

Western Asset High Yield Defined Opportunity Fund Inc.
Form N-CSRS
April 25, 2013

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 811-22444

Western Asset High Yield Defined Opportunity Fund Inc.
(Exact name of registrant as specified in charter)

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

10018
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

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

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

Date of fiscal year end: August 31

Date of reporting period: February 28, 2013

ITEM 1. REPORT TO STOCKHOLDERS.

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

February 28, 2013

Semi-Annual Report

Western Asset High Yield Defined Opportunity Fund Inc.

(HYI)

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

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Western Asset High Yield Defined Opportunity Fund Inc.

Fund objectives

The Fund's primary investment objective is to provide high income. As a secondary objective, the Fund will seek capital appreciation.

What's inside

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Letter from the chairman

Dear Shareholder,

We are pleased to provide the semi-annual report of Western Asset High Yield Defined Opportunity Fund Inc. for the six-month reporting period ended February 28, 2013. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

Recent regulations adopted by the Commodity Futures Trading Commission (the CFTC) require operators of registered investment companies, including closed-end funds, to register as commodity pool operators unless the fund limits its investments in commodity interests. Effective December 31, 2012, your Fund's manager has claimed the exclusion from the definition of commodity pool operator. More information about the CFTC rules and their effect on the Fund is included later in this report on page 37.

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

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

We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA
Chairman, President and Chief Executive Officer

March 28, 2013

Investment commentary

Economic review

While the U.S. economy continued to grow over the six months ended February 28, 2013 (the reporting period), it did so at an uneven pace. Looking back, U.S. gross domestic product (GDP)ⁱ growth, as reported by the U.S. Department of Commerce, was 1.3% in the second quarter of 2012. Economic growth accelerated to 3.1% in the third quarter, partially due to increased private inventory investment, higher federal government spending and moderating imports. However, this was a temporary uptick, as the Commerce Department reported that fourth quarter GDP growth was a weak 0.4%. Decelerating growth was largely driven by a reversal of the above factors, as private inventory investment and federal government spending weakened.

While there was some improvement in the U.S. job market, unemployment remained elevated throughout the reporting period. When the period began, unemployment, as reported by the U.S. Department of Labor, was 8.1%. After falling to 7.8% in September 2012 the unemployment rate fluctuated between 7.8% and 7.9% over the next four months. While unemployment fell to 7.7% in February 2013, the lowest rate since December 2008, it was still high by historical standards. The number of longer-term unemployed continued to be a headwind for the economy, as roughly 40% of the 12 million people without a job have been out of work for more than six months.

Meanwhile, the housing market brightened, as sales generally improved and home prices continued to rebound.

According to the National Association of Realtors (NAR), existing-home sales rose 0.8% on a seasonally adjusted basis in February 2013 versus the previous month and they were 10.2% higher than in February 2012. In addition, the NAR reported that the median existing-home price for all housing types was \$173,600 in February 2013, up 11.6% from February 2012. This marked the twelfth consecutive month that home prices rose compared to the same period a year earlier. While the inventory of homes available for sale rose in February to a 4.7 month supply at the current sales pace, it was 19.2% lower than in February 2012.

The manufacturing sector appeared to overcome a soft patch that occurred in the summer of 2012, only to experience another setback in November 2012. However, it then improved later in the period. Based on the Institute for Supply Management's PMI (PMI)ⁱⁱ, after expanding 34 consecutive months, the PMI fell to 49.7 in June 2012, prior to the beginning of the reporting period. This represented the first contraction in the manufacturing sector since July 2009 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). Manufacturing continued to contract in July and August before ticking up to 51.5 in September and 51.7 in October. The PMI fell back to contraction territory with a reading of 49.5 in November, its lowest level since July 2009. However, manufacturing again expanded over the next three months, with the PMI increasing to 54.2 in February 2013, its best reading since June 2011.

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Western Asset High Yield Defined Opportunity Fund Inc.

Investment commentary (cont d)

Market review

Q. How did the Federal Reserve Board (Fed)iii respond to the economic environment?

A. The Fed took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As has been the case since December 2008, the Fed kept the federal funds rateiv at a historically low range between zero and 0.25%. At its June 2012 meeting, prior to the beginning of the reporting period, the Fed announced that it would continue its program of purchasing longer-term Treasury securities and selling an equal amount of shorter-term Treasury securities (often referred to as Operation Twist) until the end of 2012. In September, the Fed announced a third round of quantitative easing (QE3), which involves purchasing \$40 billion each month of agency mortgage-backed securities (MBS) on an open-end basis. In addition, the Fed further extended the duration that it expects to keep the federal funds rate on hold, until at least mid-2015. At its meeting in December, the Fed announced that it would continue purchasing \$40 billion per month of agency MBS, as well as initially purchasing \$45 billion a month of longer-term Treasuries. The Fed also said that it would keep the federal funds rate on hold ...as long as the unemployment rate remains above 6.5%, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee s 2.0% longer-run goal, and longer-term inflation expectations continue to be well anchored. As expected, at its meeting in March 2013, after the reporting period ended, the Fed said it would continue its asset purchase program. It also stated that When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2%.

Q. Did Treasury yields trend higher or lower during the six months ended February 28, 2013?

A. Both short- and long-term Treasury yields moved higher during the reporting period. When the period began, the yield on the two-year Treasury was 0.22%, its low over the six months ended February 28, 2013. It rose as high as 0.32% on October 22 and ended the period at 0.25%. The yield on the ten-year Treasury began the period at 1.57%, its low over the six-month reporting period. Ten-year Treasuries peaked at 2.05% on February 13 and ended the period at 1.89%.

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

A. The spread sectors experienced periods of volatility during the period given a number of macro issues, including the European sovereign debt crisis, mixed economic data and concerns related to the U.S. fiscal cliff and sequestration. However, overall the spread sectors outperformed equal durationv Treasuries given generally solid demand from investors looking to generate incremental yield in the low interest rate environment. For the six months ended February 28, 2013, the Barclays U.S. Aggregate Indexvi returned 0.15%.

Q. How did the high-yield market perform over the six months ended February 28, 2013?

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

Indexvii, posted positive returns during all six months of the period. Risk appetite was often solid as investors were drawn to higher yielding securities. All told, the high-yield market gained 6.67% for the six months ended February 28, 2013.

Q. How did the emerging market debt asset class perform over the reporting period?

A. Despite weakening at the end of the reporting period, the asset class generated positive results during the six months ended February 28, 2013. The asset class moved higher during four of the six months of the period given generally solid investor risk appetite. Overall, the JPMorgan Emerging Markets Bond Index Global (EMBI Global)viii returned 3.22% over the six months ended February 28, 2013.

Performance review

For the six months ended February 28, 2013, Western Asset High Yield Defined Opportunity Fund Inc. returned 10.41% based on its net asset value (NAV)ix and -1.03% 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 B Componentx and the Barclays U.S. Corporate High Yield 2% Issuer Cap Index Caa Componentxi, returned 6.75% and 9.44%, respectively, over the same time frame. The Lipper High Yield Closed-End Funds Category Averagexii returned 8.50% for the same period. Please note that Lipper performance returns are based on each fund's NAV.

During this six-month period, the Fund made distributions to shareholders totaling \$0.86 per share, which may have included a return of capital. The performance table shows the Fund's six-month total return based on its NAV and market price as of February 28, 2013. **Past performance is no guarantee of future results.**

Performance Snapshot as of February 28, 2013 (unaudited)

	6-Month Total Return*
Price Per Share	
\$19.38 (NAV)	10.41 %
\$18.66 (Market Price)	-1.03 %

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

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

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

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

Looking for additional information?

