710,000	4,343,191 (a)(b)
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	2,950,000	3,232,094 (b)
Barclays PLC, Junior Subordinated Bonds (8.250% to 12/15/18 then USD 5 year Swap Rate + 6.705%)	8.250%	12/15/18	800,000	823,709 (b)(k)(l)
BNP Paribas SA, Junior Subordinated Notes (7.375% to 8/19/25 then USD 5 year Swap Rate + 5.150%)	7.375%	8/19/25	1,820,000	1,986,075 (a)(b)(k)(l)
CIT Group Inc., Senior Notes	5.375%	5/15/20	340,000	351,900
CIT Group Inc., Senior Notes	4.125%	3/9/21	950,000	953,373
CIT Group Inc., Senior Notes	5.000%	8/15/22	1,060,000	1,086,500 (b)
CIT Group Inc., Senior Notes	5.000%	8/1/23	3,901,000	3,979,020 (b)
CIT Group Inc., Senior Notes	5.250%	3/7/25	1,280,000	1,310,400 (b)
Citigroup Inc., Junior Subordinated Bonds (6.300% to 5/15/24 then 3 mo. USD LIBOR + 3.423%)	6.300%	5/15/24	2,530,000	2,589,455 (b)(k)(l)
Credit Agricole SA, Junior Subordinated Notes (8.375% to 10/13/19 then 3 mo. USD LIBOR + 6.982%)	8.375%	10/13/19	3,180,000	3,398,625 (a)(b)(k)(l)
Credit Agricole SA, Junior Subordinated Notes (8.125% to 12/23/25 then USD 5 year Swap Rate + 6.185%)	8.125%	12/23/25	2,510,000	2,858,200 (a)(b)(k)(l)
Intesa Sanpaolo SpA, Junior Subordinated Notes (7.000% to 1/19/21 then EUR 5 year Swap Annual + 6.884%)	7.000%	1/19/21	1,000,000 <sup>EUR</sup>	1,327,588 (i)(k)(l)
Intesa Sanpaolo SpA, Subordinated Notes	5.710%	1/15/26	4,000,000	4,020,187 (a)
JPMorgan Chase & Co., Junior Subordinated Bonds (6.000% to 8/1/23 then 3 mo. USD LIBOR + 3.300%)	6.000%	8/1/23	2,390,000	2,437,035 (b)(k)(l)
JPMorgan Chase & Co., Junior Subordinated Notes (6.100% to 10/1/24 then 3 mo. USD LIBOR + 3.330%)	6.100%	10/1/24	2,410,000	2,500,375 (b)(k)(l)
Lloyds Banking Group PLC, Subordinated Notes	4.650%	3/24/26	450,000	447,950
Royal Bank of Scotland Group PLC, Junior Subordinated Bonds (7.648% to 9/30/31 then 3 mo. USD LIBOR + 2.500%)	7.648%	9/30/31	3,530,000	4,447,800 (b)(k)(l)
Royal Bank of Scotland Group PLC, Junior Subordinated Notes (8.625% to 8/15/21 then USD 5 year Swap Rate + 7.598%)	8.625%	8/15/21	1,370,000	1,503,575 (b)(k)(l)
Royal Bank of Scotland Group PLC, Subordinated Notes	5.125%	5/28/24	2,830,000	2,877,803
Royal Bank of Scotland NV, Subordinated Bonds	7.750%	5/15/23	650,000	739,076 (b)
Santander UK Group Holdings PLC, Junior Subordinated Bonds (7.375% to 6/24/22 then GBP 5 year Swap Rate + 5.543%)	7.375%	6/24/22	1,640,000 <sup>GBP</sup>	2,464,203 (i)(k)(l)
Sberbank of Russia Via SB Capital SA, Subordinated Notes (5.500% to 2/26/19 then 5 year Treasury Constant Maturity Rate + 4.023%)	5.500%	2/26/24	3,820,000	3,819,618 (i)(k)
TC Ziraat Bankasi AS, Senior Notes	5.125%	5/3/22	1,300,000	1,268,016 (a)
<i>Total Banks</i>				<i>57,471,955</i>

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Security	Rate	Maturity Date	Face Amount	Value
<i>Capital Markets 1.0%</i>				
Credit Suisse Group Funding Guernsey Ltd., Senior Notes	4.875%	5/15/45	1,110,000	\$ 1,151,873 (b)
Donnelley Financial Solutions Inc., Senior Notes	8.250%	10/15/24	2,080,000	2,210,000 (b)
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	2,320,000	2,819,962 (b)
<i>Total Capital Markets</i>				
<i>Consumer Finance 0.7%</i>				
FirstCash Inc., Senior Notes	5.375%	6/1/24	1,490,000	1,519,800 (a)(b)
TMX Finance LLC/TitleMax Finance Corp., Senior Secured Notes	8.500%	9/15/18	3,129,000	2,995,079 (a)(b)
<i>Total Consumer Finance</i>				
<i>Diversified Financial Services 4.3%</i>				
AerCap Ireland Capital DAC/AerCap Global Aviation Trust, Senior Bonds	4.625%	7/1/22	1,390,000	1,424,311
AerCap Ireland Capital DAC/AerCap Global Aviation Trust, Senior Notes	4.625%	10/30/20	890,000	913,436
ASP AMC Merger Subordinated Inc., Senior Notes	8.000%	5/15/25	2,540,000	2,292,350 (a)(b)
DAE Funding LLC, Senior Notes	5.000%	8/1/24	12,663,000	12,236,257 (a)(b)
Garfunkelux Holdco 3 SA, Senior Secured Notes	7.500%	8/1/22	1,000,000 <sup>EUR</sup>	1,254,467 (i)
International Lease Finance Corp., Senior Notes	6.250%	5/15/19	310,000	320,251
International Lease Finance Corp., Senior Notes	8.250%	12/15/20	2,160,000	2,410,359 (b)
International Lease Finance Corp., Senior Notes	5.875%	8/15/22	760,000	814,309 (b)
Lions Gate Capital Holdings LLC	5.875%	11/1/24	920,000	946,450 (a)
Nationwide Building Society, Junior Subordinated Notes (6.875% to 6/20/19 then GBP 5 year Swap Rate + 4.880%)	6.875%	6/20/19	1,140,000 <sup>GBP</sup>	1,641,462 (i)(k)(l)
Park Aerospace Holdings Ltd., Senior Notes	5.500%	2/15/24	3,400,000	3,310,750 (a)
<i>Total Diversified Financial Services</i>				
<i>Insurance 1.0%</i>				
Fidelity & Guaranty Life Holdings Inc., Senior Notes	6.375%	4/1/21	1,450,000	1,475,701 (a)(b)
Fidelity & Guaranty Life Holdings Inc., Senior Notes	5.500%	5/1/25	1,650,000	1,645,380 (a)
Genworth Holdings Inc., Senior Notes	4.900%	8/15/23	1,780,000	1,424,000 (b)
MetLife Capital Trust IV, Junior Subordinated Notes	7.875%	12/15/37	1,100,000	1,375,000 (a)(b)
<i>Total Insurance</i>				
<b>Total Financials</b>				
<b>Health Care 9.5%</b>				
<i>Biotechnology 0.3%</i>				
Celgene Corp., Senior Notes	3.250%	8/15/22	2,000,000	1,968,849 (b)
<i>Health Care Providers &amp; Services 3.8%</i>				
Air Medical Group Holdings Inc., Senior Notes	6.375%	5/15/23	1,460,000	1,405,250 (a)(b)
BioScrip Inc., First Lien Notes (1 mo. USD LIBOR + 7.000%)	8.224%	6/30/22	4,552,000	4,756,840 (d)(k)(m)

