

WESTERN ASSET PREMIER BOND FUND
Form N-CSRS
September 05, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-10603

Name of Registrant: Western Asset Premier Bond Fund

Address of Principal Executive Offices: 385 East Colorado Boulevard, Pasadena, CA 91101

Name and address of agent for service:

Charles A. Ruys de Perez

385 East Colorado Boulevard

Pasadena, CA 91101

Registrant's telephone number, including area code: (410) 539-0000

Date of fiscal year end: 12/31/2007

Date of reporting period: 06/30/2007

Item 1. Report to Shareholders.

Western Asset
Premier Bond Fund

Semi-Annual Report to Shareholders

June 30, 2007

Semi-Annual Report to Shareholders

Fund Highlights

(Amounts in Thousands, except per share amounts) (Unaudited)

	Six Months Ended June 30, 2007	Year Ended December 31, 2006
Net Asset Value	\$171,948	\$173,707
Per Share	\$14.99	\$15.15
Market Value Per Share	\$14.77	\$15.15
Net Investment Income	\$7,526	\$15,717
Per Common Share	\$0.66	\$1.37
Dividends Paid to Common Shareholders:		
Ordinary Income	\$6,450	\$12,619
Per Common Share	\$0.56	\$1.10
Long-Term Capital Gains	\$666	\$2,219
Per Common Share	\$0.06	\$0.19
Dividends Paid to Preferred Shareholders:		
Ordinary Income	\$1,387	\$3,468
Per Common Share	\$0.12	\$0.30
Long-Term Capital Gains	\$472	\$62
Per Common Share	\$0.04	\$0.01

The Fund

Western Asset Premier Bond Fund (WEA or the Fund) is a diversified, closed-end management investment company which seeks to provide current income and capital appreciation for its shareholders by investing primarily in a diversified portfolio of investment grade bonds. Substantially all of the Fund's net investment income (after payment of dividends to holders of preferred shares and interest in connection with other forms of leverage (if applicable)) is distributed to the Fund's common shareholders. A Dividend Reinvestment Plan is available to those common shareholders of record desiring it. The Fund's common shares are listed on the New York Stock Exchange (NYSE) where they trade under the symbol WEA.

Dividend Reinvestment Plan

The Fund and Computershare Trust Company N.A. (Agent), as the Transfer Agent and Registrar of the Fund, offer a convenient way to add shares of the Fund to your account. The Fund offers to all common shareholders a Dividend Reinvestment Plan (Plan). Under the Plan, cash distributions (e.g., dividends and capital gains) on the common shares are automatically invested in shares of the Fund unless the shareholder elects otherwise by contacting the Agent at the address set forth below.

As a participant in the Dividend Reinvestment Plan you will automatically receive your dividend or net capital gains distribution in newly issued shares of the Fund if the market price of a share on the date of the distribution is at or above the NAV of a Fund share, minus estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market. The number of shares to be issued to you will be determined by dividing the amount of the cash distribution to which you are entitled (net of any applicable withholding taxes) by the greater of the NAV per share on such date or 95% of the market price of a share on such date. If the market price of a share on such distribution date is below the NAV, minus estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market, the Agent will, as agent for the participants, buy shares of the Fund through a broker on the open market. The price per share of shares purchased for each participant's account with respect to a particular dividend or other distribution will be the average price (including brokerage commissions, transfer taxes and any other costs of purchase) of all shares purchased with respect to that dividend or other distribution. All common shares acquired on your behalf through the Plan will be automatically credited to an account maintained on the books of the Agent. Full and fractional shares will be voted by Computershare in accordance with your instructions.

Additional Information Regarding the Plan

The Fund will pay all costs applicable to the Plan, except for brokerage commissions for open market purchases by the Agent under the Plan, which will be charged to participants. All shares acquired through the Plan receive voting rights and are eligible for any stock split, stock dividend, or other rights accruing to shareholders that the Board of Trustees may declare.

Semi-Annual Report to Shareholders

You may terminate participation in the Plan at any time by giving written notice to the Agent. Such termination will be effective prior to the record date next succeeding the receipt of such instructions or by a later date of termination specified in such instructions. Upon termination, a participant will receive a certificate for the full shares credited to his or her account or may request the sale of all or part of such shares. Fractional shares credited to a terminating account will be paid for in cash at the current market price at the time of termination.

Dividends and other distributions invested in additional shares under the Plan are subject to income tax just as if they had been received in cash. After year end, dividends paid on the accumulated shares will be included in the Form 1099-DIV information return to the Internal Revenue Service (IRS) and only one Form 1099-DIV will be sent to participants each year.

Inquiries regarding the Plan, as well as notices of termination, should be directed to Computershare Trust Company, N.A. P.O. Box 43010, Providence, Rhode Island 02940-3010 Investor Relations telephone number 1-800-426-5523.

Schedule of Portfolio Holdings

The Fund files a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. You may obtain a free copy of the Fund's Form N-Q by calling 1-800-799-4932 or by writing to the Fund, or you may obtain a copy of this report (and other information relating to the Fund) from the Securities and Exchange Commission's (SEC) website (<http://www.sec.gov>). Additionally, the Fund's Form N-Q can be viewed or copied at the SEC's Public Reference Room in Washington D.C. Information about the operation of the Public Reference Room can be obtained by calling 1-202-551-8090.

Proxy Voting

You may request a free description of the policies and procedures that the Fund uses to determine how proxies relating to the Fund's portfolio securities are voted by calling 1-800-799-4932 or by writing to the Fund, or you may obtain a copy of these policies and procedures (and other information relating to the Fund) from the SEC's web site (<http://www.sec.gov>). You may request a free report regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 by calling 1-800-799-4932 or by writing to the Fund, or you may obtain a copy of this report (and other information relating to the Fund), from the SEC's website (<http://www.sec.gov>).

Quarterly Comparison of Market Price and Net Asset Value (NAV), Discount or Premium to NAV and Average Daily Volume of Shares Traded

	Market Value	Net Asset Value	Premium/ (Discount)	Average Daily Volume/(Shares) ^A
September 30, 2006	\$ 15.13	\$ 15.06	0.47%	6,200
December 31, 2006	\$ 15.15	\$ 15.15	0.00%	28,900
March 31, 2007	\$ 15.29	\$ 15.31	(0.13)%	17,438
June 30, 2007	\$ 14.77	\$ 14.99	(1.47)%	16,432

^A Amounts not in thousands

Semi-Annual Report to Shareholders

Portfolio Diversification

June 30, 2007^A

The pie chart and bar chart above represent the Fund's portfolio as of June 30, 2007. The Fund's portfolio is actively managed, and its portfolio composition, credit quality breakdown, and other portfolio characteristics will vary from time to time.