The Fund is traded under the symbol **HYI** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XHYIX** 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

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Western Asset High Yield Defined Opportunity Fund Inc.

Investment commentary (continued)

8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

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

Sincerely,

R. Jay Gerken, CFA
Chairman, President and Chief Executive Officer

March 28, 2013

RISKS: *The Fund's investments are subject to credit risk, inflation risk and interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund's share price. The Fund may invest in lower-rated high-yield bonds which are subject to greater credit risk (risk of default) than higher-rated obligations. Investments in foreign securities involve risks, including the possibility of losses due to changes in currency exchange rates and negative developments in the political, economic, or regulatory structure of specific countries or regions. These risks are greater in emerging markets. The Fund may make significant investments in derivative instruments. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.*

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

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

- i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.
- iii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- v Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- vi The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- vii The Barclays 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.
- viii 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.
- ix 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.
- x 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. The B Component is comprised of B-rated securities included in this Index.
- xi 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. The Caa Component is comprised of Caa-rated securities included in this Index.
- xii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended February 28, 2013, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 7 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 February 28, 2013 and August 31, 2012 and does not include derivatives, such as written options 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%.

Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Spread duration (unaudited)

Economic Exposure February 28, 2013

Total Spread Duration

HYI 3.09 years
Benchmark 3.64 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 60% Barclays U.S. Corporate High Yield 2% Issuer Cap Index B Component &
40% Barclays U.S. Corporate High Yield 2% Issuer Cap Index Caa Component
EM Emerging Markets
HY High Yield

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HYI	Western Asset High Yield Defined Opportunity Fund Inc.
IG Credit	Investment Grade Credit

Effective duration (unaudited)

Interest Rate Exposure February 28, 2013

Total Effective Duration

HYI	3.35 years
Benchmark	3.66 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	60% Barclays U.S. Corporate High Yield 2% Issuer Cap Index B Component & 40% Barclays U.S. Corporate High Yield 2% Issuer Cap Index Caa Component
EM	Emerging Markets
HY	High Yield
HYI	Western Asset High Yield Defined Opportunity Fund Inc.
IG Credit	Investment Grade Credit

Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Schedule of investments (unaudited)

February 28, 2013

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Corporate Bonds & Notes 86.1%				
Consumer Discretionary 19.6%				
Auto Components 0.5%				
Europcar Groupe SA	11.500%	5/15/17	350,000EUR	\$ 494,732(a)
Europcar Groupe SA, Senior Notes	9.375%	4/15/18	1,540,000EUR	1,844,676(a)
Total Auto Components				2,339,408
Automobiles 0.5%				
Chrysler Group LLC/CG Co.-Issuer Inc., Secured Notes	8.250%	6/15/21	1,360,000	1,513,000
Jaguar Holding Co. II/Jaguar Merger Sub Inc., Senior Notes	9.500%	12/1/19	430,000	495,575(a)
Total Automobiles				2,008,575
Diversified Consumer Services 1.1%				
Laureate Education Inc., Senior Notes	9.250%	9/1/19	800,000	874,000(a)
Odeon & UCI Finco PLC, Senior Secured Notes	9.000%	8/1/18	1,079,000GBP	1,710,557(a)
Service Corp. International, Senior Notes	7.500%	4/1/27	1,030,000	1,142,013
ServiceMaster Co., Senior Notes	8.000%	2/15/20	280,000	298,200
ServiceMaster Co., Senior Notes	7.000%	8/15/20	980,000	1,002,050(a)
Total Diversified Consumer Services				5,026,820
Hotels, Restaurants & Leisure 8.1%				
Affinity Gaming LLC/Affinity Gaming Finance Corp., Senior Notes	9.000%	5/15/18	950,000	1,014,125(a)
Bossier Casino Venture Holdco Inc., Senior Secured Bonds	14.000%	2/9/18	1,054,244	992,441(a)(b)(c)(d)
Boyd Gaming Corp., Senior Notes	9.125%	12/1/18	740,000	771,450
Boyd Gaming Corp., Senior Notes	9.000%	7/1/20	860,000	885,800(a)
Caesars Entertainment Operating Co. Inc., Senior Notes	10.750%	2/1/16	200,000	185,000
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	11.250%	6/1/17	3,000,000	3,206,250
Caesars Operating Escrow LLC/Caesars Escrow Corp., Senior Secured Notes	9.000%	2/15/20	80,000	79,400(a)
Carrols Restaurant Group Inc., Senior Secured Notes	11.250%	5/15/18	1,130,000	1,274,075
CCM Merger Inc., Senior Notes	9.125%	5/1/19	1,400,000	1,424,500(a)
CKE Restaurants Inc., Senior Secured Notes	11.375%	7/15/18	2,396,000	2,803,320
Codere SA, Senior Secured Notes	8.250%	6/15/15	2,000,000EUR	2,075,824(a)
Downstream Development Quapaw, Senior Secured Notes	10.500%	7/1/19	1,090,000	1,212,625(a)
Gala Group Finance PLC, Senior Secured Notes	8.875%	9/1/18	1,410,000GBP	2,320,859(a)
Hoa Restaurant Group LLC/Hoa Finance Corp., Senior Secured Notes	11.250%	4/1/17	3,000,000	2,730,000(a)

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Hotels, Restaurants & Leisure continued				
Landry's Holdings II Inc., Senior Notes	10.250%	1/1/18	650,000	\$ 679,250(a)
Landry's Inc., Senior Notes	9.375%	5/1/20	1,050,000	1,131,375(a)
Mastro's Restaurants LLC/RRG Finance Corp., Senior Secured Notes	12.000%	6/1/17	1,015,583	1,109,524(a)
MGM Resorts International, Senior Notes	5.875%	2/27/14	1,250,000	1,301,563
Mohegan Tribal Gaming Authority, Senior Secured Notes	10.500%	12/15/16	2,700,000	2,686,500(a)
NCL Corp. Ltd., Senior Notes	9.500%	11/15/18	4,075,000	4,564,000
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., Senior Secured Notes	9.500%	6/15/19	295,000	322,656(a)
Seneca Gaming Corp., Senior Notes	8.250%	12/1/18	1,410,000	1,499,888(a)
Seven Seas Cruises S de RL LLC, Senior Secured Notes	9.125%	5/15/19	1,570,000	1,691,675
Total Hotels, Restaurants & Leisure				35,962,100
Household Durables 1.4%				
Norcraft Cos. LP/Norcraft Finance Corp., Senior Secured Notes	10.500%	12/15/15	4,500,000	4,741,875
RSI Home Products Inc., Secured Notes	6.875%	3/1/18	470,000	477,050(a)
William Lyon Homes Inc., Senior Notes	8.500%	11/15/20	950,000	1,026,000(a)
Total Household Durables				6,244,925
Media 5.8%				
Carmike Cinemas Inc., Secured Notes	7.375%	5/15/19	430,000	474,075
Cengage Learning Acquisitions Inc., Senior Secured Notes	11.500%	4/15/20	960,000	768,000(a)
Cerved Technologies SpA, Senior Secured Notes	6.375%	1/15/20	100,000EUR	130,555(a)
Cerved Technologies SpA, Senior Subordinated Notes	8.000%	1/15/21	150,000EUR	191,426(a)
Clear Channel Worldwide Holdings Inc., Senior Notes	6.500%	11/15/22	380,000	399,000(a)
Clear Channel Worldwide Holdings Inc., Senior Subordinated Notes	7.625%	3/15/20	760,000	790,400
Clear Channel Worldwide Holdings Inc., Senior Subordinated Notes	7.625%	3/15/20	110,000	113,300
Global Generations Merger Subsidiary Inc., Senior Notes	11.000%	12/15/20	2,380,000	2,576,350(a)
Good Sam Enterprises LLC, Secured Notes	11.500%	12/1/16	1,500,000	1,601,250
LBI Media Inc., Senior Secured Notes	10.000%	4/15/19	420,000	389,550(a)
Lynx II Corp., Senior Notes	6.375%	4/15/23	2,260,000	2,353,225(a)
Nara Cable Funding Ltd., Senior Secured Notes	8.875%	12/1/18	1,000,000	1,050,000(a)
Ono Finance II PLC, Senior Bonds	10.875%	7/15/19	4,631,000	4,839,395(a)
Polish Television Holding BV, Senior Secured Notes, step bond	11.250%	5/15/17	1,600,000EUR	2,266,434(a)

See Notes to Financial Statements.