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**Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Health Care Providers &amp; Services continued</i>				
Centene Corp., Senior Notes	5.625%	2/15/21	1,020,000	\$ 1,049,325 (b)
Centene Corp., Senior Notes	4.750%	5/15/22	1,290,000	1,309,350 (b)
Centene Corp., Senior Notes	6.125%	2/15/24	810,000	850,500 (b)
Centene Corp., Senior Notes	4.750%	1/15/25	4,780,000	4,660,500 (b)
CHS/Community Health Systems Inc., Senior Notes	8.000%	11/15/19	3,990,000	3,650,850 (b)
DaVita Inc., Senior Notes	5.750%	8/15/22	2,218,000	2,273,450 (b)
DaVita Inc., Senior Notes	5.000%	5/1/25	20,000	19,004 (b)
HCA Inc., Debentures	7.500%	11/15/95	2,205,000	2,199,488 (b)
HCA Inc., Senior Secured Notes	5.250%	6/15/26	1,090,000	1,098,175 (b)
UnitedHealth Group Inc., Senior Notes	2.875%	12/15/21	1,000,000	988,141
<i>Total Health Care Providers &amp; Services</i>				<i>24,260,873</i>
<i>Pharmaceuticals 5.4%</i>				
Allergan Funding SCS, Senior Notes	3.000%	3/12/20	880,000	874,438
Endo Finance LLC/Endo Finco Inc., Senior Notes	7.250%	1/15/22	1,290,000	1,099,725 (a)
Endo Finance LLC/Endo Finco Inc., Senior Notes	5.375%	1/15/23	1,280,000	932,800 (a)
Teva Pharmaceutical Finance Co. BV, Senior Notes	3.650%	11/10/21	220,000	204,784
Teva Pharmaceutical Finance Netherlands III BV, Senior Notes	1.700%	7/19/19	500,000	485,917
Teva Pharmaceutical Finance Netherlands III BV, Senior Notes	2.200%	7/21/21	14,879,000	13,435,934
Valeant Pharmaceuticals International Inc., Senior Notes	5.375%	3/15/20	1,280,000	1,294,400 (a)(b)
Valeant Pharmaceuticals International Inc., Senior Notes	6.375%	10/15/20	330,000	336,187 (a)
Valeant Pharmaceuticals International Inc., Senior Notes	7.500%	7/15/21	3,010,000	3,070,200 (a)(b)
Valeant Pharmaceuticals International Inc., Senior Notes	6.750%	8/15/21	1,360,000	1,373,600 (a)(b)
Valeant Pharmaceuticals International Inc., Senior Notes	7.250%	7/15/22	4,050,000	4,100,220 (a)(b)
Valeant Pharmaceuticals International Inc., Senior Notes	5.875%	5/15/23	840,000	774,900 (a)(b)
Valeant Pharmaceuticals International Inc., Senior Notes	6.125%	4/15/25	5,510,000	4,990,517 (a)(b)
Valeant Pharmaceuticals International Inc., Senior Notes	9.000%	12/15/25	500,000	508,125 (a)
Valeant Pharmaceuticals International Inc., Senior Secured Notes	7.000%	3/15/24	740,000	783,475 (a)(b)
<i>Total Pharmaceuticals</i>				<i>34,265,222</i>
<b>Total Health Care</b>				<b>60,494,944</b>
<i>Industrials 8.8%</i>				
<i>Air Freight &amp; Logistics 0.4%</i>				
XPO Logistics Inc., Senior Notes	6.500%	6/15/22	1,030,000	1,067,338 (a)(b)
XPO Logistics Inc., Senior Notes	6.125%	9/1/23	1,290,000	1,339,987 (a)(b)
<i>Total Air Freight &amp; Logistics</i>				<i>2,407,325</i>

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	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<i>Airlines 0.7%</i>				
Continental Airlines Inc., Pass-Through Certificates	5.983%	4/19/22	3,506,774	\$ 3,738,571 (b)
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	764,266	846,234 (b)
<i>Total Airlines</i>				<i>4,584,805</i>
<i>Building Products 0.9%</i>				
Standard Industries Inc., Senior Notes	5.500%	2/15/23	1,290,000	1,335,150 (a)(b)
Standard Industries Inc., Senior Notes	5.000%	2/15/27	1,660,000	1,604,241 (a)
Standard Industries Inc., Senior Notes	4.750%	1/15/28	3,060,000	2,868,750 (a)(b)
<i>Total Building Products</i>				<i>5,808,141</i>
<i>Commercial Services &amp; Supplies 1.3%</i>				
Brink's Co., Senior Notes	4.625%	10/15/27	2,070,000	1,909,575 (a)(b)
Garda World Security Corp., Senior Notes	7.250%	11/15/21	1,020,000	1,040,400 (a)(b)
GFL Environmental Inc., Senior Notes	9.875%	2/1/21	2,290,000	2,413,087 (a)
United Rentals North America Inc., Senior Notes	4.625%	10/15/25	680,000	661,307 (b)
United Rentals North America Inc., Senior Notes	5.500%	5/15/27	1,000,000	997,500 (b)
Waste Pro USA Inc., Senior Notes	5.500%	2/15/26	1,240,000	1,230,328 (a)(b)
<i>Total Commercial Services &amp; Supplies</i>				<i>8,252,197</i>
<i>Construction &amp; Engineering 0.8%</i>				
Brundage-Bone Concrete Pumping Inc., Senior Secured Notes	10.375%	9/1/23	2,380,000	2,546,600 (a)(b)
TopBuild Escrow Corp., Senior Notes	5.625%	5/1/26	2,810,000	2,827,563 (a)
<i>Total Construction &amp; Engineering</i>				<i>5,374,163</i>
<i>Industrial Conglomerates 0.4%</i>				
General Electric Co., Senior Notes	6.875%	1/10/39	2,000,000	2,549,582 (b)
<i>Machinery 2.3%</i>				
Allison Transmission Inc., Senior Bonds	5.000%	10/1/24	4,550,000	4,480,385 (a)(b)
Allison Transmission Inc., Senior Notes	4.750%	10/1/27	2,130,000	2,010,188 (a)
BlueLine Rental Finance Corp./BlueLine Rental LLC, Senior Secured Notes	9.250%	3/15/24	2,930,000	3,123,233 (a)(b)
Cleaver-Brooks Inc., Senior Secured Notes	7.875%	3/1/23	1,760,000	1,821,600 (a)(b)
JB Poindexter & Co. Inc., Senior Bonds	7.125%	4/15/26	2,130,000	2,177,925 (a)
Park-Ohio Industries Inc., Senior Notes	6.625%	4/15/27	926,000	965,355 (b)
<i>Total Machinery</i>				<i>14,578,686</i>
<i>Marine 0.5%</i>				
Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes	8.125%	11/15/21	3,610,000	2,942,150 (a)(b)
<i>Trading Companies &amp; Distributors 1.0%</i>				
Ashtead Capital Inc., Secured Notes	4.125%	8/15/25	2,370,000	2,254,463 (a)(b)
Ashtead Capital Inc., Secured Notes	4.375%	8/15/27	4,470,000	4,229,737 (a)(b)
<i>Total Trading Companies &amp; Distributors</i>				<i>6,484,200</i>

See Notes to Financial Statements.