^A *The Fund is actively managed. As a result, the composition of its portfolio holdings and sectors is subject to change at any time.*

^B *Standard & Poor's Ratings Services provides capital markets with credit ratings for the evaluation and assessment of credit risk.*

Semi-Annual Report to Shareholders

Portfolio of Investments

June 30, 2007 (Unaudited)

(Amounts in Thousands)

Western Asset Premier Bond Fund

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Long-Term Securities	145.3%				
Corporate Bonds and Notes	77.4%				
<i>Aerospace and Defense</i>	<i>1.4%</i>				
DRS Technologies Inc.		6.625%	2/1/16	\$ 300	\$ 290
L-3 Communications Corp.		6.375%	10/15/15	430	406
Northrop Grumman Corp.		7.750%	2/15/31	1,000	1,189
The Boeing Co.		6.125%	2/15/33	600	618
					2,503
<i>Airlines</i>	<i>9.7%</i>				
America West Airlines Inc.		8.057%	7/2/20	3,135	3,390
Continental Airlines Inc.		7.160%	3/24/13	931	931
Continental Airlines Inc.		6.900%	1/2/18	1,024	1,044
Continental Airlines Inc.		6.820%	5/1/18	959	973
Continental Airlines Inc.		6.545%	2/2/19	1,870	1,903
Continental Airlines Inc.		8.048%	11/1/20	708	766
Continental Airlines Inc.		6.703%	6/15/21	965	972
Northwest Airlines Inc.		5.848%	8/6/13	2,436	2,387 _A
United Air Lines Inc.		7.032%	10/1/10	288	290
United Air Lines Inc.		7.186%	4/1/11	60	62
United Air Lines Inc.		6.602%	9/1/13	1,168	1,177
US Airways Pass-Through Trust		6.850%	1/30/18	2,674	2,774
					16,669
<i>Auto Components</i>	<i>0.2%</i>				
Visteon Corp.		8.250%	8/1/10	435	432
<i>Automobiles</i>	<i>1.6%</i>				
DaimlerChrysler NA Holding Corp.		7.300%	1/15/12	1,000	1,061
DaimlerChrysler NA Holding Corp.		8.500%	1/18/31	1,000	1,264
Ford Motor Co.		4.250%	12/15/36	80	100 _B
General Motors Corp.		8.375%	7/15/33	420	383
					2,808
<i>Building Products</i>	<i>0.3%</i>				

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Nortek Inc.	8.500%	9/1/14	180	171
NTK Holdings Inc.	0.000%	3/1/14	550	399 _c
				570

Capital Markets

2.4%

Credit Suisse USA Inc.	6.500%	1/15/12	1,125	1,165
E*Trade Financial Corp.	7.375%	9/15/13	160	162

Semi-Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Capital Markets</i> Continued					
E*Trade Financial Corp.		7.875%	12/1/15	\$ 35	\$ 36
Morgan Stanley		6.600%	4/1/12	1,500	1,556 ^D
The Goldman Sachs Group Inc.		6.600%	1/15/12	1,200	1,243 ^D
					4,162
<i>Chemicals</i>					
	1.8%				
Georgia Gulf Corp.		9.500%	10/15/14	310	308
Huntsman International LLC		7.875%	11/15/14	95	102
Lyondell Chemical Co.		10.500%	6/1/13	135	146
The Dow Chemical Co.		6.000%	10/1/12	2,500	2,526
Westlake Chemical Corp.		6.625%	1/15/16	70	66
					3,148
<i>Commercial Services and Supplies</i>					
	1.4%				
Allied Security Escrow Corp.		11.375%	7/15/11	60	61
Rental Service Corp.		9.500%	12/1/14	200	204 ^E
Waste Management Inc.		7.375%	5/15/29	2,000	2,106
Waste Management Inc.		7.750%	5/15/32	40	44
					2,415
<i>Communications Equipment</i>					
	N.M.				
Motorola Inc.		7.625%	11/15/10	64	67
<i>Computers and Peripherals</i>					
	0.1%				
International Business Machines Corp.		4.750%	11/29/12	240	232
<i>Consumer Finance</i>					
	2.0%				
Ford Motor Credit Co.		8.105%	1/13/12	70	70 ^A
GMAC LLC		6.875%	8/28/12	150	147
GMAC LLC		8.000%	11/1/31	1,530	1,564
HSBC Finance Corp.		4.750%	7/15/13	1,670	1,577
					3,358
<i>Containers and Packaging</i>					
	0.3%				
Graham Packaging Co. Inc.		9.875%	10/15/14	298	301
Graphic Packaging International Corp.		9.500%	8/15/13	210	218
					519

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<i>Distributors</i>	0.2%				
Keystone Automotive Operations Inc.		9.750%	11/1/13	480	418