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Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

February 28, 2013

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Media continued				
Polish Television Holding BV, Senior Secured Notes, step bond	11.250%	5/15/17	600,000EUR	\$ 849,913(a)
Seat Pagine Gialle SpA, Senior Secured Bonds	10.500%	1/31/17	581,000EUR	208,594(a)(e)
Univision Communications Inc., Senior Secured Notes	6.750%	9/15/22	3,220,000	3,493,700(a)
UPC Holding BV, Junior Secured Subordinated Notes	6.375%	9/15/22	140,000EUR	182,777(a)
UPCB Finance II Ltd., Senior Notes	6.375%	7/1/20	2,000,000EUR	2,780,820(a)
Total Media				25,458,764
Multiline Retail 0.3%				
Bon-Ton Department Stores Inc., Secured Notes	10.625%	7/15/17	780,000	776,100
Bon-Ton Department Stores Inc., Senior Notes	10.250%	3/15/14	103,000	103,644
Neiman Marcus Group Inc., Senior Secured Notes	7.125%	6/1/28	390,000	402,187
Total Multiline Retail				1,281,931
Specialty Retail 1.3%				
Edcon Proprietary Ltd., Senior Secured Notes	9.500%	3/1/18	1,950,000EUR	2,494,905(a)
Gymboree Corp., Senior Notes	9.125%	12/1/18	1,940,000	1,821,175
New Academy Finance Co. LLC/New Academy Finance Corp., Senior Notes	8.000%	6/15/18	220,000	228,250(a)(b)
Spencer Spirit Holdings Inc./Spencer Gifts LLC/Spirit Halloween Superstores, Senior Notes	11.000%	5/1/17	940,000	1,026,950(a)
Total Specialty Retail				5,571,280
Textiles, Apparel & Luxury Goods 0.6%				
Boardriders SA, Senior Notes	8.875%	12/15/17	1,500,000EUR	2,080,720(a)
Empire Today LLC/Empire Today Finance Corp., Senior Secured Notes	11.375%	2/1/17	550,000	600,187(a)
Total Textiles, Apparel & Luxury Goods				2,680,907
Total Consumer Discretionary 86,574,710				
Consumer Staples 3.1%				
Food Products 2.3%				
Boparan Holdings Ltd., Senior Notes	9.875%	4/30/18	1,000,000GBP	1,699,764(a)
Chiquita Brands International Inc./Chiquita Brands LLC, Senior Secured Notes	7.875%	2/1/21	820,000	836,400(a)
Foodcorp Ltd., Senior Secured Notes	8.750%	3/1/18	700,000EUR	1,013,270(a)
Foodcorp Ltd., Senior Secured Notes	8.750%	3/1/18	530,000EUR	767,190(a)
Harmony Foods Corp., Senior Secured Notes	10.000%	5/1/16	477,000	518,737(a)
Post Holdings Inc., Senior Notes	7.375%	2/15/22	1,210,000	1,312,850
Simmons Foods Inc., Senior Secured Notes	10.500%	11/1/17	3,600,000	3,546,000(a)
Wells Enterprises Inc., Senior Secured Notes	6.750%	2/1/20	540,000	570,375(a)
Total Food Products				10,264,586

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Household Products 0.3%				
Harbinger Group Inc., Senior Secured Notes	7.875%	7/15/19	720,000	\$ 750,600(a)
Spectrum Brands Escrow Corp., Senior Notes	6.625%	11/15/22	460,000	496,800(a)
Total Household Products				1,247,400
Tobacco 0.5%				
Alliance One International Inc., Senior Notes	10.000%	7/15/16	1,925,000	2,042,906
Total Consumer Staples				13,554,892
Energy 7.9%				
Energy Equipment & Services 1.4%				
Basic Energy Services Inc., Senior Notes	7.750%	10/15/22	70,000	71,575
Gulfmark Offshore Inc., Senior Notes	6.375%	3/15/22	1,000,000	1,037,500
Hercules Offshore Inc., Senior Notes	10.250%	4/1/19	730,000	817,600(a)
Hercules Offshore Inc., Senior Secured Notes	10.500%	10/15/17	2,040,000	2,223,600(a)
Petroleum Geo-Services ASA, Senior Notes	7.375%	12/15/18	1,060,000	1,171,300(a)
Vantage Drilling Co., Senior Secured Notes	11.500%	8/1/15	590,000	644,575
Total Energy Equipment & Services				5,966,150
Oil, Gas & Consumable Fuels 6.5%				
Arch Coal Inc., Senior Notes	8.750%	8/1/16	1,540,000	1,578,500
Arch Coal Inc., Senior Notes	9.875%	6/15/19	570,000	565,725(a)
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes	9.375%	5/1/19	910,000	1,010,100
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes	9.375%	5/1/19	270,000	299,700
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes	9.625%	8/1/20	570,000	645,525(a)
Carrizo Oil & Gas Inc., Senior Notes	7.500%	9/15/20	620,000	654,100
Chesapeake Energy Corp., Senior Notes	6.625%	8/15/20	1,240,000	1,364,000
Chesapeake Energy Corp., Senior Notes	6.125%	2/15/21	1,090,000	1,160,850
Comstock Resources Inc., Senior Notes	9.500%	6/15/20	890,000	974,550
Crosstex Energy LP/Crosstex Energy Finance Corp., Senior Notes	7.125%	6/1/22	1,860,000	1,971,600(a)
EP Energy LLC/EP Energy Finance Inc., Senior Notes	9.375%	5/1/20	100,000	114,500
EPE Holdings LLC/EP Energy Bond Co. Inc., Senior Notes	8.125%	12/15/17	920,000	938,400(a)(b)
Halcon Resources Corp., Senior Notes	9.750%	7/15/20	1,290,000	1,430,288(a)
Halcon Resources Corp., Senior Notes	8.875%	5/15/21	960,000	1,036,800(a)
Hiland Partners LP/Hiland Partners Finance Corp., Senior Notes	7.250%	10/1/20	450,000	488,250(a)
Kodiak Oil & Gas Corp., Senior Notes	8.125%	12/1/19	1,130,000	1,276,900
Magnum Hunter Resources Corp., Senior Notes	9.750%	5/15/20	930,000	981,150(a)
Magnum Hunter Resources Corp., Senior Notes	9.750%	5/15/20	700,000	738,500(a)