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April 30, 2018

**Western Asset High Income Fund II Inc.**

	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<i>Transportation 0.1%</i>				
Neovia Logistics Services LLC/Logistics Intermediate Finance Corp., Senior Notes (10.000% Cash or 10.750% PIK)	10.000%	4/1/20	2,070,975	\$ 890,519 (a)(c)
<i>Transportation Infrastructure 0.4%</i>				
BBA U.S. Holdings Inc., Senior Notes	5.375%	5/1/26	2,380,000	2,399,230 (a)
<b>Total Industrials</b>				<b>56,270,998</b>
<b>Information Technology 2.9%</b>				
<i>Internet Software &amp; Services 1.0%</i>				
Match Group Inc., Senior Notes	6.375%	6/1/24	1,170,000	1,238,738 (b)
Match Group Inc., Senior Notes	5.000%	12/15/27	5,450,000	5,354,625 (a)(b)
<i>Total Internet Software &amp; Services</i>				<i>6,593,363</i>
<i>IT Services 0.6%</i>				
Travelport Corporate Finance PLC, Senior Secured Notes	6.000%	3/15/26	1,700,000	1,742,500 (a)(b)
Vantiv LLC/Vanity Issuer Corp., Senior Notes	4.375%	11/15/25	1,784,000	1,710,410 (a)(b)
<i>Total IT Services</i>				<i>3,452,910</i>
<i>Software 0.4%</i>				
CDK Global Inc., Senior Notes	4.875%	6/1/27	435,000	425,484
j2 Cloud Services LLC/j2 Global Co.-Obligor Inc., Senior Notes	6.000%	7/15/25	2,020,000	2,093,225 (a)(b)
<i>Total Software</i>				<i>2,518,709</i>
<i>Technology Hardware, Storage &amp; Peripherals 0.9%</i>				
Dell International LLC/EMC Corp., Senior Notes	5.875%	6/15/21	1,790,000	1,846,089 (a)(b)
Dell International LLC/EMC Corp., Senior Notes	7.125%	6/15/24	740,000	788,803 (a)(b)
Seagate HDD Cayman, Senior Bonds	4.750%	6/1/23	1,700,000	1,706,976 (b)
Seagate HDD Cayman, Senior Bonds	4.750%	1/1/25	850,000	825,886
Seagate HDD Cayman, Senior Bonds	4.875%	6/1/27	495,000	465,374
<i>Total Technology Hardware, Storage &amp; Peripherals</i>				<i>5,633,128</i>
<b>Total Information Technology</b>				<b>18,198,110</b>
<b>Materials 9.5%</b>				
<i>Chemicals 0.7%</i>				
Braskem America Finance Co., Senior Notes	7.125%	7/22/41	700,000	793,555 (b)(i)
Braskem Netherlands Finance BV, Senior Notes	4.500%	1/10/28	1,290,000	1,210,343 (a)
Valvoline Inc., Senior Notes	5.500%	7/15/24	2,200,000	2,260,500 (b)
Valvoline Inc., Senior Notes	4.375%	8/15/25	160,000	153,800
<i>Total Chemicals</i>				<i>4,418,198</i>
<i>Construction Materials 0.3%</i>				
Cemex SAB de CV, Senior Secured Notes	6.125%	5/5/25	1,530,000	1,587,375 (a)(b)

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Containers &amp; Packaging 2.4%</i>				
ARD Securities Finance SARL, Senior Secured Notes (8.750% PIK)	8.750%	1/31/23	1,430,000	\$ 1,512,225 <sup>(a)(c)</sup>
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	6.000%	6/30/21	1,960,000	1,999,220 <sup>(a)(b)</sup>
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	7.250%	5/15/24	580,000	614,075 <sup>(a)</sup>
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	6.000%	2/15/25	3,630,000	3,679,912 <sup>(a)(b)</sup>
Pactiv LLC, Senior Bonds	8.375%	4/15/27	5,220,000	5,820,300 <sup>(b)</sup>
Pactiv LLC, Senior Notes	7.950%	12/15/25	920,000	1,025,800 <sup>(b)</sup>
Suzano Austria GmbH, Senior Notes	5.750%	7/14/26	790,000	829,500 <sup>(a)</sup>
<i>Total Containers &amp; Packaging</i>				<i>15,481,032</i>
<i>Metals &amp; Mining 5.7%</i>				
Alcoa Nederland Holding BV, Senior Notes	6.750%	9/30/24	1,020,000	1,099,060 <sup>(a)(b)</sup>
Alcoa Nederland Holding BV, Senior Notes	7.000%	9/30/26	2,450,000	2,682,750 <sup>(a)</sup>
Anglo American Capital PLC, Senior Notes	3.625%	5/14/20	2,510,000	2,548,872 <sup>(a)(b)</sup>
Anglo American Capital PLC, Senior Notes	4.125%	4/15/21	590,000	595,844 <sup>(a)</sup>
Anglo American Capital PLC, Senior Notes	4.875%	5/14/25	2,040,000	2,071,628 <sup>(a)(b)</sup>
ArcelorMittal SA, Senior Notes	7.250%	10/15/39	3,200,000	3,808,000
Freeport-McMoRan Inc., Senior Notes	3.100%	3/15/20	30,000	29,738
Freeport-McMoRan Inc., Senior Notes	4.000%	11/14/21	1,060,000	1,060,000 <sup>(b)</sup>
Freeport-McMoRan Inc., Senior Notes	3.550%	3/1/22	760,000	735,300 <sup>(b)</sup>
Freeport-McMoRan Inc., Senior Notes	6.875%	2/15/23	1,870,000	2,014,925 <sup>(b)</sup>
Freeport-McMoRan Inc., Senior Notes	3.875%	3/15/23	910,000	874,738 <sup>(b)</sup>
Freeport-McMoRan Inc., Senior Notes	5.450%	3/15/43	5,100,000	4,666,500 <sup>(b)</sup>
HudBay Minerals Inc., Senior Notes	7.250%	1/15/23	1,180,000	1,236,050 <sup>(a)</sup>
HudBay Minerals Inc., Senior Notes	7.625%	1/15/25	1,690,000	1,799,850 <sup>(a)</sup>
Midwest Vanadium Pty Ltd., Senior Secured Notes	11.500%	2/15/18	2,862,131	34,059 <sup>*(a)(f)</sup>
Northwest Acquisitions ULC/Dominion Finco Inc., Secured Notes	7.125%	11/1/22	1,340,000	1,367,872 <sup>(a)(b)</sup>
Teck Resources Ltd., Senior Notes	8.500%	6/1/24	2,780,000	3,110,125 <sup>(a)</sup>
Teck Resources Ltd., Senior Notes	6.250%	7/15/41	620,000	660,300
Vale Overseas Ltd., Senior Notes	4.375%	1/11/22	1,784,000	1,805,586
Vale Overseas Ltd., Senior Notes	6.875%	11/21/36	2,960,000	3,446,624 <sup>(b)</sup>
Vale SA, Senior Notes	5.625%	9/11/42	830,000	864,196 <sup>(b)</sup>
<i>Total Metals &amp; Mining</i>				<i>36,512,017</i>
<i>Paper &amp; Forest Products 0.4%</i>				
Mercer International Inc., Senior Notes	6.500%	2/1/24	2,540,000	2,647,950
<b>Total Materials</b>				<b>60,646,572</b>