Semi-Annual Report to Shareholders

Portfolio of Investments Continued

Western Asset Premier Bond Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Diversified Consumer Services</i>	0.3%				
Education Management LLC		8.750%	6/1/14	\$ 100	\$ 102
Education Management LLC		10.250%	6/1/16	240	253
Service Corp. International		6.750%	4/1/16	140	133
Service Corp. International		7.625%	10/1/18	5	5
Service Corp. International		7.500%	4/1/27	60	56E
					549
<i>Diversified Financial Services</i>	6.3%				
AAC Group Holding Corp.		0.000%	10/1/12	440	396C
Air 2 US		8.027%	10/1/19	506	523E
Boeing Capital Corp.		6.500%	2/15/12	1,000	1,043
Boeing Capital Corp.		5.800%	1/15/13	400	406
CCM Merger Inc.		8.000%	8/1/13	140	139E
Citigroup Inc.		6.625%	6/15/32	1,000	1,042
DI Finance LLC		9.500%	2/15/13	502	534
Fuji Co. Ltd.		9.870%	6/30/08	790	821C,E
General Electric Capital Corp.		3.750%	12/15/09	740	713
General Electric Capital Corp.		6.000%	6/15/12	700	713
General Electric Capital Corp.		5.450%	1/15/13	250	247
GrafTech Finance Inc.		10.250%	2/15/12	41	43
JPMorgan Chase and Co.		5.750%	1/2/13	1,750	1,750D
JPMorgan Chase and Co.		5.125%	9/15/14	1,300	1,248D
Milacron Escrow Corp.		11.500%	5/15/11	410	397
Rainbow National Services LLC		8.750%	9/1/12	100	104E
Vanguard Health Holding Co. II LLC		9.000%	10/1/14	735	728
					10,847
<i>Diversified Telecommunication Services</i>	2.7%				
AT&T Inc.		6.250%	3/15/11	1,000	1,022F
BellSouth Corp.		6.000%	10/15/11	1,000	1,013
Cincinnati Bell Inc.		7.000%	2/15/15	330	323
Cincinnati Bell Inc.		6.300%	12/1/28	25	22
Citizens Communications Co.		9.250%	5/15/11	90	97
Citizens Communications Co.		7.125%	3/15/19	50	47
Citizens Communications Co.		7.875%	1/15/27	95	92
Citizens Communications Co.		7.050%	10/1/46	25	21
Hawaiian Telcom Communications Inc.		12.500%	5/1/15	215	244
Level 3 Financing Inc.		9.250%	11/1/14	120	121

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Level 3 Financing Inc.	9.150%	2/15/15	50	50 _{A,E}
Qwest Communications International Inc.	7.250%	2/15/11	160	161

Semi-Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Diversified Telecommunication Services</i> Continued					
Qwest Corp.		7.875%	9/1/11	\$ 390	\$ 407
Qwest Corp.		8.875%	3/15/12	140	151
Qwest Corp.		7.500%	10/1/14	150	154
Telcordia Technologies Inc.		10.000%	3/15/13	485	432 _E
Windstream Corp.		8.625%	8/1/16	320	338
					4,695
<i>Electric Utilities</i> 4.3%					
Duke Energy Corp.		6.250%	1/15/12	250	257
Edison Mission Energy		7.500%	6/15/13	20	20
Edison Mission Energy		7.750%	6/15/16	180	179
FirstEnergy Corp.		6.450%	11/15/11	610	626
FirstEnergy Corp.		7.375%	11/15/31	3,040	3,291
IPALCO Enterprises Inc.		8.625%	11/14/11	130	139 _G
Midwest Generation LLC		8.560%	1/2/16	83	89
Niagara Mohawk Power Corp.		7.750%	10/1/08	1,500	1,538
Orion Power Holdings Inc.		12.000%	5/1/10	150	169
Progress Energy Inc.		7.100%	3/1/11	117	123
Progress Energy Inc.		6.850%	4/15/12	750	786
TXU Electric Delivery Co.		7.000%	9/1/22	250	261
					7,478
<i>Energy Equipment and Services</i> 0.3%					
Gulfmark Offshore Inc.		7.750%	7/15/14	270	273
Pride International Inc.		7.375%	7/15/14	240	240
					513
<i>Food and Staples Retailing</i> 2.0%					
CVS Corp.		5.789%	1/10/26	913	872 _E
CVS Lease Pass-Through Trust		5.880%	1/10/28	988	948 _E
CVS Lease Pass-Through Trust		6.036%	12/10/28	989	960 _E
Delhaize America Inc.		9.000%	4/15/31	166	201
Safeway Inc.		5.800%	8/15/12	500	500
					3,481
<i>Food Products</i> 0.1%					
Dole Food Co. Inc.		7.250%	6/15/10	285	275
<i>Gas Utilities</i> 0.6%					

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AmeriGas Partners LP	7.250%	5/20/15	90	89
Panhandle Eastern Pipe Line Co.	4.800%	8/15/08	400	396

Semi-Annual Report to Shareholders

Portfolio of Investments Continued

Western Asset Premier Bond Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Gas Utilities</i> Continued					
	0.6%				
Southern Natural Gas Co.		8.000%	3/1/32	\$ 20	\$ 23
Suburban Propane Partners LP		6.875%	12/15/13	580	560
					1,068
<i>Health Care Equipment and Supplies</i>					
	0.1%				
Fresenius Medical Care Capital Trust II		7.875%	2/1/08	250	251
<i>Health Care Providers and Services</i>					
	2.7%				
Community Health Systems Inc.		8.875%	7/15/15	600	608 ^E
DaVita Inc.		6.625%	3/15/13	100	98 ^E
DaVita Inc.		7.250%	3/15/15	300	296
HCA Inc.		6.250%	2/15/13	85	77
HCA Inc.		6.500%	2/15/16	105	89
HCA Inc.		9.250%	11/15/16	195	208 ^E
HCA Inc.		9.625%	11/15/16	175	188 ^{E,H}
HCA Inc.		7.690%	6/15/25	90	78
HCA Inc.		7.500%	11/15/95	185	147
Tenet Healthcare Corp.		9.250%	2/1/15	2,810	2,669
Triad Hospitals Inc.		7.000%	11/15/13	150	158
					4,616
<i>Hotels, Restaurants and Leisure</i>					
	1.8%				
Buffets Inc.		12.500%	11/1/14	275	263
Denny's Holdings Inc.		10.000%	10/1/12	90	95
El Pollo Loco Inc.		11.750%	11/15/13	195	206
Inn of the Mountain Gods Resort and Casino		12.000%	11/15/10	530	568
MGM MIRAGE		8.500%	9/15/10	10	11
Pinnacle Entertainment Inc.		8.250%	3/15/12	250	258
Pokagon Gaming Authority		10.375%	6/15/14	250	276 ^E
Premier Entertainment Biloxi LLC		10.750%	2/1/12	707	735
River Rock Entertainment Authority		9.750%	11/1/11	180	189
Sbarro Inc.		10.375%	2/1/15	100	97
Snoqualmie Entertainment Authority		9.150%	2/1/14	110	111 ^{A,E}
Station Casinos Inc.		7.750%	8/15/16	205	203
Station Casinos Inc.		6.625%	3/15/18	100	86

3,098

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<i>Household Durables</i>	0.7%				
American Greetings Corp.	7.375%	6/1/16	20	20	
Interface Inc.	10.375%	2/1/10	400	430	
K Hovnanian Enterprises Inc.	8.625%	1/15/17	300	288	