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

February 28, 2013

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels continued</i>				
Milagro Oil & Gas Inc., Secured Notes	10.500%	5/15/16	1,040,000	\$ 780,000
Overseas Shipholding Group Inc., Senior Notes	8.750%	12/1/13	420,000	184,800(e)
Overseas Shipholding Group Inc., Senior Notes	8.125%	3/30/18	2,630,000	1,137,475(e)
Pacific Drilling V Ltd., Senior Secured Notes	7.250%	12/1/17	960,000	1,017,600(a)
Plains Exploration & Production Co., Senior Notes	6.750%	2/1/22	200,000	228,000
Quicksilver Resources Inc., Senior Notes	11.750%	1/1/16	1,100,000	1,111,000
Samson Investment Co., Senior Notes	9.750%	2/15/20	2,760,000	2,949,750(a)
SandRidge Energy Inc., Senior Notes	7.500%	2/15/23	1,240,000	1,305,100
Shelf Drilling Holdings Ltd., Senior Secured Notes	8.625%	11/1/18	750,000	804,375(a)
Xinergy Ltd., Senior Secured Notes	9.250%	5/15/19	2,980,000	2,086,000(a)
<i>Total Oil, Gas & Consumable Fuels</i>				28,833,538
Total Energy				
Financials 6.5%				34,799,688
<i>Capital Markets 0.2%</i>				
Onex USI Acquisition Corp., Senior Notes	7.750%	1/15/21	1,080,000	1,073,250(a)
<i>Commercial Banks 3.3%</i>				
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	1,550,000	2,108,767(a)
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	1,750,000	1,750,000
BBVA US Senior SAU, Senior Notes	4.664%	10/9/15	570,000	590,991
Intesa Sanpaolo SpA, Senior Notes	3.625%	8/12/15	1,490,000	1,502,179(a)
M&T Bank Corp., Junior Subordinated Notes	6.875%	6/15/16	1,170,000	1,229,257(a)(f)
Royal Bank of Scotland Group PLC, Junior Subordinated Notes, Medium-Term Notes	7.640%	9/29/17	7,000,000	6,405,000(f)(g)
Santander Issuances SAU, Notes	5.911%	6/20/16	900,000	935,980(a)
<i>Total Commercial Banks</i>				14,522,174
<i>Diversified Financial Services 2.8%</i>				
Bankrate Inc., Senior Secured Notes	11.750%	7/15/15	2,180,000	2,370,750
International Lease Finance Corp., Senior Notes	5.750%	5/15/16	1,000,000	1,080,379
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	1,900,000	2,249,125
International Lease Finance Corp., Senior Notes	8.250%	12/15/20	3,140,000	3,854,350
Nationstar Mortgage LLC/Nationstar Capital Corp., Senior Notes	7.875%	10/1/20	1,140,000	1,251,150(a)
TransUnion Holding Co. Inc., Senior Notes	9.625%	6/15/18	1,100,000	1,178,375
ZFS Finance USA Trust II, Bonds	6.450%	12/15/65	500,000	535,000(a)(g)
<i>Total Diversified Financial Services</i>				12,519,129
<i>Insurance 0.2%</i>				
Liberty Mutual Group Inc., Junior Subordinated Bonds	7.800%	3/15/37	720,000	833,400(a)
Total Financials				28,947,953

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Health Care 5.6%				
Health Care Equipment & Supplies 0.9%				
Hologic Inc., Senior Notes	6.250%	8/1/20	550,000	\$ 583,000(a)
Lantheus Medical Imaging Inc., Senior Notes	9.750%	5/15/17	380,000	370,500
Ontex IV SA, Senior Notes	9.000%	4/15/19	1,400,000EUR	1,882,602(a)
Ontex IV SA, Senior Notes	9.000%	4/15/19	680,000EUR	914,407(a)
Total Health Care Equipment & Supplies				3,750,509
Health Care Providers & Services 3.6%				
Acadia Healthcare Co. Inc., Senior Notes	12.875%	11/1/18	474,000	599,610
CHS/Community Health Systems Inc., Senior Notes	8.000%	11/15/19	1,890,000	2,095,537
CRC Health Corp., Senior Subordinated Notes	10.750%	2/1/16	3,724,000	3,724,000
Crown Newco 3 PLC, Senior Notes	8.875%	2/15/19	225,000GBP	352,430(a)
Crown Newco 3 PLC, Senior Subordinated Notes	8.875%	2/15/19	1,125,000GBP	1,762,149(a)
DJO Finance LLC/DJO Finance Corp., Senior Notes	9.875%	4/15/18	650,000	697,125
ExamWorks Group Inc., Senior Notes	9.000%	7/15/19	780,000	844,350
HCA Holdings Inc., Senior Notes	6.250%	2/15/21	2,510,000	2,654,325
IASIS Healthcare LLC/IASIS Capital Corp., Senior Notes	8.375%	5/15/19	580,000	600,300
INC Research LLC, Senior Notes	11.500%	7/15/19	420,000	450,450(a)
Labco SAS, Senior Secured Notes	8.500%	1/15/18	1,330,000EUR	1,853,586(a)
Physiotherapy Associates Holdings Inc., Senior Notes	11.875%	5/1/19	320,000	308,800(a)
Vanguard Health Systems Inc., Senior Notes	0.000%	2/1/16	36,000	28,170
Total Health Care Providers & Services				15,970,832
Health Care Technology 0.3%				
Merge Healthcare Inc., Senior Secured Notes	11.750%	5/1/15	1,190,000	1,278,506
Pharmaceuticals 0.8%				
ConvaTec Healthcare E SA, Senior Notes	10.875%	12/15/18	1,530,000EUR	2,237,190(a)
Valeant Pharmaceuticals International, Senior Notes	6.375%	10/15/20	800,000	863,000(a)
VPI Escrow Corp., Senior Notes	6.375%	10/15/20	440,000	475,750(a)
Total Pharmaceuticals				3,575,940
Total Health Care				24,575,787
Industrials 17.2%				
Aerospace & Defense 1.9%				
Ducommun Inc., Senior Notes	9.750%	7/15/18	800,000	880,000
GenCorp Inc., Secured Notes	7.125%	3/15/21	620,000	647,900(a)
Kratos Defense & Security Solutions Inc., Senior Secured Notes	10.000%	6/1/17	2,340,000	2,594,475
Wyle Services Corp., Senior Subordinated Notes	10.500%	4/1/18	4,200,000	4,473,000(a)
Total Aerospace & Defense				8,595,375

See Notes to Financial Statements.

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Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

February 28, 2013

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Airlines 2.0%				
Continental Airlines Inc., Pass-Through Certificates, Notes	5.500%	10/29/20	2,330,000	\$ 2,437,180
Continental Airlines Inc., Pass-Through Certificates, Senior Secured Notes	6.125%	4/29/18	600,000	598,500
DAE Aviation Holdings Inc., Senior Notes	11.250%	8/1/15	3,946,000	4,084,110(a)
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	1,393,745	1,524,478
Total Airlines				8,644,268
Building Products 1.0%				
Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Notes	6.875%	2/15/21	830,000	836,225(a)
Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes	11.000%	6/30/15	1,040,000	1,154,724(a)(d)
BC Mountain LLC/BC Mountain Finance Inc., Senior Notes	7.000%	2/1/21	280,000	289,100(a)
Reliance Intermediate Holdings LP, Senior Secured Notes	9.500%	12/15/19	1,190,000	1,335,775(a)
Spie BondCo 3 SCA, Secured Notes	11.000%	8/15/19	617,000EUR	902,187(a)
Total Building Products				4,518,011
Commercial Services & Supplies 3.1%				
Altegrity Inc., Senior Subordinated Notes	11.750%	5/1/16	1,500,000	1,132,500(a)
ARC Document Solutions Inc., Senior Notes	10.500%	12/15/16	4,000,000	3,970,000
JM Huber Corp., Senior Notes	9.875%	11/1/19	680,000	771,800(a)
Monitronics International Inc., Senior Notes	9.125%	4/1/20	2,130,000	2,247,150
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	7.750%	4/15/20	1,950,000	2,106,000(a)
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	7.750%	4/15/20	680,000	734,400(a)
United Rentals North America Inc., Senior Notes	7.625%	4/15/22	2,096,000	2,331,800
United Rentals North America Inc., Senior Subordinated Notes	8.375%	9/15/20	390,000	430,950
Total Commercial Services & Supplies				13,724,600
Construction & Engineering 1.2%				
Abengoa Finance SAU, Senior Notes	8.875%	11/1/17	4,500,000	4,308,750(a)
PH Holding LLC, Secured Notes	9.750%	12/31/17	810,000	837,096(c)(d)
Total Construction & Engineering				5,145,846
Electrical Equipment 1.4%				
313 Group Inc., Senior Secured Notes	6.375%	12/1/19	750,000	735,000(a)
International Wire Group Holdings Inc., Senior Secured Notes	8.500%	10/15/17	820,000	842,550(a)
NES Rentals Holdings Inc., Senior Secured Notes	12.250%	4/15/15	4,250,000	4,505,000(a)
Total Electrical Equipment				6,082,550