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April 30, 2018

**Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<b>Real Estate 1.7%</b>				
<i>Equity Real Estate Investment Trusts (REITs) 1.1%</i>				
CoreCivic Inc., Senior Notes	4.125%	4/1/20	290,000	\$ 292,175 <sup>(b)</sup>
CoreCivic Inc., Senior Notes	5.000%	10/15/22	1,440,000	1,461,600 <sup>(b)</sup>
CoreCivic Inc., Senior Notes	4.625%	5/1/23	470,000	467,650
CoreCivic Inc., Senior Notes	4.750%	10/15/27	1,520,000	1,425,000 <sup>(b)</sup>
CTR Partnership LP/CareTrust Capital Corp., Senior Notes	5.250%	6/1/25	360,000	356,400 <sup>(b)</sup>
MPT Operating Partnership LP/MPT Finance Corp., Senior Notes	6.375%	3/1/24	1,020,000	1,071,000 <sup>(b)</sup>
MPT Operating Partnership LP/MPT Finance Corp., Senior Notes	5.000%	10/15/27	2,340,000	2,223,000 <sup>(b)</sup>
<i>Total Equity Real Estate Investment Trusts (REITs)</i>				<i>7,296,825</i>
<i>Real Estate Management &amp; Development 0.6%</i>				
Hunt Cos. Inc., Senior Secured Notes	6.250%	2/15/26	1,470,000	1,407,525 <sup>(a)(b)</sup>
WeWork Cos. Inc., Senior Notes	7.875%	5/1/25	2,290,000	2,235,612 <sup>(a)</sup>
<i>Total Real Estate Management &amp; Development</i>				<i>3,643,137</i>
<b>Total Real Estate</b>				<b>10,939,962</b>
<b>Telecommunication Services 11.3%</b>				
<i>Diversified Telecommunication Services 4.2%</i>				
CenturyLink Inc., Senior Notes	7.650%	3/15/42	600,000	510,000 <sup>(b)</sup>
Cogent Communications Group Inc., Senior Secured Notes	5.375%	3/1/22	2,250,000	2,314,688 <sup>(a)(b)</sup>
Intelsat Jackson Holdings SA, Senior Secured Notes	8.000%	2/15/24	2,660,000	2,816,275 <sup>(a)</sup>
Telecom Italia SpA, Senior Notes	5.303%	5/30/24	8,560,000	8,750,460 <sup>(a)</sup>
UPCB Finance IV Ltd., Senior Secured Notes	5.375%	1/15/25	200,000	196,500 <sup>(a)</sup>
Wind Tre SpA, Senior Secured Notes	3.125%	1/20/25	810,000 <sup>EUR</sup>	864,258 <sup>(i)</sup>
Windstream Services LLC/Windstream Finance Corp., Senior Notes	7.750%	10/15/20	13,439,000	11,591,137 <sup>(b)</sup>
<i>Total Diversified Telecommunication Services</i>				<i>27,043,318</i>
<i>Wireless Telecommunication Services 7.1%</i>				
CSC Holdings LLC, Senior Notes	10.125%	1/15/23	400,000	444,500 <sup>(a)(b)</sup>
CSC Holdings LLC, Senior Notes	6.625%	10/15/25	2,510,000	2,594,713 <sup>(a)(b)</sup>
CSC Holdings LLC, Senior Notes	10.875%	10/15/25	5,649,000	6,637,575 <sup>(a)(b)</sup>
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	2,200,000	2,249,500 <sup>(b)</sup>
Sprint Capital Corp., Senior Notes	8.750%	3/15/32	5,170,000	5,935,806 <sup>(b)</sup>
Sprint Communications Inc., Senior Notes	9.000%	11/15/18	7,200,000	7,411,500 <sup>(a)(b)</sup>
Sprint Communications Inc., Senior Notes	7.000%	8/15/20	2,300,000	2,429,651 <sup>(b)</sup>
Sprint Communications Inc., Senior Notes	11.500%	11/15/21	4,285,000	5,142,000 <sup>(b)</sup>
Sprint Corp., Senior Notes	7.250%	9/15/21	4,400,000	4,680,500 <sup>(b)</sup>
Sprint Corp., Senior Notes	7.875%	9/15/23	110,000	118,250 <sup>(b)</sup>

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Fund II Inc.**

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Wireless Telecommunication Services continued</i>				
T-Mobile USA Inc., Senior Notes	6.000%	3/1/23	1,900,000	\$ 1,973,625 <sup>(b)</sup>
T-Mobile USA Inc., Senior Notes	6.500%	1/15/26	310,000	330,249 <sup>(b)</sup>
VEON Holdings BV, Senior Notes	7.504%	3/1/22	1,620,000	1,730,970 <sup>(i)</sup>
VEON Holdings BV, Senior Notes	7.504%	3/1/22	700,000	747,950 <sup>(a)</sup>
Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, Senior Notes	7.748%	2/2/21	2,300,000	2,459,781 <sup>(a)</sup>
<i>Total Wireless Telecommunication Services</i>				<i>44,886,570</i>
<b>Total Telecommunication Services</b>				<b>71,929,888</b>
<b>Utilities 1.6%</b>				
<i>Electric Utilities 1.1%</i>				
NRG REMA LLC, Pass-Through Certificates, Senior Secured Bonds	9.681%	7/2/26	4,120,000	2,575,000 <sup>(b)</sup>
Pampa Energia SA, Senior Notes	7.500%	1/24/27	2,680,000	2,733,600 <sup>(a)</sup>
Red Oak Power LLC, Secured Notes	9.200%	11/30/29	1,170,000	1,341,112 <sup>(b)</sup>
<i>Total Electric Utilities</i>				<i>6,649,712</i>
<i>Gas Utilities 0.5%</i>				
Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes	5.875%	3/1/27	3,620,000	3,448,050 <sup>(b)</sup>
<b>Total Utilities</b>				<b>10,097,762</b>
<b>Total Corporate Bonds &amp; Notes (Cost \$605,614,411)</b>				<b>635,916,238</b>
<b>Convertible Bonds &amp; Notes 1.7%</b>				
<b>Consumer Discretionary 1.1%</b>				
<i>Media 1.1%</i>				
DISH Network Corp., Senior Bonds	3.375%	8/15/26	4,180,000	3,803,888 <sup>(b)</sup>
Liberty Media Corp., Senior Debentures	2.125%	3/31/48	2,170,000	2,149,656 <sup>(a)</sup>
Live Nation Entertainment Inc., Senior Notes	2.500%	3/15/23	1,020,000	1,009,300 <sup>(a)</sup>
<b>Total Consumer Discretionary</b>				<b>6,962,844</b>
<b>Health Care 0.1%</b>				
<i>Pharmaceuticals 0.1%</i>				
Jazz Investments I Ltd., Senior Notes	1.500%	8/15/24	530,000	524,790 <sup>(a)</sup>
<b>Information Technology 0.5%</b>				
<i>Internet Software &amp; Services 0.2%</i>				
Twitter Inc., Senior Bonds	1.000%	9/15/21	1,470,000	1,383,009 <sup>(b)</sup>
<i>Technology Hardware, Storage &amp; Peripherals 0.3%</i>				
Pure Storage Inc., Senior Notes	0.125%	4/15/23	1,650,000	1,713,916 <sup>(a)(b)</sup>
<b>Total Information Technology</b>				<b>3,096,925</b>
<b>Total Convertible Bonds &amp; Notes (Cost \$11,015,288)</b>				<b>10,584,559</b>