Semi-Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Household Durables</i> Continued					
Norcraft Cos.		9.000%	11/1/11	\$ 360	\$ 372
Norcraft Holdings LP		0.000%	9/1/12	155	142 _C
					1,252
<i>Household Products</i>					
Nutro Products Inc.	0.1%	10.750%	4/15/14	95	110 _E
<i>Independent Power Producers and Energy Traders</i>					
	2.3%				
Dynegy Holdings Inc.		7.750%	6/1/19	450	419 _E
Exelon Generation Co. LLC		6.950%	6/15/11	2,000	2,076
Mirant North America LLC		7.375%	12/31/13	350	358
NRG Energy Inc.		7.375%	2/1/16	505	506
NRG Energy Inc.		7.375%	1/15/17	225	226
The AES Corp.		9.000%	5/15/15	440	466 _E
					4,051
<i>Internet and Catalog Retail</i>					
FTD Inc.	0.1%	7.750%	2/15/14	140	139
<i>IT Services</i>					
	1.1%				
Electronic Data Systems Corp.		7.125%	10/15/09	700	721
Electronic Data Systems Corp.		7.450%	10/15/29	500	509
SunGard Data Systems Inc.		10.250%	8/15/15	630	666
					1,896
<i>Leisure Equipment and Products</i>					
Eastman Kodak Co.	1.0%	7.250%	11/15/13	1,800	1,800
<i>Media</i>					
	7.0%				
Affinion Group Inc.		10.125%	10/15/13	180	192
Affinion Group Inc.		11.500%	10/15/15	225	243
AMC Entertainment Inc.		11.000%	2/1/16	425	470
CCH I Holdings LLC		11.750%	5/15/14	470	462 _C
CCH I Holdings LLC		12.125%	1/15/15	125	126
CCH I Holdings LLC		11.000%	10/1/15	337	352
CCH II Holdings LLC		10.250%	9/15/10	280	293
Charter Communications Holdings LLC		11.750%	5/15/11	110	112 _C

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Charter Communications Holdings LLC	12.125%	1/15/12	60	62c
Clear Channel Communications Inc.	4.900%	5/15/15	700	565

Semi-Annual Report to Shareholders

Portfolio of Investments Continued

Western Asset Premier Bond Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Media</i> Continued					
CMP Susquehanna Corp.		9.875%	5/15/14	\$ 190	\$ 190 ^E
Comcast Cable Communications Inc.		6.750%	1/30/11	500	517
Comcast Corp.		5.900%	3/15/16	400	393
Comcast Corp.		7.050%	3/15/33	1,000	1,032
CSC Holdings Inc.		8.125%	7/15/09	30	31
CSC Holdings Inc.		8.125%	8/15/09	40	41
CSC Holdings Inc.		7.625%	4/1/11	50	50
CSC Holdings Inc.		6.750%	4/15/12	250	237
CSC Holdings Inc.		7.875%	2/15/18	45	43
Dex Media East LLC		12.125%	11/15/12	122	131
EchoStar DBS Corp.		7.000%	10/1/13	600	591
Idearc Inc.		8.000%	11/15/16	180	182
ION Media Networks Inc.		11.606%	1/15/13	55	57 ^{A,E}
Lamar Media Corp.		6.625%	8/15/15	120	114
Liberty Media LLC		3.750%	2/15/30	1,860	1,155 ^B
News America Holdings Inc.		8.875%	4/26/23	400	482
News America Inc.		6.625%	1/9/08	300	301
PRIMEDIA Inc.		8.875%	5/15/11	115	118
Time Warner Inc.		6.875%	5/1/12	1,400	1,461
Time Warner Inc.		7.700%	5/1/32	1,150	1,244
TL Acquisitions Inc.		10.500%	1/15/15	270	268 ^E
Univision Communications Inc.		9.750%	3/15/15	115	114 ^{E,H}
WMG Acquisition Corp.		7.375%	4/15/14	170	158
XM Satellite Radio Inc.		9.750%	5/1/14	190	186
					11,973
<i>Metals and Mining</i> 1.5%					
Alcoa Inc.		5.375%	1/15/13	750	726
Chaparral Steel Co.		10.000%	7/15/13	20	22
Freeport-McMoRan Copper & Gold Inc.		8.375%	4/1/17	960	1,025
Metals USA Inc.		11.125%	12/1/15	445	485
Noranda Aluminium Holding Corp.		11.146%	11/15/14	155	151 ^{A,E,H}
Tube City IMS Corp.		9.750%	2/1/15	130	133 ^E
					2,542
<i>Multi-Utilities</i> 0.6%					
Dominion Resources Inc.		5.700%	9/17/12	770	771
MidAmerican Energy Holdings Co.		5.875%	10/1/12	250	252

Semi-Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Multiline Retail</i> 0.2%					
The Neiman-Marcus Group Inc.		9.000%	10/15/15	\$ 260	\$ 278 _H
<i>Oil, Gas and Consumable Fuels</i> 10.5%					
Belden and Blake Corp.		8.750%	7/15/12	750	769
Chesapeake Energy Corp.		6.375%	6/15/15	480	458
Chesapeake Energy Corp.		6.625%	1/15/16	30	29
Colorado Interstate Gas Co.		6.800%	11/15/15	150	154
Complete Production Services Inc.		8.000%	12/15/16	150	151 _E
ConocoPhillips		4.750%	10/15/12	1,000	969
DCP Midstream LP		7.875%	8/16/10	750	796
Devon Energy Corp.		7.950%	4/15/32	1,000	1,169
Devon Financing Corp. ULC		6.875%	9/30/11	2,000	2,088
El Paso Corp.		6.375%	2/1/09	333	334
El Paso Corp.		7.750%	6/15/10	1,496	1,552
El Paso Corp.		7.800%	8/1/31	190	192
Encore Acquisition Co.		6.000%	7/15/15	45	40
Exco Resources Inc.		7.250%	1/15/11	275	274
Gazprom		6.790%	10/29/09	31,200 RUB	1,227
Gazprom		7.000%	10/27/11	10,400 RUB	410
Hess Corp.		7.875%	10/1/29	1,640	1,849
Hess Corp.		7.300%	8/15/31	60	64
International Coal Group Inc.		10.250%	7/15/14	220	227
Kinder Morgan Energy Partners LP		7.125%	3/15/12	500	526
Occidental Petroleum Corp.		6.750%	1/15/12	500	526
Parker Drilling Co.		9.625%	10/1/13	300	320
Petrohawk Energy Corp.		9.125%	7/15/13	145	153
Pogo Producing Co.		6.875%	10/1/17	290	288
SemGroup LP		8.750%	11/15/15	305	307 _E
SESI LLC		6.875%	6/1/14	10	10
Sonat Inc.		7.625%	7/15/11	500	519
St Acquisition Corp.		12.500%	5/15/17	375	354 _E
Stone Energy Corp.		8.250%	12/15/11	160	160
Texas Eastern Transmission		5.250%	7/15/07	750	750
The Williams Cos. Inc.		7.500%	1/15/31	902	934
The Williams Cos. Inc.		8.750%	3/15/32	85	98
Valero Energy Corp.		7.500%	4/15/32	400	437
					18,134