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Machinery 1.9%				
Dematic SA/DH Services Luxembourg Sarl, Senior Notes	7.750%	12/15/20	2,310,000	\$2,373,525(a)
Global Brass and Copper Inc., Senior Secured Notes	9.500%	6/1/19	1,000,000	1,095,000(a)
Heidelberger Druckmaschinen AG, Senior Notes	9.250%	4/15/18	1,500,000EUR	1,968,116(a)
Heidelberger Druckmaschinen AG, Senior Notes	9.250%	4/15/18	600,000EUR	787,246(a)
KM Germany Holdings GmbH, Senior Secured Notes	8.750%	12/15/20	380,000EUR	530,936(a)
Loxam SAS, Senior Bonds	7.375%	1/24/20	100,000EUR	133,819(a)
Silver II Borrower/Silver II U.S. Holdings LLC, Senior Notes	7.750%	12/15/20	610,000	637,450(a)
SPL Logistics Escrow LLC, Senior Secured Notes	8.875%	8/1/20	710,000	761,475(a)
Total Machinery				8,287,567
Marine 1.0%				
Horizon Lines LLC, Secured Notes	13.000%	10/15/16	1,241,311	1,132,696
Horizon Lines LLC, Senior Secured Notes	11.000%	10/15/16	802,000	810,020
Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes	8.625%	11/1/17	2,480,000	2,492,400
Total Marine				4,435,116
Road & Rail 1.6%				
Florida East Coast Holdings Corp., Senior Notes	10.500%	8/1/17	2,490,342	2,583,730(b)
Jack Cooper Holdings Corp., Senior Secured Notes	13.750%	12/15/15	2,026,000	2,193,145(a)
Quality Distribution LLC/QD Capital Corp., Secured Notes	9.875%	11/1/18	2,130,000	2,343,000
Total Road & Rail				7,119,875
Trading Companies & Distributors 0.3%				
H&E Equipment Services Inc., Senior Notes	7.000%	9/1/22	1,110,000	1,221,000(a)
Transportation 1.7%				
CMA CGM, Senior Notes	8.500%	4/15/17	150,000	132,750(a)
CMA CGM, Senior Notes	8.875%	4/15/19	1,600,000EUR	1,843,436(a)
Hapag-Lloyd AG, Senior Notes	9.750%	10/15/17	1,420,000	1,498,100(a)
Neovia Logistics Intermediate Holdings LLC/Logistics Intermediate Finance Corp., Senior Notes	10.000%	2/15/18	1,090,000	1,095,450(a)(b)
Syncreon Global Ireland Ltd./Syncreon Global Finance US Inc., Senior Notes	9.500%	5/1/18	2,410,000	2,566,650(a)
Syncreon Global Ireland Ltd./Syncreon Global Finance US Inc., Senior Notes	9.500%	5/1/18	170,000	181,050(a)
Total Transportation				7,317,436

See Notes to Financial Statements.

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Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

February 28, 2013

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Transportation Infrastructure 0.1%				
Aguila 3 SA, Senior Secured Notes	7.875%	1/31/18	630,000	\$ 670,950(a)
Total Industrials				75,762,594
Information Technology 1.2%				
Communications Equipment 0.2%				
CyrusOne LP/CyrusOne Finance Corp., Senior Notes	6.375%	11/15/22	910,000	962,325(a)
Electronic Equipment, Instruments & Components 0.3%				
NXP BV/NXP Funding LLC, Senior Secured Notes	9.750%	8/1/18	770,000	883,575(a)
Techem GmbH, Senior Secured Notes	6.125%	10/1/19	350,000EUR	487,786(a)
Total Electronic Equipment, Instruments & Components				1,371,361
Internet Software & Services 0.2%				
Zayo Group LLC/Zayo Capital Inc., Senior Secured Notes	8.125%	1/1/20	790,000	886,775
IT Services 0.2%				
First Data Corp., Senior Notes	12.625%	1/15/21	1,150,000	1,231,937
Semiconductors & Semiconductor Equipment 0.1%				
Advanced Micro Devices Inc., Senior Notes	7.500%	8/15/22	270,000	232,200(a)
Software 0.2%				
Interface Security Systems Holdings Inc./Interface Security Systems LLC, Senior Secured Notes	9.250%	1/15/18	830,000	848,675(a)
Total Information Technology				5,533,273
Materials 11.5%				
Chemicals 2.1%				
INEOS Group Holdings SA, Senior Notes	7.875%	2/15/16	1,800,000EUR	2,369,377(a)
Kerling PLC, Senior Secured Notes	10.625%	2/1/17	1,300,000EUR	1,544,804(a)
Kloekner Pentaplast GmbH & Co. KG, Senior Secured Notes	11.625%	7/15/17	370,000EUR	543,532(a)
Kloekner Pentaplast GmbH & Co. KG, Senior Secured Notes	11.625%	7/15/17	290,000EUR	426,011(a)
Orion Engineered Carbons Bondco GmbH, Senior Secured Bonds	10.000%	6/15/18	1,305,000EUR	1,899,672(a)
Styrolution GmbH, Senior Secured Notes	7.625%	5/15/16	1,600,000EUR	2,177,657(a)
Trinseo Materials Operating SCA/Trinseo Materials Finance Inc., Senior Secured Notes	8.750%	2/1/19	430,000	430,000(a)
Total Chemicals				9,391,053
Containers & Packaging 3.9%				

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Ardagh Packaging Finance PLC, Senior Notes	9.250%	10/15/20	2,500,000EUR	3,573,942(a)
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	7.000%	11/15/20	390,000	391,950(a)
Beverage Packaging Holdings Luxembourg II SA, Senior Notes	8.000%	12/15/16	430,000EUR	565,709(a)