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April 30, 2018

**Western Asset High Income Fund II Inc.**

	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<b>Senior Loans 16.6%</b>				
<b>Consumer Discretionary 8.9%</b>				
<i>Auto Components 0.9%</i>				
American Axle & Manufacturing Inc., Term Loan B				
(1 mo. LIBOR + 2.250%)	4.150%	4/6/24	5,574,601	\$ 5,607,703 (k)(n)(o)
<i>Diversified Consumer Services 0.3%</i>				
Weight Watchers International Inc., 2017				
<b>Term Loan B</b>	6.640 - 7.060%	11/29/24	2,162,625	2,187,292 (k)(n)(o)
<i>Hotels, Restaurants &amp; Leisure 3.6%</i>				
Aramark Services Inc., 2017 Term Loan B1 (1 mo. LIBOR + 2.000%)	3.901%	3/11/25	7,830,375	7,891,546 (k)(n)(o)
Hilton Worldwide Finance LLC, Term Loan B2 (1 mo. LIBOR + 1.750%)	3.647%	10/25/23	6,703,504	6,767,281 (k)(n)(o)(p)
Las Vegas Sands LLC, 2018 Term Loan B (1 mo. LIBOR + 1.750%)	3.651%	3/27/25	4,750,000	4,779,982 (k)(n)(o)(p)
Wyndham Hotels & Resorts Inc., Term Loan B		3/28/25	3,640,000	3,672,229 (p)
<i>Total Hotels, Restaurants &amp; Leisure</i>				23,111,038
<i>Media 2.0%</i>				
Charter Communications Operating LLC, 2017 Term Loan B (1 mo. LIBOR + 2.000%)	3.910%	4/30/25	10,318,246	10,379,217 (k)(n)(o)
Lamar Media Corp., 2018 Term Loan B (1 mo. LIBOR + 1.750%)	3.688%	3/14/25	2,500,000	2,509,375 (k)(n)(o)
<i>Total Media</i>				12,888,592
<i>Specialty Retail 1.9%</i>				
PetSmart Inc., Term Loan B2 (1 mo. LIBOR + 3.000%)	4.890%	3/11/22	11,761,834	9,242,837 (k)(n)(o)
Sally Holdings LLC, Term Loan B1 (1 mo. LIBOR + 2.250%)	4.160%	7/5/24	1,412,900	1,419,965 (d)(k)(n)(o)
Spencer Gifts LLC, Second Lien Term Loan (1 mo. LIBOR + 8.250%)	10.150%	6/29/22	2,070,000	1,366,200 (d)(k)(n)(o)
<i>Total Specialty Retail</i>				12,029,002
<i>Textiles, Apparel &amp; Luxury Goods 0.2%</i>				
TOMS Shoes LLC, Term Loan B (3 mo. LIBOR + 5.500%)	7.480%	10/28/20	1,412,300	978,900 (k)(n)(o)
<b>Total Consumer Discretionary</b>				<b>56,802,527</b>
<b>Energy 0.2%</b>				
<i>Energy Equipment &amp; Services 0.0%</i>				
Hercules Offshore Inc. (wind-down lender claim)			151,882	129,100 * (d)
<i>Oil, Gas &amp; Consumable Fuels 0.2%</i>				
Chesapeake Energy Corp., Term Loan (3 mo. LIBOR + 7.500%)	9.444%	8/23/21	1,350,000	1,431,843 (k)(n)(o)
<b>Total Energy</b>				<b>1,560,943</b>

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**Table of Contents****Western Asset High Income Fund II Inc.**

	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<b>Industrials 3.6%</b>				
<i>Air Freight &amp; Logistics 1.6%</i>				
Avolon TLB Borrower 1 (U.S.) LLC, Term Loan B2 (1 mo. LIBOR + 2.250%)	4.147%	4/3/22	10,028,672	\$ 10,060,794 (k)(n)(o)(p)
<i>Airlines 0.3%</i>				
United Airlines Inc., 2017 Repriced Term Loan (1 mo. LIBOR + 2.000%)	3.901%	4/1/24	1,989,950	2,001,557 (k)(n)(o)
<i>Building Products 0.3%</i>				
Pisces Midco Inc., 2018 Term Loan (3 mo. LIBOR + 3.750%)	6.089%	4/12/25	1,790,000	1,808,258 (k)(n)(o)(p)
<i>Professional Services 0.6%</i>				
TransUnion LLC, Term Loan B3 (1 mo. LIBOR + 2.000%)	3.901%	4/10/23	3,482,500	3,498,279 (k)(n)(o)
<i>Trading Companies &amp; Distributors 0.8%</i>				
Beacon Roofing Supply Inc., 2017 Term Loan B (1 mo. LIBOR + 2.250%)	4.128%	1/2/25	3,320,000	3,342,204 (k)(n)(o)
Delos Finance SARL, 2018 Term Loan B		10/6/23	2,000,000	2,016,042 (p)
<i>Total Trading Companies &amp; Distributors</i>				5,358,246
<b>Total Industrials</b>				<b>22,727,134</b>
<b>Information Technology 2.3%</b>				
<i>IT Services 1.5%</i>				
First Data Corp., 2024 USD Term Loan (1 mo. LIBOR + 2.250%)	4.147%	4/26/24	6,620,650	6,652,184 (k)(n)(o)
Travelport Finance (Luxembourg) SARL, 2018 Term Loan B (3 mo. LIBOR + 2.500%)	4.401%	3/17/25	2,780,000	2,794,987 (k)(n)(o)
<i>Total IT Services</i>				9,447,171
<i>Technology Hardware, Storage &amp; Peripherals 0.8%</i>				
Western Digital Corp., 2017 Term Loan B3 (1 mo. LIBOR + 2.000%)	3.900%	4/29/23	5,000,000	5,037,945 (k)(n)(o)
<b>Total Information Technology</b>				<b>14,485,116</b>
<b>Materials 1.2%</b>				
<i>Containers &amp; Packaging 1.2%</i>				
Berry Global Inc., Term Loan Q (1 mo. LIBOR + 2.000%)	3.897 - 3.901%	10/1/22	7,500,000	7,554,690 (k)(n)(o)(p)
<b>Telecommunication Services 0.3%</b>				
<i>Diversified Telecommunication Services 0.3%</i>				
Unitymedia Finance LLC, Term Loan B (1 mo. LIBOR + 2.250%)	4.147%	9/30/25	1,720,000	1,722,329 (k)(n)(o)
<b>Utilities 0.1%</b>				
<i>Electric Utilities 0.1%</i>				
Panda Temple Power LLC, Second Lien Term Loan (1 mo. LIBOR + 8.000% PIK)	9.895%	2/7/23	814,771	837,177 (c)(k)(n)(o)
<b>Total Senior Loans (Cost \$108,049,408)</b>				<b>105,689,916</b>