Semi-Annual Report to Shareholders

Portfolio of Investments Continued

Western Asset Premier Bond Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Paper and Forest Products</i>	2.5%				
Appleton Papers Inc.		8.125%	6/15/11	\$ 5	\$ 5
Appleton Papers Inc.		9.750%	6/15/14	305	320
NewPage Corp.		12.000%	5/1/13	260	284
Verso Paper Holdings LLC		11.375%	8/1/16	215	230 ^E
Weyerhaeuser Co.		6.750%	3/15/12	2,400	2,483
Weyerhaeuser Co.		7.375%	3/15/32	1,000	1,015
					4,337
<i>Pharmaceuticals</i>	0.1%				
Leiner Health Products Inc.		11.000%	6/1/12	280	265
<i>Real Estate Investment Trusts</i>	0.2%				
Ventas Inc.		6.750%	4/1/17	260	257
<i>Real Estate Management and Development</i>	0.3%				
Ashton Woods USA LLC		9.500%	10/1/15	125	115
Kimball Hill Inc.		10.500%	12/15/12	45	41
Realogy Corp.		12.375%	4/15/15	460	420 ^E
					576
<i>Road and Rail</i>	1.8%				
Hertz Corp.		10.500%	1/1/16	645	713
Horizon Lines LLC		9.000%	11/1/12	244	258
Kansas City Southern Railway		7.500%	6/15/09	150	149
Union Pacific Corp.		6.125%	1/15/12	2,000	2,026
					3,146
<i>Semiconductors and Semiconductor Equipment</i>	0.1%				
Freescale Semiconductor Inc.		8.875%	12/15/14	235	224 ^E
<i>Software</i>	0.1%				
Activant Solutions Inc.		9.500%	5/1/16	165	162

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<i>Specialty Retail</i>	0.1%				
Blockbuster Inc.		9.000%	9/1/12	140	130
Eye Care Centers of America Inc.		10.750%	2/15/15	40	44
					174
<i>Textiles, Apparel and Luxury Goods</i>	0.3%				
Levi Strauss and Co.		9.750%	1/15/15	120	128
Levi Strauss and Co.		8.875%	4/1/16	50	51

Semi-Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Textiles, Apparel and Luxury Goods</i> Continued					
Oxford Industries Inc.		8.875%	6/1/11	\$ 180	\$ 186
Simmons Co.		0.000%	12/15/14	90	76 _C
					441
<i>Thrifts and Mortgage Finance</i>					
	0.3%				
Washington Mutual Bank		5.500%	1/15/13	440	430
<i>Tobacco</i>					
	0.9%				
Alliance One International Inc.		11.000%	5/15/12	130	143
Altria Group Inc.		7.000%	11/4/13	250	265
Altria Group Inc.		7.750%	1/15/27	1,000	1,169
					1,577
<i>Trading Companies and Distributors</i>					
	0.5%				
Ashtead Capital Inc.		9.000%	8/15/16	129	135 _E
H&E Equipment Services Inc.		8.375%	7/15/16	300	315
Penhall International Corp.		12.000%	8/1/14	390	421 _E
					871
<i>Transportation Infrastructure</i>					
	0.4%				
H-Lines Finance Holding Corp.		0.000%	4/1/13	247	242 _C
Hawker Beechcraft Acquisition Co.		9.750%	4/1/17	380	397 _E
					639
<i>Wireless Telecommunication Services</i>					
	1.5%				
AT&T Mobility LLC		6.500%	12/15/11	250	258
New Cingular Wireless Services Inc.		8.125%	5/1/12	500	550
Rural Cellular Corp.		9.875%	2/1/10	100	104
Rural Cellular Corp.		8.250%	3/15/12	135	138
Sprint Capital Corp.		8.375%	3/15/12	1,450	1,580
					2,630
Total Corporate Bonds and Notes					
(Cost \$130,505)					133,099
Asset-Backed Securities					
	11.1%				
<i>Fixed Rate Securities</i>					
	7.3%				
ACE Securities Corp. 2002-M Trust		0.000%	10/13/17	312	6 _{E,I}
America West Airlines 1996-1 A		6.850%	1/2/11	292	294

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BankAmerica Manufactured Housing Contract 1997-2 M	6.900%	4/10/28	100	119
Captiva CBO 1997-1A A	6.860%	11/30/09	326	326 ^{E,J}