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Containers & Packaging continued</i>				
Beverage Packaging Holdings Luxembourg II SA, Senior Notes	9.500%	6/15/17	1,900,000EUR	\$ 2,555,457(a)
Beverage Packaging Holdings Luxembourg II SA, Senior Secured Notes	8.000%	12/15/16	610,000EUR	802,517(a)
Pretium Packaging LLC/Pretium Finance Inc., Senior Secured Notes	11.500%	4/1/16	4,500,000	4,826,250
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer (Luxembourg) SA, Senior Notes	8.500%	5/15/18	2,330,000	2,463,975
Viskase Cos. Inc., Senior Secured Notes	9.875%	1/15/18	2,000,000	2,100,000(a)
<i>Total Containers & Packaging</i>				17,279,800
<i>Metals & Mining 4.2%</i>				
ArcelorMittal, Senior Notes	6.000%	3/1/21	1,610,000	1,711,367
Coeur d Alene Mines Corp., Senior Notes	7.875%	2/1/21	1,510,000	1,570,400(a)
FMG Resources (August 2006) Pty Ltd., Senior Notes	7.000%	11/1/15	930,000	978,825(a)
FMG Resources (August 2006) Pty Ltd., Senior Notes	8.250%	11/1/19	1,340,000	1,487,400(a)
JW Aluminum Co., Senior Secured Notes	11.500%	11/15/17	1,400,000	1,424,500(a)
Midwest Vanadium Pty Ltd., Senior Secured Notes	11.500%	2/15/18	2,800,000	1,834,000(a)(d)
Mirabela Nickel Ltd., Senior Notes	8.750%	4/15/18	620,000	592,100(a)
Molycorp Inc., Senior Secured Notes	10.000%	6/1/20	1,170,000	1,140,750(a)
New World Resources NV, Senior Notes	7.875%	1/15/21	800,000EUR	973,940(a)
Optima Specialty Steel Inc., Senior Secured Notes	12.500%	12/15/16	910,000	987,350(a)
Prince Mineral Holding Corp., Senior Secured Notes	11.500%	12/15/19	750,000	826,875(a)
Rain CII Carbon LLC/CII Carbon Corp., Senior Secured Notes	8.250%	1/15/21	1,100,000	1,160,500(a)
Steel Dynamics Inc., Senior Notes	6.125%	8/15/19	540,000	580,500(a)
SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., Senior Notes	7.375%	2/1/20	500,000	522,500(a)
Thompson Creek Metals Co. Inc., Senior Notes	12.500%	5/1/19	1,270,000	1,276,350
Thompson Creek Metals Co. Inc., Senior Secured Notes	9.750%	12/1/17	1,100,000	1,207,250
<i>Total Metals & Mining</i>				18,274,607
<i>Paper & Forest Products 1.3%</i>				
Appleton Papers Inc., Senior Secured Notes	11.250%	12/15/15	3,100,000	3,398,375
Verso Paper Holdings LLC/Verso Paper Inc., Senior Secured Notes	11.750%	1/15/19	1,868,000	1,377,650

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

February 28, 2013

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Paper & Forest Products continued				
Verso Paper Holdings LLC/Verso Paper Inc., Senior Subordinated Notes	11.375%	8/1/16	2,280,000	\$ 1,037,400
Total Paper & Forest Products				5,813,425
Total Materials				
Telecommunication Services 8.2%				
Diversified Telecommunication Services 5.3%				
Cogent Communications Group Inc., Senior Secured Notes	8.375%	2/15/18	5,000,000	5,575,000(a)
Intelsat Luxembourg SA, Senior Notes	11.250%	2/4/17	3,000,000	3,191,250
Level 3 Financing Inc., Senior Notes	8.625%	7/15/20	920,000	1,024,650
TW Telecom Holdings Inc., Senior Notes	5.375%	10/1/22	1,630,000	1,707,425
Unitymedia KabelBW GmbH, Senior Secured Notes	9.500%	3/15/21	440,000EUR	656,932(a)
Unitymedia KabelBW GmbH, Senior Secured Notes	9.500%	3/15/21	1,600,000EUR	2,388,842(a)
Wind Acquisition Finance SA, Senior Secured Notes	11.750%	7/15/17	1,000,000EUR	1,383,882(a)
Wind Acquisition Holdings Finance SpA, Senior Notes	12.250%	7/15/17	5,384,537	5,653,764(a)(b)
Windstream Corp., Senior Notes	6.375%	8/1/23	2,000,000	1,970,000(a)
Total Diversified Telecommunication Services				23,551,745
Wireless Telecommunication Services 2.9%				
Matterhorn Midco & Cy SCA, Senior Notes	7.750%	2/15/20	760,000EUR	1,026,945(a)
Phones4u Finance PLC, Senior Secured Notes	9.500%	4/1/18	730,000GBP	1,148,976(a)
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	5,210,000	5,288,150
Sprint Capital Corp., Senior Notes	8.750%	3/15/32	2,120,000	2,501,600
Sprint Nextel Corp., Senior Notes	9.000%	11/15/18	2,220,000	2,758,350(a)
Total Wireless Telecommunication Services				12,724,021
Total Telecommunication Services				
				36,275,766
Utilities 5.3%				
Electric Utilities 1.7%				
GenOn REMA LLC, Pass-Through Certificates	9.681%	7/2/26	3,350,000	3,651,500
Midwest Generation LLC, Pass-Through Certificates	8.560%	1/2/16	1,026,812	1,016,544(e)
Northeast Generation Co., Senior Secured Notes	8.812%	10/15/26	2,589,844	2,948,915
Total Electric Utilities				7,616,959
Independent Power Producers & Energy Traders 3.6%				
Atlantic Power Corp., Senior Notes	9.000%	11/15/18	960,000	1,041,600
Dynegy Inc., Bonds	7.670%	11/8/16	1,180,000	20,650(c)(e)

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Energy Future Intermediate Holding Co. LLC/ EFIH Finance Inc., Secured Notes	11.750%	3/1/22	2,330,000	2,702,800(a)
Energy Future Intermediate Holding Co. LLC/ EFIH Finance Inc., Senior Secured Notes	6.875%	8/15/17	780,000	826,800(a)

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Independent Power Producers & Energy Traders continued</i>				
Energy Future Intermediate Holding Co. LLC/ EFIH Finance Inc., Senior Secured Notes	10.000%	12/1/20	950,000	\$ 1,083,000
First Wind Holdings Inc., Senior Secured Notes	10.250%	6/1/18	1,380,000	1,466,250(a)
Foresight Energy LLC/Foresight Energy Corp., Senior Notes	9.625%	8/15/17	2,635,000	2,845,800(a)
Mirant Americas Generation LLC, Senior Notes	9.125%	5/1/31	2,840,000	3,173,700
Mirant Mid Atlantic LLC, Pass-Through Certificates	10.060%	12/30/28	1,461,442	1,666,043
PPL Energy Supply LLC, Senior Notes	4.600%	12/15/21	973,000	1,031,110
Total Independent Power Producers & Energy Traders				15,857,753
Total Utilities				23,474,712
Total Corporate Bonds & Notes (Cost \$365,930,533)				380,258,260
Collateralized Senior Loans 2.0%				
Consumer Discretionary 0.9%				
Hotels, Restaurants & Leisure 0.8%				
Equinox Fitness Clubs, First Lien Term Loan	9.750%	5/16/20	1,050,000	1,073,625(h)
Stockbridge/SBE Holdings LLC, Term Loan B	13.000%	5/2/17	2,150,000	2,322,000(h)
Total Hotels, Restaurants & Leisure				3,395,625
Specialty Retail 0.1%				
Gymboree Corp., Term Loan		2/23/18	510,000	493,616(i)
Total Consumer Discretionary				3,889,241
Consumer Staples 0.1%				
Food Products 0.1%				
AdvancePierre Foods Inc., Second Lien Term Loan	9.500%	10/10/17	450,000	463,219(h)
Energy 0.2%				
Energy Equipment & Services 0.0%				
Frac Tech International LLC, Term Loan B		5/6/16	100,000	91,656(i)
Oil, Gas & Consumable Fuels 0.2%				
Chesapeake Energy Corp., New Term Loan	5.750%	12/1/17	800,000	818,500(h)
Total Energy				910,156
Industrials 0.4%				
Machinery 0.4%				
Intelligrated Inc., Second Lien Term Loan	10.500%	12/31/19	1,740,000	1,790,025(h)
Information Technology 0.2%				
IT Services 0.2%				
CompuCom Systems Inc., Second Lien Term Loan	10.250%	10/4/19	1,000,000	1,027,500(h)
Materials 0.2%				
Chemicals 0.2%				
Kronos Inc., Second Lien New Term Loan	9.750%	4/30/20	800,000	822,000(h)
Total Collateralized Senior Loans (Cost \$8,370,619)				8,902,141

See Notes to Financial Statements.