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**Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<b>Sovereign Bonds 13.9%</b>				
<i>Argentina 4.1%</i>				
City of Buenos Aires Argentina, Senior Notes	7.500%	6/1/27	5,140,000	\$ 5,320,928 <sup>(a)(b)</sup>
Provincia de Buenos Aires, Senior Notes	9.125%	3/16/24	2,840,000	3,159,500 <sup>(a)</sup>
Republic of Argentina, Bonds	21.200%	9/19/18	931,000 <sup>ARS</sup>	43,975
Republic of Argentina, Bonds (Argentina Central Bank 7 Day Repo Reference Rate)	27.250%	6/21/20	43,220,000 <sup>ARS</sup>	2,199,088 <sup>(k)</sup>
Republic of Argentina, Bonds	18.200%	10/3/21	32,780,000 <sup>ARS</sup>	1,530,488
Republic of Argentina, Senior Bonds (Argentina BADLAR Private Deposit Rate + 2.500%)	25.235%	3/11/19	9,360,000 <sup>ARS</sup>	457,952 <sup>(k)</sup>
Republic of Argentina, Senior Bonds	6.875%	4/22/21	1,860,000	1,955,557
Republic of Argentina, Senior Bonds	7.500%	4/22/26	7,600,000	7,983,800
Republic of Argentina, Senior Notes	6.875%	1/26/27	1,150,000	1,147,136
Republic of Argentina, Senior Notes	5.875%	1/11/28	2,800,000	2,570,050
<i>Total Argentina</i>				<i>26,368,474</i>
<i>Brazil 1.4%</i>				
Federative Republic of Brazil, Notes	10.000%	1/1/21	302,000 <sup>BRL</sup>	90,579
Federative Republic of Brazil, Notes	10.000%	1/1/23	15,359,000 <sup>BRL</sup>	4,568,490
Federative Republic of Brazil, Notes	10.000%	1/1/27	9,770,000 <sup>BRL</sup>	2,854,185
Federative Republic of Brazil, Senior Notes	4.250%	1/7/25	1,500,000	1,477,875
<i>Total Brazil</i>				<i>8,991,129</i>
<i>Colombia 0.8%</i>				
Republic of Colombia, Senior Bonds	4.000%	2/26/24	1,500,000	1,498,125
Republic of Colombia, Senior Notes	3.875%	4/25/27	4,000,000	3,865,000
<i>Total Colombia</i>				<i>5,363,125</i>
<i>Ecuador 1.3%</i>				
Republic of Ecuador, Senior Bonds	10.750%	3/28/22	4,770,000	5,050,237 <sup>(a)</sup>
Republic of Ecuador, Senior Bonds	8.750%	6/2/23	2,080,000	2,046,200 <sup>(i)</sup>
Republic of Ecuador, Senior Bonds	9.650%	12/13/26	330,000	326,288 <sup>(a)</sup>
Republic of Ecuador, Senior Notes	7.950%	6/20/24	900,000	849,375 <sup>(i)</sup>
<i>Total Ecuador</i>				<i>8,272,100</i>
<i>Guatemala 0.4%</i>				
Republic of Guatemala, Senior Notes	4.500%	5/3/26	2,370,000	2,329,094 <sup>(a)</sup>
<i>Honduras 0.4%</i>				
Republic of Honduras, Senior Notes	6.250%	1/19/27	2,450,000	2,538,788 <sup>(a)</sup>
<i>Hungary 0.3%</i>				
Republic of Hungary, Senior Notes	5.750%	11/22/23	1,658,000	1,811,773
<i>Indonesia 1.1%</i>				
Republic of Indonesia, Notes	3.750%	4/25/22	4,420,000	4,413,547 <sup>(a)</sup>
Republic of Indonesia, Senior Notes	2.950%	1/11/23	2,440,000	2,350,923
<i>Total Indonesia</i>				<i>6,764,470</i>

See Notes to Financial Statements.



**Table of Contents****Western Asset High Income Fund II Inc.**

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Ivory Coast 0.1%</i>				
Republic of Cote D Ivoire, Senior Bonds	6.125%	6/15/33	480,000	\$ 455,304 <sup>(a)</sup>
<i>Mexico 0.7%</i>				
United Mexican States, Senior Notes	3.600%	1/30/25	4,500,000	4,387,500
<i>Nigeria 0.2%</i>				
Republic of Nigeria, Senior Notes	6.500%	11/28/27	1,130,000	1,140,396 <sup>(i)</sup>
<i>Peru 0.2%</i>				
Republic of Peru, Senior Bonds	7.350%	7/21/25	1,000,000	1,230,000
<i>Russia 1.5%</i>				
Russian Federal Bond, Bonds	7.050%	1/19/28	612,945,000 <sup>RUB</sup>	9,684,088
<i>Turkey 0.7%</i>				
Republic of Turkey, Senior Bonds	4.250%	4/14/26	2,000,000	1,810,832
Republic of Turkey, Senior Bonds	11.875%	1/15/30	1,175,000	1,727,836 <sup>(b)</sup>
Republic of Turkey, Senior Notes	4.875%	10/9/26	1,400,000	1,310,409
<i>Total Turkey</i>				4,849,077
<i>Uruguay 0.5%</i>				
Republic of Uruguay, Senior Bonds	8.500%	3/15/28	95,530,000 <sup>UYU</sup>	3,219,864 <sup>(i)</sup>
<i>Venezuela 0.2%</i>				
Bolivarian Republic of Venezuela, Senior Bonds	8.250%	10/13/24	2,000,000	580,000 <sup>*(i)(j)</sup>
Bolivarian Republic of Venezuela, Senior Bonds	9.375%	1/13/34	1,164,000	389,940 <sup>*(i)</sup>
Bolivarian Republic of Venezuela, Senior Notes	7.750%	10/13/19	996,000	298,800 <sup>*(b)(i)(j)</sup>
<i>Total Venezuela</i>				1,268,740
<b>Total Sovereign Bonds (Cost \$91,618,043)</b>				<b>88,673,922</b>
<b>U.S. Government &amp; Agency Obligations 1.5%</b>				
<i>U.S. Government Obligations 1.5%</i>				
U.S. Treasury Notes	1.625%	3/31/19	1,250,000	1,242,798
U.S. Treasury Notes	1.750%	11/30/19	1,500,000	1,484,180
U.S. Treasury Notes	1.875%	12/31/19	2,250,000	2,229,521
U.S. Treasury Notes	2.000%	1/31/20	1,500,000	1,488,545
U.S. Treasury Notes	2.125%	8/15/21	3,000,000	2,947,617
<b>Total U.S. Government &amp; Agency Obligations (Cost \$9,401,742)</b>				<b>9,392,661</b>
			Shares	
<b>Common Stocks 1.8%</b>				
<b>Consumer Discretionary 0.4%</b>				
<i>Hotels, Restaurants &amp; Leisure 0.4%</i>				
Bossier Casino Venture Holdco Inc.			166,350	2,871,201 <sup>*(d)(e)</sup>

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (cont d)**

April 30, 2018

**Western Asset High Income Fund II Inc.**

	Shares	Value
<b>Security</b>		
<b>Energy 1.1%</b>		
<i>Energy Equipment &amp; Services 0.5%</i>		
Hercules Offshore Inc. (Escrow)	96,800	\$ 27,298 <sup>*(d)(e)</sup>
KCAD Holdings I Ltd.	533,873,172	3,104,472 <sup>*(d)(e)</sup>
<i>Total Energy Equipment &amp; Services</i>		<i>3,131,770</i>
<i>Oil, Gas &amp; Consumable Fuels 0.6%</i>		
Berry Petroleum Co.	62,257	584,046 *
Blue Ridge Mountain Resources Inc.	416,831	3,176,252 <sup>*(d)(e)</sup>
MWO Holdings LLC	1,069	0 <sup>*(d)(e)(g)</sup>
<i>Total Oil, Gas &amp; Consumable Fuels</i>		<i>3,760,298</i>
<b>Total Energy</b>		<b>6,892,068</b>
<b>Industrials 0.1%</b>		
<i>Marine 0.1%</i>		
Tricer HoldCo, S.C.A.	104,256	426,407 <sup>*(d)(e)</sup>
<b>Utilities 0.2%</b>		
<i>Electric Utilities 0.2%</i>		
Panda Temple Power LLC	56,930	1,081,670 <sup>*(d)(e)</sup>
<b>Total Common Stocks (Cost \$21,863,101)</b>		<b>11,271,346</b>
	Rate	
<b>Convertible Preferred Stocks 0.1%</b>		
<b>Energy 0.1%</b>		
<i>Oil, Gas &amp; Consumable Fuels 0.1%</i>		
Berry Petroleum Co. (6.000% Cash or 6.000% PIK)	6.000%	70,853 801,524 <sup>(c)</sup>
Berry Petroleum Co. (6.000% Cash or 6.000% PIK)	6.000%	1,061 12,003 <sup>(c)(m)</sup>
<b>Total Convertible Preferred Stocks (Cost \$666,634)</b>		<b>813,527</b>
<b>Preferred Stocks 1.5%</b>		
<b>Financials 1.4%</b>		
<i>Consumer Finance 0.7%</i>		
GMAC Capital Trust I (3 mo. USD LIBOR + 5.785%)	7.624%	181,300 4,820,767 <sup>(k)</sup>
<i>Diversified Financial Services 0.7%</i>		
Citigroup Capital XIII (3 mo. USD LIBOR + 6.370%)	8.729%	168,125 4,504,069 <sup>(k)</sup>
<b>Total Financials</b>		<b>9,324,836</b>
<b>Industrials 0.1%</b>		
<i>Marine 0.1%</i>		
Tricer Tracking Preferred Equity Certificates (8.000% PIK)	8.000%	50,039,916 500,399 <sup>(c)(d)(e)</sup>
<b>Total Preferred Stocks (Cost \$12,270,563)</b>		<b>9,825,235</b>
<b>Total Investments before Short-Term Investments (Cost \$860,499,190)</b>		<b>872,167,404</b>