Semi-Annual Report to Shareholders

Portfolio of Investments Continued

Western Asset Premier Bond Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Asset-Backed Securities Continued					
<i>Fixed Rate Securities</i> Continued					
Conseco Finance Securitizations Corp. 2002-1 A		6.681%	12/1/33	\$ 867	\$ 874
Contimortgage Home Equity Trust 1997-4 B1F		7.330%	10/15/28	696	598
Firstfed Corp. Manufactured Housing Contract 1996-1 B		8.060%	10/15/22	2,100	3,053 _E
Global Franchise Trust 1998-1 A2		6.659%	10/10/11	2,215	2,180 _E
Green Tree Financial Corp. 1992-2 B		9.150%	1/15/18	449	365
Green Tree Financial Corp. 1993-1 B		8.450%	4/15/18	599	539
Green Tree Financial Corp. 1999-4 A5		6.970%	5/1/31	118	118
Green Tree Home Improvement Loan Trust 1996-D HIB2		8.000%	9/15/27	165	148
Greenpoint Manufactured Housing 1999-5 A5		7.820%	12/15/29	706	738
Indymac Manufactured Housing Contract 1997-1 A5		6.970%	2/25/28	420	407
Mutual Fund Fee 2002-2		9.550%	4/30/08	561	19 _E
Mutual Fund Fee Trust XIII Series 2000-3		9.070%	7/1/08	2,888	211 _E
Oakwood Mortgage Investors Inc. 2002-B A3		6.060%	3/15/25	403	367
Pegasus Aviation Lease Securitization 2000-1 A2		8.370%	3/25/30	1,300	884 _E
Saxon Asset Securities Trust 2000-2 MF1		8.870%	7/25/30	677	675
Vanderbilt Mortgage Finance 1997-B 1B2		8.155%	10/7/26	592	603
					12,524
<i>Indexed Securities</i> ^A 1.4%					
ACE Securities Corp. 2005-SD1 A1		5.720%	11/25/50	336	336
Bayview Financial Asset Trust 2004-SSRA A1		5.920%	12/25/39	776	777 _E
CS First Boston Mortgage Securities Corp. 2004-CF2 2A1		5.790%	5/25/44	180	180 _E
Residential Asset Mortgage Products Inc. 2004-RZ1 AII		5.560%	3/25/34	528	529
Residential Asset Securities Corp. 2001-KS3 AII		5.780%	9/25/31	506	506
					2,328
<i>Stripped Securities</i> 0.9%					
Bear Stearns Asset Backed Securities Trust 2006-SD3 1P0		0.000%	8/25/36	2,054	1,480 _{K2}
Oakwood Mortgage Investors Inc. 2002-C AIO		6.000%	8/15/10	734	95 _{K1}
					1,575
<i>Variable Rate Securities</i> ^L 1.5%					

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GSAMP Trust 2003-SEA2 A1	4.422%	7/25/33	2,869	2,607
Total Asset-Backed Securities (Cost \$20,247)				19,034

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	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Mortgage-Backed Securities	6.2%				
<i>Fixed Rate Securities</i>	<i>2.9%</i>				
Asset Securitization Corp. 1996-D2 A1		6.920%	2/14/29	\$ 1	\$ 1
Bear Stearns Asset Backed Securities Trust 2002-AC1 B4		7.000%	1/25/32	1,402	1,406 ^E
Commercial Mortgage Acceptance Corp. 1997-ML1 A4		6.735%	12/15/30	1,429	1,428
Enterprise Mortgage Acceptance Co. 1999-1 A1		6.420%	10/15/25	44	19 ^E
GMAC Commercial Mortgage Securities Inc. 1998-C1 A2		6.700%	5/15/30	332	333
GMAC Commercial Mortgage Securities Inc. 1998-C1 D		6.974%	5/15/30	1,000	1,008
Metropolitan Asset Funding Inc. 1998-BI B1		8.000%	11/20/24	1,000	844
					5,039
<i>Indexed Securities^A</i>	<i>2.3%</i>				
Banc of America Commercial Mortgage Inc. 2005-5 A4		5.115%	10/10/45	1,050	1,002
BlackRock Capital Finance LP 1997-R2 B5		6.867%	12/25/35	742	445 ^E
Harborview Mortgage Loan Trust 2004-8 3A2		5.720%	11/19/34	401	402
Harborview Mortgage Loan Trust 2005-9 B10		7.070%	6/20/35	1,406	1,168
Merit Securities Corp. 11PA B3		7.570%	9/28/32	850	212 ^E
Regal Trust IV 1999-1 A		5.892%	9/29/31	227	225 ^E
Washington Mutual Inc. 2004-AR12 A2A		5.765%	10/25/44	409	411
					3,865
<i>Stripped Securities</i>	<i>1.0%</i>				
LB-UBS Commercial Mortgage Trust 2001-C3 X		0.947%	6/15/36	2,696	86 ^{E,K1}
Prime Mortgage Trust 2005-2 2XB		1.743%	10/25/32	4,090	441 ^{K1}
Prime Mortgage Trust 2005-5 1X		0.866%	7/25/34	16,287	333 ^{K1}
Prime Mortgage Trust 2005-5 1XB		1.570%	7/25/34	3,295	337 ^{K1}
Residential Asset Mortgage Products, Inc. 2005-SL2 AP0		0.000%	2/25/32	714	563 ^{K2}
					1,760
Total Mortgage-Backed Securities (Cost \$10,663)					10,664
U.S. Government and Agency Obligations	8.4%				
<i>Fixed Rate Securities</i>	<i>3.1%</i>				
United States Treasury Bonds		5.375%	2/15/31	2,500	2,567 ^D
United States Treasury Bonds		4.500%	2/15/36	850	769 ^D
United States Treasury Notes		4.625%	2/15/17	610	591 ^D

Semi-Annual Report to Shareholders

Portfolio of Investments Continued

Western Asset Premier Bond Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
U.S. Government and Agency Obligations Continued					
<i>Fixed Rate Securities</i> Continued					
United States Treasury Notes		4.500%	5/15/17	\$ 1,560	\$ 1,496 _D
					5,423
<i>Treasury Inflation-Protected Securities</i> ^M					
	5.3%				
United States Treasury Inflation-Protected Security		3.625%	1/15/08	2,942	2,944 _D
United States Treasury Inflation-Protected Security		3.000%	7/15/12	2,931	2,987 _D
United States Treasury Inflation-Protected Security		2.000%	7/15/14	3,289	3,157 _D
					9,088
Total U.S. Government and Agency Obligations					
(Cost \$14,600)					14,511
U.S. Government Agency Mortgage-Backed Securities					
	7.5%				
<i>Fixed Rate Securities</i>					
	7.5%				
Fannie Mae		6.000%	12/1/37	12,000	11,869 _N
Fannie Mae		6.500%	8/25/44	974	981
Total U.S. Government Agency Mortgage-Backed Securities					
(Cost \$12,949)					12,850
Yankee Bonds ^J					
	22.7%				
<i>Aerospace and Defense</i>					
	0.1%				
Systems 2001 Asset Trust		6.664%	9/15/13	229	238 ^E
<i>Chemicals</i>					
	0.2%				
Methanex Corp.		8.750%	8/15/12	195	215
Montell Finance Co. BV		8.100%	3/15/27	200	182 ^E
					397
<i>Commercial Banks</i>					
	1.2%				
ATF Capital BV		9.250%	2/21/14	660	703 ^E
HSBK Europe BV		7.250%	5/3/17	600	589 ^E
ICICI Bank Ltd.		6.375%	4/30/22	284	270 ^{C,E}