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Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

February 28, 2013

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Sovereign Bonds 2.7%				
<i>Venezuela 2.7%</i>				
Bolivarian Republic of Venezuela, Senior Bonds	5.750%	2/26/16	5,970,000	\$ 5,781,945(a)
Bolivarian Republic of Venezuela, Senior Bonds	9.250%	9/15/27	5,820,000	5,997,510
Total Sovereign Bonds (Cost \$9,238,284)				11,779,455
			Shares	
Common Stocks 3.7%				
Consumer Discretionary 0.0%				
<i>Hotels, Restaurants & Leisure 0.0%</i>				
Bossier Casino Venture Holdco Inc.			68,957	137,914 *(c)(d)
Financials 3.5%				
<i>Diversified Financial Services 1.3%</i>				
Citigroup Inc.			136,668	5,735,956
<i>Real Estate Management & Development 2.2%</i>				
Realogy Holdings Corp.			219,513	9,768,328 *(c)(d)
Total Financials				15,504,284
Industrials 0.2%				
<i>Marine 0.2%</i>				
Horizon Lines Inc., Class A Shares			633,775	950,663 *
Total Common Stocks (Cost \$13,910,970)				16,592,861
Preferred Stocks 2.1%				
Financials 1.9%				
<i>Consumer Finance 1.9%</i>				
GMAC Capital Trust I	8.125%		319,200	8,471,568 (g)
Industrials 0.1%				
<i>Road & Rail 0.1%</i>				
Jack Cooper Holdings Corp.	20.000%		3,773	424,462 (a)(c)(g)
Materials 0.1%				
<i>Metals & Mining 0.1%</i>				
ArcelorMittal	6.000%		8,700	203,580
Total Preferred Stocks (Cost \$8,363,667)				9,099,610
			Expiration Date	Notional Amount
Purchased Options 0.0%				
Credit default swaption with BNP Paribas to buy protection on Markit CDX.NA.HY.19 Index, Put @ \$100.00 (Cost \$224,352)		3/20/13	15,580,000	17,583

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc.

Security	Expiration Date	Warrants	Value
Warrants 0.1%			
Jack Cooper Holdings Corp.	12/15/17	1,686	\$ 209,064*
Jack Cooper Holdings Corp.	5/6/18	846	104,904*
Total Warrants (Cost \$46,253)			313,968
Total Investments 96.7% (Cost \$406,084,678#)			426,963,878
Other Assets in Excess of Liabilities 3.3%			14,421,443
Total Net Assets 100.0%			\$441,385,321

- * Face amount/notional 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, unless otherwise noted.
- (b) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (c) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).
- (d) Illiquid security.
- (e) The coupon payment on these securities is currently in default as of February 28, 2013.
- (f) Security has no maturity date. The date shown represents the next call date.
- (g) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (h) Interest rates disclosed represent the effective rates on collateralized senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
- (i) All or a portion of this loan is unfunded as of February 28, 2013. The interest rate for fully unfunded term loans is to be determined.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule :

EUR Euro
GBP British Pound

Schedule of Written Options

Security	Expiration Date	Strike Price	Notional Amount1	Value
Credit default swaption with BNP Paribas to sell protection on Markit CDX.NA.HY.19 Index, Put (Premiums received \$208,772)	3/20/13	\$96.50	31,160,000	\$7,804

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1 In the event an option is exercised and a credit event occurs as defined under the terms of the swap agreement, the notional amount is the maximum potential amount that could be required to be paid as a seller of credit protection or received as a buyer of credit protection.

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

See Notes to Financial Statements.

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Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Statement of assets and liabilities (unaudited)

February 28, 2013

Assets:

Investments, at value (Cost \$406,084,678)	\$426,963,878
Cash	3,323,890
Interest receivable	8,682,990
Unrealized appreciation on forward foreign currency contracts	2,245,054
Receivable for securities sold	1,354,602
Deposits with brokers for swap contracts	700,000
Prepaid expenses	10,376
Total Assets	443,280,790

Liabilities:

Swaps, at value (premiums paid \$79,420)	697,582
Payable for securities purchased	652,942
Investment management fee payable	270,236
Payable for open swap contracts	180,411
Written options, at value (premiums received \$208,772)	7,804
Accrued expenses	86,494
Total Liabilities	1,895,469
Total Net Assets	\$441,385,321

Net Assets:

Par value (\$0.001 par value, 22,771,184 shares issued and outstanding; 100,000,000 shares authorized)	\$ 22,771
Paid-in capital in excess of par value	433,265,382
Undistributed net investment income	3,668,896
Accumulated net realized loss on investments, written options, swap contracts and foreign currency transactions	(18,100,542)
Net unrealized appreciation on investments, written options, swap contracts and foreign currencies	22,528,814
Total Net Assets	\$441,385,321

Shares Outstanding	22,771,184
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Net Asset Value	\$19.38
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See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Statement of operations (unaudited)

For the Six Months Ended February 28, 2013

Investment Income:

Interest	\$18,589,228
Dividends	577,241
Total Investment Income	19,166,469

Expenses:

Investment management fee (Note 2)	1,711,023
Transfer agent fees	65,275
Directors' fees	31,614
Audit and tax	26,389
Legal fees	23,261
Shareholder reports	21,457
Fund accounting fees	20,321
Stock exchange listing fees	10,916
Custody fees	4,990
Insurance	4,751
Miscellaneous expenses	5,373
Total Expenses	1,925,370
Net Investment Income	17,241,099

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

Net Realized Gain (Loss) From:	
Investment transactions	972,052
Written options	91,040
Swap contracts	(905,117)
Foreign currency transactions	(4,494,989)
Net Realized Loss	(4,337,014)
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	27,365,612
Written options	195,325
Swap contracts	(777,002)
Foreign currencies	3,093,807
Change in Net Unrealized Appreciation (Depreciation)	29,877,742
Net Gain on Investments, Written Options, Swap Contracts and Foreign Currency Transactions	25,540,728
Increase in Net Assets From Operations	\$42,781,827

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Statements of changes in net assets**For the Six Months Ended February 28, 2013 (unaudited)
and the Year Ended August 31, 2012**

	2013	2012
Operations:		
Net investment income	\$ 17,241,099	\$ 36,809,361
Net realized loss	(4,337,014)	(5,235,856)
Change in net unrealized appreciation (depreciation)	29,877,742	17,963,953
<i>Increase in Net Assets From Operations</i>	<i>42,781,827</i>	<i>49,537,458</i>
Distributions to Shareholders From (Note 1):		
Net investment income	(19,440,904)	(37,685,249)
Net realized gains	(1,924,307)	(1,924,307)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(19,440,904)</i>	<i>(39,609,556)</i>
Fund Share Transactions:		
Reinvestment of distributions (73,497 and 336,836 shares issued, respectively)	1,366,465	5,861,704
<i>Increase in Net Assets From Fund Share Transactions</i>	<i>1,366,465</i>	<i>5,861,704</i>
<i>Increase in Net Assets</i>	<i>24,707,388</i>	<i>15,789,606</i>
Net Assets:		
Beginning of period	416,677,933	400,888,327
End of period*	\$441,385,321	\$416,677,933
* Includes undistributed net investment income of:	\$3,668,896	\$5,868,701

See Notes to Financial Statements.

Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Financial highlights

For a share of capital stock outstanding throughout each year ended August 31, unless otherwise noted:

	2013 ^{1,2}	2012 ²	2011 ^{2,3}
Net asset value, beginning of period	\$18.36	\$17.93	\$19.06 ⁴
Income (loss) from operations:			
Net investment income	0.76	1.63	1.33
Net realized and unrealized gain (loss)	1.12	0.56	(1.14)
Total income from operations	1.88	2.19	0.19
Less distributions from:			
Net investment income	(0.86)	(1.67)	(1.32)
Net realized gains		(0.09)	
Total distributions	(0.86)	(1.76)	(1.32)
Net asset value, end of period	\$19.38	\$18.36	\$17.93
Market price, end of period	\$18.66	\$19.74	\$18.43
Total return, based on NAV^{5,6}	10.41%	13.16%	0.90%
Total return, based on Market Price⁷	(1.03)%	18.40%	(1.16)%
Net assets, end of period (millions)	\$441	\$417	\$401
Ratios to average net assets:			
Gross expenses	0.90% ⁸	0.89%	0.93% ⁸
Net expenses ⁹	0.908	0.89	0.91 ^{8,10}
Net investment income	8.068	9.22	8.118
Portfolio turnover rate	26%	53%	56%

1 For the six months ended February 28, 2013 (unaudited).

2 Per share amounts have been calculated using the average shares method.

3 For the period October 27, 2010 (commencement of operations) through August 31, 2011.

4 Initial public offering price of \$20.00 per share less offering costs and sales load totaling \$0.94 per share.

5 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. Total returns for periods of less than one year are not annualized.

6 The total return calculation assumes that distributions are reinvested at NAV. Prior to January 1, 2012, the total return calculation assumed the reinvestment of all distributions in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.

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7 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. Total returns for periods of less than one year are not annualized.

8 Annualized.

9 The impact of compensating balance arrangements, if any, was less than 0.01%.

10 The investment manager has agreed to reimburse all organization expenses.

See Notes to Financial Statements.

Notes to financial statements (unaudited)

1. Organization and significant accounting policies

Western Asset High Yield Defined Opportunity Fund Inc. (the Fund) was incorporated in Maryland on July 20, 2010 and is registered as a non-diversified, limited-term, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is to provide high income. As a secondary investment objective, the Fund will seek capital appreciation. The Fund seeks to achieve its investment objectives by investing, under normal market conditions, at least 80% of its net assets in a portfolio of high-yield corporate fixed income securities with varying maturities. The Fund intends to liquidate on or about September 30, 2025 and distribute substantially all of its net assets to stockholders, after making appropriate provisions for any liabilities of the Fund.

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. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment's fair value. 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

Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

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.

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 American 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 securities of the same class at the time of purchase; analysts' research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Directors, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Directors quarterly.

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

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Notes to financial statements (unaudited) (cont d)

GAAP establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are summarized in the three broad levels listed below:

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

The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

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

ASSETS

Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Long-term investments :				
Corporate bonds & notes		\$378,408,073	\$1,850,187	\$380,258,260
Collateralized senior loans		8,902,141		8,902,141
Sovereign bonds		11,779,455		11,779,455
Common stocks:				
Consumer discretionary			137,914	137,914
Financials	\$ 5,735,956	9,768,328		15,504,284
Industrials	950,663			950,663
Preferred stocks:				
Industrials		424,462		424,462
Other preferred stocks	8,675,148			8,675,148
Purchased options		17,583		17,583
Warrants		313,968		313,968
Total investments	\$15,361,767	\$409,614,010	\$1,988,101	\$426,963,878
Other financial instruments:				

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Forward foreign currency contracts		2,245,054		2,245,054
Total	\$15,361,767	\$411,859,064	\$1,988,101	\$429,208,932

LIABILITIES

Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other financial instruments:				
Written options		\$ 7,804		\$ 7,804
Credit default swaps on credit indices buy protection		697,582		697,582
Total		\$ 705,386		\$ 705,386

See Schedule of Investments for additional detailed categorizations.

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

Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

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

(c) Written options. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the premium received is recorded as a realized gain. When a written call option is exercised, the difference between the premium received plus the option exercise price and the Fund's basis in the underlying security (in the case of a covered written call option), or the cost to purchase the underlying security (in the case of an uncovered written call option), including brokerage commission, is recognized as a realized gain or loss. When a written put option is exercised, the amount of the premium received is subtracted from the cost of the security purchased by the Fund from the exercise of the written put option to form the Fund's basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Fund.

The risk in writing a covered call option is that the Fund may forego the opportunity of profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised. The risk in writing an uncovered call option is that the Fund is exposed to the risk of loss if the market price of the underlying security increases. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

Notes to financial statements (unaudited) (cont d)

(d) Swaptions. The Fund purchases and writes swaption contracts to manage exposure to an underlying instrument. The Fund may also purchase or write options to manage exposure to fluctuations in interest rates or to enhance yield. Swaption contracts written by the Fund represent an option that gives the purchaser the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date. Swaption contracts purchased by the Fund represent an option that gives the Fund the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date.

When the Fund writes a swaption, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the swaption written. If the swaption expires, the Fund realizes a gain equal to the amount of the premium received.

When the Fund purchases a swaption, an amount equal to the premium paid by the Fund is recorded as an investment on the Statement of Assets and Liabilities, the value of which is marked-to-market daily to reflect the current market value of the swaption purchased. If the swaption expires, the Fund realizes a loss equal to the amount of the premium paid.

Swaptions are marked-to-market daily based upon quotations from market makers. Changes in the value of the swaption are reported as unrealized gains or losses in the Statement of Operations.

(e) Swap agreements. The Fund invests in swaps for the purpose of managing its exposure to interest rate, credit or market risk, or for other purposes, including to increase the Fund's return. The use of swaps involves risks that are different from those associated with other portfolio transactions.

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund's custodian in compliance with the terms of the swap contracts. Securities posted as collateral for swap contracts are identified in the Schedule of Investments and restricted cash, if any, is identified on the Statement of Assets and Liabilities. Risks may exceed amounts recorded in the Statement of Assets and Liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts' terms, and the possible lack of liquidity with respect to the swap agreements.

Payments received or made at the beginning of the measurement period are reflected as a premium or deposit, respectively, on the Statement of Assets and Liabilities. These upfront payments are amortized over the life of the swap and are recognized as realized gain or loss in the Statement of

Western Asset High Yield Defined Opportunity Fund Inc. 2013 Semi-Annual Report

Operations. Net periodic payments received or paid by the Fund are recognized as a realized gain or loss in the Statement of Operations.

The Fund's maximum exposure in the event of a defined credit event on a credit default swap to sell protection is the notional amount. As of February 28, 2013, the Fund did not hold any credit default swaps to sell protection.

For average notional amounts of swaps held during the six months ended February 28, 2013, see Note 4.

Credit default swaps

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

Implied spreads are the theoretical prices a lender receives for credit default protection. When spreads rise, market perceived credit risk rises and when spreads fall, market perceived credit risk falls. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to enter into the agreement. Wider credit spreads and decreasing market values, when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. Credit spreads utilized in determining the period end market value of credit default swap agreements on corporate or sovereign issues are disclosed in the Notes to

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Notes to financial statements (unaudited) (cont d)

Financial Statements and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for credit derivatives. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values