See Notes to Financial Statements.

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**Western Asset High Income Fund II Inc.**

Security	Rate	Shares	Value
<b>Short-Term Investments</b> 1.9%			
State Street Institutional U.S. Government Money Market Fund, Premier Class (Cost \$12,210,948)	1.648%	12,210,948	\$ 12,210,948
<b>Total Investments</b> 138.9% (Cost \$872,710,138)			<b>884,378,352</b>
Liabilities in Excess of Other Assets (38.9)%			(247,541,309)
<b>Total Net Assets</b> 100.0%			<b>\$ 636,837,043</b>

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

\* Non-income producing security.

(a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors.

(b) All or a portion of this security is pledged as collateral pursuant to the loan agreement (See Note 5).

(c) Payment-in-kind security for which the issuer has the option at each interest payment date of making interest payments in cash or additional securities.

(d) Security is valued using significant unobservable inputs (See Note 1).

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

(f) The maturity principal is currently in default as of April 30, 2018.

(g) Value is less than \$1.

(h) Securities traded on a when-issued or delayed delivery basis.

(i) Security is exempt from registration under Regulation S of the Securities Act of 1933. Regulation S applies to securities offerings that are made outside of the United States and do not involve direct selling efforts in the United States. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors.

(j) The coupon payment on these securities is currently in default as of April 30, 2018.

(k) Variable rate security. Interest rate disclosed is as of the most recent information available. Certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent and are based on current market conditions. These securities do not indicate a reference rate and spread in their description above.

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- (l) Security has no maturity date. The date shown represents the next call date.
- (m) Restricted security (See Note 8).
- (n) Interest rates disclosed represent the effective rates on senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
- (o) Senior loans may be considered restricted in that the Fund ordinarily is contractually obligated to receive approval from the agent bank and/or borrower prior to the disposition of a senior loan.
- (p) All or a portion of this loan is unfunded as of April 30, 2018. The interest rate for fully unfunded term loans is to be determined.

[See Notes to Financial Statements.](#)

**Table of Contents****Schedule of investments (cont d)**

April 30, 2018

**Western Asset High Income Fund II Inc.****Abbreviations used in this schedule:**

ARS	Argentine Peso
BRL	Brazilian Real
EUR	Euro
GBP	British Pound
JSC	Joint Stock Company
LIBOR	London Interbank Offered Rate
OJSC	Open Joint Stock Company
PIK	Payment-in-Kind
RUB	Russian Ruble
USD	United States Dollar
UYU	Uruguayan Peso

At April 30, 2018, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Notional Amount	Market Value	Unrealized Appreciation
<b>Contracts to Sell:</b>					
U.S. Treasury 10-Year Notes	116	6/18	\$ 14,028,541	\$ 13,876,500	\$ 152,041

At April 30, 2018, the Fund had the following open forward foreign currency contracts:

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation
USD 2,645,296	EUR 2,128,985	Barclays Bank PLC	7/19/18	\$ 58,920
USD 2,839,392	GBP 1,987,151	Barclays Bank PLC	7/19/18	93,227
<b>Total</b>				<b>\$ 152,147</b>

**Abbreviations used in this table:**

EUR	Euro
GBP	British Pound
USD	United States Dollar

See Notes to Financial Statements.

**Table of Contents****Statement of assets and liabilities**

April 30, 2018

<b>Assets:</b>	
Investments, at value (Cost \$872,710,138)	\$ 884,378,352
Foreign currency, at value (Cost \$725,284)	713,555
Cash	2,342,007
Interest receivable	11,992,162
Receivable for securities sold	9,268,697
Unrealized appreciation on forward foreign currency contracts	152,147
Deposits with brokers for open futures contracts	106,999
Prepaid expenses	39,997
<b>Total Assets</b>	<b>908,993,916</b>
<b>Liabilities:</b>	
Loan payable (Note 5)	235,000,000
Payable for securities purchased	32,347,074
Distributions payable	3,922,275
Investment management fee payable	577,025
Interest payable	174,490
Payable to broker variation margin on open futures contracts	14,500
Directors fees payable	11,903
Accrued expenses	109,606
<b>Total Liabilities</b>	<b>272,156,873</b>
<b>Total Net Assets</b>	<b>\$ 636,837,043</b>
<b>Net Assets:</b>	
Par value (\$0.001 par value; 86,203,856 shares issued and outstanding; 100,000,000 shares authorized)	\$ 86,204
Paid-in capital in excess of par value	765,180,950
Overdistributed net investment income	(4,562,937)
Accumulated net realized loss on investments, futures contracts, forward foreign currency contracts and foreign currency transactions	(135,796,963)
Net unrealized appreciation on investments, futures contracts, forward foreign currency contracts and foreign currencies	11,929,789
<b>Total Net Assets</b>	<b>\$ 636,837,043</b>
<b>Shares Outstanding</b>	<b>86,203,856</b>
<b>Net Asset Value</b>	<b>\$7.39</b>

See Notes to Financial Statements.

**Table of Contents****Statement of operations**

For the Year Ended April 30, 2018

<b>Investment Income:</b>	
Interest	\$ 60,303,240
Dividends	850,421
<b>Total Investment Income</b>	<b>61,153,661</b>
<b>Expenses:</b>	
Investment management fee (Note 2)	7,222,359
Interest expense (Note 5)	5,201,993
Directors' fees	167,560
Transfer agent fees	143,393
Legal fees	96,428
Audit and tax fees	83,781
Stock exchange listing fees	44,180
Shareholder reports	35,051
Custody fees	14,446
Insurance	9,519
Miscellaneous expenses	18,887
<b>Total Expenses</b>	<b>13,037,597</b>
<b>Net Investment Income</b>	<b>48,116,064</b>
<b>Realized and Unrealized Gain (Loss) on Investments, Futures Contracts, Forward Foreign Currency Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):</b>	
Net Realized Loss From:	
Investment transactions	(957,360)
Futures contracts	(219,196)
Forward foreign currency contracts	(312,678)
Foreign currency transactions	(41,015)
<b>Net Realized Loss</b>	<b>(1,530,249)</b>
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	(31,313,368)
Futures contracts	152,041
Forward foreign currency contracts	242,842
Foreign currencies	(37,808)
<b>Change in Net Unrealized Appreciation (Depreciation)</b>	<b>(30,956,293)</b>
<b>Net Loss on Investments, Futures Contracts, Forward Foreign Currency Contracts and Foreign Currency Transactions</b>	<b>(32,486,542)</b>
<b>Increase in Net Assets From Operations</b>	<b>\$ 15,629,522</b>

See Notes to Financial Statements.