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TuranAlem Finance BV	8.250%	1/22/37	440	423 _E
				1,985

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	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Yankee Bonds^d Continued					
<i>Containers and Packaging</i> 0.1%					
Smurfit Kappa Funding PLC		7.750%	4/1/15	\$ 230	\$ 230
<i>Diversified Financial Services</i> 1.1%					
Banagricola DPR Funding Ltd.		6.370%	3/15/10	1,155	1,159 ^{A,E}
Basell AF SCA		8.375%	8/15/15	150	143 ^E
UFJ Finance Aruba AEC		6.750%	7/15/13	500	528
					1,830
<i>Diversified Telecommunication Services</i> 1.8%					
Axtel SA		11.000%	12/15/13	221	243
Deutsche Telekom International Finance BV		5.250%	7/22/13	600	580
France Telecom SA		8.500%	3/1/31	600	754 ^G
Intelsat Bermuda Ltd.		9.250%	6/15/16	225	239
Intelsat Bermuda Ltd.		11.250%	6/15/16	340	381
Nordic Telephone Co. Holdings ApS		8.875%	5/1/16	130	138 ^E
NTL Cable PLC		9.125%	8/15/16	140	146
Wind Acquisition Finance SA		10.750%	12/1/15	500	574 ^E
					3,055
<i>Electric Utilities</i> 1.0%					
Hydro-Quebec		6.300%	5/11/11	1,700	1,755
<i>Energy Equipment and Services</i> 0.1%					
Compagnie Generale de Geophysique-Veritas		7.500%	5/15/15	210	210
<i>Foreign Government</i> 8.3%					
Dominican Republic		9.500%	9/27/11	366	389 ^E
Federative Republic of Brazil		7.125%	1/20/37	856	925
Republic of Argentina		7.000%	9/12/13	818	777
Republic of Colombia		11.750%	2/25/20	768	1,135
Republic of Ecuador		10.000%	8/15/30	605	496 ^{C,E}
Republic of El Salvador		8.250%	4/10/32	412	505 ^E
Republic of Honduras		5.827%	10/1/11	151	149 ^A
Republic of Panama		9.375%	4/1/29	1,147	1,520
Republic of Panama		6.700%	1/26/36	242	247
Republic of Peru		8.750%	11/21/33	700	907
Republic of Peru		6.550%	3/14/37	427	429
Republic of Venezuela		9.375%	1/13/34	2	2

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Russian Federation	7.500%	3/31/30	4,005	4,411 _{C,E}
United Mexican States	7.500%	4/8/33	49	57

Semi-Annual Report to Shareholders

Portfolio of Investments Continued

Western Asset Premier Bond Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Yankee Bonds^J Continued					
<i>Foreign Government Continued</i>					
United Mexican States		6.750%	9/27/34	\$ 2,170	\$ 2,314
					14,263
<i>Industrial Conglomerates</i>					
	2.3%				
Tyco International Group SA		6.375%	10/15/11	1,000	1,030
Tyco International Group SA		6.875%	1/15/29	2,615	3,018
					4,048
<i>Insurance</i>					
	0.6%				
XL Capital Ltd.		5.250%	9/15/14	1,000	955 _D
<i>Media</i>					
	N.M.				
Quebecor Media Inc.		7.750%	3/15/16	55	56
<i>Metals and Mining</i>					
	0.6%				
Novelis Inc.		7.250%	2/15/15	105	108
Vale Overseas Ltd.		6.875%	11/21/36	920	925
					1,033
<i>Oil, Gas and Consumable Fuels</i>					
	4.0%				
Anadarko Finance Co.		6.750%	5/1/11	750	774
Anadarko Finance Co.		7.500%	5/1/31	1,000	1,075
Burlington Resources Finance Co.		7.400%	12/1/31	450	514
Gazprom		6.212%	11/22/16	540	526 _E
Gazprom		6.510%	3/7/22	230	227 _E
OPTI Canada Inc.		7.875%	12/15/14	320	321 _E
OPTI Canada Inc.		8.250%	12/15/14	125	127 _E
Petrozuata Finance Inc.		8.220%	4/1/17	2,880	2,880 _E
Western Oil Sands Inc.		8.375%	5/1/12	342	374
					6,818
<i>Paper and Forest Products</i>					
	0.2%				
Abitibi-Consolidated Co. of Canada		8.375%	4/1/15	350	306

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<i>Road and Rail</i>	0.7%				
Canadian Pacific Railway Co.	6.250%	10/15/11	1,000	1,021	
Grupo Transportacion Ferroviaria Mexicana SA de CV	9.375%	5/1/12	170	182	
					1,203

Semi-Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Yankee Bonds^J Continued					
<i>Semiconductors and Semiconductor Equipment</i>					
	0.1%				
NXP BV/NXP Funding LLC		7.875%	10/15/14	\$ 150	\$ 148
NXP BV/NXP Funding LLC		9.500%	10/15/15	45	44
					192
<i>Wireless Telecommunication Services</i>					
	0.3%				
True Move Co. Ltd.		10.750%	12/16/13	200	212 ^E
Vodafone Group PLC		7.750%	2/15/10	250	263
					475
Total Yankee Bonds					
(Cost \$36,274)					39,049
Foreign Government Obligations					
	4.5%				
Federative Republic of Brazil		6.000%	5/15/15	4 BRL	3,028 ^O
Federative Republic of Brazil		6.000%	5/15/45	4 BRL	3,347 ^O
Republic of Argentina		3.904%	1/3/10	2,067 ARS	1,282 ^O
Total Foreign Government Obligations					
(Cost \$5,992)					7,657
Preferred Stocks					
	3.8%				
Chesapeake Energy Corp.		6.250%		0.3 shs	96 ^B
Fannie Mae		5.375%		P	1,487 ^B
Freddie Mac		3.850%		P	5 ^A
Freddie Mac		5.000%		P	9
General Motors Corp.		5.250%		225	4,972 ^B
Total Preferred Stocks					
(Cost \$5,140)					6,569
Trust Preferred Securities					
	3.7%				
Corp-Backed Trust Certificates		7.375%		34	695
Corp-Backed Trust Certificates		8.000%		16	318
CORTS Trust for Ford Motor Co.		8.000%		155	3,159
PreferredPlus TR-CCR1		8.250%		5	109
SATURNS-F 2003-5		8.125%		104	2,134
Total Trust Preferred Securities					
(Cost \$5,033)					6,415
Total Long-Term Securities					
(Cost \$241,403)					249,848