**Table of Contents****Statements of changes in net assets**

For the Years Ended April 30,	2018	2017
<b>Operations:</b>		
Net investment income	\$ 48,116,064	\$ 56,515,044
Net realized loss	(1,530,249)	(22,838,064)
Change in net unrealized appreciation (depreciation)	(30,956,293)	83,032,834
<i>Increase in Net Assets From Operations</i>	<i>15,629,522</i>	<i>116,709,814</i>
<b>Distributions to Shareholders From (Note 1):</b>		
Net investment income	(49,234,034)	(53,719,326)
Return of capital	(634,897)	(5,545,826)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(49,868,931)</i>	<i>(59,265,152)</i>
<i>Increase (Decrease) in Net Assets</i>	<i>(34,239,409)</i>	<i>57,444,662</i>
<b>Net Assets:</b>		
Beginning of year	671,076,452	613,631,790
<b>End of year*</b>	<b>\$ 636,837,043</b>	<b>\$ 671,076,452</b>
*Includes overdistributed net investment income of:	\$(4,562,937)	\$(5,045,803)

See Notes to Financial Statements.



**Table of Contents****Statement of cash flows**

For the Year Ended April 30, 2018

**Increase (Decrease) in Cash:****Cash Provided (Used) by Operating Activities:**

Net increase in net assets resulting from operations	\$ 15,629,522
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided (used) by operating activities:	
Purchases of portfolio securities	(812,532,665)
Sales of portfolio securities	815,367,096
Net purchases, sales and maturities of short-term investments	(10,717,372)
Payment-in-kind	(696,373)
Net amortization of premium (accretion of discount)	(5,314,678)
Decrease in receivable for securities sold	262,486
Decrease in interest receivable	2,266,603
Decrease in prepaid expenses	13
Increase in deposits with brokers for open futures contracts	(106,999)
Decrease in deposits with brokers for centrally cleared swap contracts	212
Increase in payable for securities purchased	21,707,071
Decrease in investment management fee payable	(18,819)
Increase in Directors' fees payable	983
Increase in interest payable	54,673
Decrease in accrued expenses	(67,442)
Increase in payable to broker - variation margin on open futures contracts	14,500
Net realized loss on investments	957,360
Change in net unrealized appreciation (depreciation) of investments and forward foreign currency contracts	31,070,526
<b>Net Cash Provided by Operating Activities*</b>	<b>57,876,697</b>
<b>Cash Flows From Financing Activities:</b>	
Distributions paid on common stock	(50,472,358)
Repayment of loan facility borrowings	(5,000,000)
<b>Net Cash Used in Financing Activities</b>	<b>(55,472,358)</b>
<b>Net Increase in Cash</b>	<b>2,404,339</b>
Cash at Beginning of Year	651,223
Cash at End of Year	\$ 3,055,562

\* Included in operating expenses is cash of \$5,147,320 paid for interest on borrowings.

[See Notes to Financial Statements.](#)

**Table of Contents****Financial highlights****For a share of capital stock outstanding throughout each year ended April 30:**

	2018 <sup>1</sup>	2017 <sup>1</sup>	2016 <sup>1</sup>	2015 <sup>1</sup>	2014 <sup>1</sup>
Net asset value, beginning of year	\$7.78	\$7.12	\$8.57	\$9.47	\$9.56
<b>Income (loss) from operations:</b>					
Net investment income	0.56	0.66	0.73	0.79	0.85
Net realized and unrealized gain (loss)	(0.37)	0.69	(1.36)	(0.86)	(0.05)
<i>Total income (loss) from operations</i>	<i>0.19</i>	<i>1.35</i>	<i>(0.63)</i>	<i>(0.07)</i>	<i>0.80</i>
<b>Less distributions from:</b>					
Net investment income	(0.57)	(0.63)	(0.82)	(0.83)	(0.89)
Return of capital	(0.01)	(0.06)			
<i>Total distributions</i>	<i>(0.58)</i>	<i>(0.69)</i>	<i>(0.82)</i>	<i>(0.83)</i>	<i>(0.89)</i>
Net asset value, end of year	\$7.39	\$7.78	\$7.12	\$8.57	\$9.47
Market price, end of year	\$6.55	\$7.42	\$6.90	\$8.15	\$9.39
<i>Total return, based on NAV<sup>2,3</sup></i>	<i>2.41%</i>	<i>19.76%</i>	<i>(7.12)%</i>	<i>(0.65)%</i>	<i>8.89%</i>
<i>Total return, based on Market Price<sup>4</sup></i>	<i>(4.15)%</i>	<i>18.36%</i>	<i>(4.40)%</i>	<i>(4.54)%</i>	<i>1.30%</i>
Net assets, end of year (000s)	\$636,837	\$671,076	\$613,632	\$738,419	\$816,304
<b>Ratios to average net assets:</b>					
Gross expenses	1.97%	1.73%	1.59%	1.45%	1.45%
Net expenses	1.97	1.73	1.59	1.45	1.45
Net investment income	7.26	8.72	9.78	8.90	9.10
<b>Portfolio turnover rate</b>	<b>91%</b>	<b>77%</b>	<b>65%</b>	<b>41%</b>	<b>45%</b>
<b>Supplemental data:</b>					
Loan Outstanding, End of Year (000s)	\$235,000	\$240,000	\$240,000	\$260,000	\$255,000
Asset Coverage Ratio for Loan Outstanding <sup>5</sup>	371%	380%	356%	384%	420%
Asset Coverage, per \$1,000 Principal Amount of Loan Outstanding <sup>5</sup>	\$3,710	\$3,796	\$3,557	\$3,840	\$4,201 <sup>6</sup>
Weighted Average Loan (000s)	\$239,548	\$240,000	\$241,803	\$251,712	\$248,493
Weighted Average Interest Rate on Loan	2.17%	1.41%	1.05%	0.91%	0.92%

<sup>1</sup> Per share amounts have been calculated using the average shares method.

<sup>2</sup> Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results.

<sup>3</sup> The total return calculation assumes that distributions are reinvested at NAV. Past performance is no guarantee of future results.

<sup>4</sup> The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results.

<sup>5</sup> Represents value of net assets plus the loan outstanding at the end of the period divided by the loan outstanding at the end of the period.

<sup>6</sup> Added to conform to current period presentation.

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## Notes to financial statements

### 1. Organization and significant accounting policies

Western Asset High Income Fund II Inc. (the Fund) was incorporated in Maryland and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). 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.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ. Subsequent events have been evaluated through the date the financial statements were issued.

**(a) Investment valuation.** The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Prior to December 1, 2017, short-term fixed income securities that would mature in 60 days or less were valued at amortized cost, unless it was determined that using this method would not reflect an investment's fair value. Investments in open-end funds are valued at the closing net asset value per share of each fund on the day of valuation. 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 the Fund holds securities or other assets that are denominated in a foreign currency, the Fund will normally use the currency exchange rates as of 4:00 p.m. (Eastern Time). If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. 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.

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The Board of Directors is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North Atlantic Fund Valuation Committee (the Valuation Committee). The Valuation Committee, pursuant to the policies adopted by the Board of Directors, is responsible for making fair value determinations, evaluating the effectiveness of the Fund's pricing policies, and reporting to the Board of Directors. When determining the reliability of third party pricing information for investments owned by the Fund, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer's financial statements; the purchase price of the security; the discount from market value of unrestricted securiti