Semi-Annual Report to Shareholders

Portfolio of Investments Continued

Western Asset Premier Bond Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Short-Term Securities	13.6%				
<i>Foreign Government Obligations</i>	<i>1.0%</i>				
Egypt Treasury Bills		0.000%	11/6/07	450 EGP	\$ 771
Egypt Treasury Bills		0.000%	10/30/07	9,375 EGP	1,598 ₁
					1,675
<i>Repurchase Agreement</i>	<i>12.6%</i>				
Merrill Lynch Government Securities Inc. 5.15%, dated 06/29/07, to be repurchased at \$21,725 on 7/2/07 (Collateral: \$21,986 Fannie Mae notes, 5.3%, due 4/16/10, value \$22,150)				\$ 21,716	21,716
Total Short-Term Securities (Cost \$23,379)					23,391
Total Investments (Cost \$264,782)	158.9%				273,239
Other Assets Less Liabilities	(17.0)%				(29,291)
Liquidation value of preferred shares	(41.9)%				(72,000)
Net Assets Applicable to Common Shareholders	100.0%				\$ 171,948

	EXPIRATION	ACTUAL CONTRACTS	APPRECIATION
<i>Futures Contracts Written^Q</i>			
U.S. Treasury Bond Futures	September 2007	104	\$ 148

N.M. Not Meaningful.

^A *Indexed Security* The rates of interest earned on these securities are tied to the London Interbank Offered Rate (LIBOR), the Euro Interbank Offered Rate (EURIBOR) Index, the Consumer Price Index (CPI), the one-year Treasury Bill Rate or the ten-year Japanese Government Bond Rate. The coupon rates are the rates as of June 30, 2007.

^B *Convertible Security* Security may be converted into the issuer's common stock.

^C *Stepped Coupon Security* A security with a predetermined schedule of interest or dividend rate changes at which time it begins to accrue interest or pay dividends according to the predetermined schedule.

^D *Position, or a portion thereof, with an aggregate market value of \$21,263 has been segregated to collateralize reverse repurchase agreements.*

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- ^E *Rule 144a Security* A security purchased pursuant to Rule 144a under the Securities Act of 1933 which may not be resold subject to that rule except to qualified institutional buyers. These securities, which the Fund's investment adviser has determined to be liquid, represent 20.75% of net assets.
- ^F *All or a portion of this security is collateral to cover futures and options contracts written.*
- ^G *Credit Linked Security* The rates of interest earned on these securities are tied to the credit rating assigned by Standard & Poor's Rating Service and/or Moody's Investors Services.
- ^H *Pay-in-Kind (PIK) security* A security in which interest or dividends during the initial few years is paid in additional PIK securities rather than in cash.
- ^I *Zero coupon bond* A bond with no periodic interest payments which is sold at such a discount as to produce a current yield to maturity.

Semi-Annual Report to Shareholders

^J *Yankee Bond* A dollar-denominated bond issued in the U.S. by foreign entities.

^K *Stripped Security* Security with interest-only or principal-only payment streams, denoted by a 1 or 2, respectively. For interest-only securities, the amount shown as principal is the notional balance used to calculate the amount of interest due.

^L *The coupon rates shown on variable rate securities are the rates at June 30, 2007. These rates vary with the weighted average coupon of the underlying loans.*

^M *Treasury Inflation-Protected Security* Treasury security whose principal value is adjusted daily in accordance with changes to the Consumer Price Index for All Urban Consumers. Interest is calculated on the basis of the current adjusted principal value.

^N *When-issued Security* Security purchased on a delayed delivery basis. Final settlement amount and maturity date have not yet been announced.

^O *Inflation-Protected Security* Security whose principal value is adjusted daily or monthly in accordance with changes to the relevant country's Consumer Price Index or its equivalent used as an inflation proxy. Interest is calculated on the basis of the current adjusted principal value.

^P *Amount represents less than 50.*

^Q *Futures are described in more detail in the notes to financial statements.*

Securities are denominated in U.S. Dollars, unless otherwise noted.

ARS Argentine Peso

BRL Brazilian Real

EGP Egyptian Pound

RUB Russian Ruble

See notes to financial statements.

Semi-Annual Report to Shareholders

Statement of Assets and Liabilities

June 30, 2007 (Unaudited)

(Amounts in Thousands)

Western Asset Premier Bond Fund

Assets:

Investment securities at market value (Cost \$241,403)	\$ 249,848
Short-term securities at value (Cost \$23,379)	23,391
Swap contracts at value	200
Cash	18
Foreign currency at value (Cost \$450)	462
Interest and dividends receivable	3,830
Receivable for securities sold	144
Other assets	30
Total assets	277,923

Liabilities:

Payable for reverse repurchase agreement	\$ 20,082
Payable for securities purchased	13,389
Accrued advisory fee	85
Accrued administrative fees	25
Income distribution payable to common shareholders	20
Futures variation margin payable	101
Accrued expenses	273
Total liabilities	33,975

Preferred Shares:

No par value, 3 shares authorized, issued and outstanding, \$25 liquidation value per share (Note 5)	72,000
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Net Assets Applicable to Common Shareholders \$ 171,948

Composition of Net Assets Applicable to Common Shareholders:

Common shares, no par value, unlimited number of shares authorized, 11,468 shares issued and outstanding (Note 4)	\$ 162,481
Overdistributed net investment income	(1,752)
Accumulated net realized gain on investments, futures, swaps and foreign currency transactions	2,276
Unrealized appreciation of investments, futures, swaps and foreign currency translations	8,943

Net Assets Applicable to Common Shareholders \$ 171,948

Net asset value per common share:

(\$171,948 ÷ 11,468 common shares issued and outstanding)

\$ 14.99

See notes to financial statements.

Semi-Annual Report to Shareholders**Statement of Operations***For the Six Months Ended June 30, 2007 (Unaudited)**(Amounts in Thousands)*

Western Asset Premier Bond Fund

	FOR THE SIX MONTHS ENDED JUNE 30, 2007
Investment Income:	
Interest	\$ 8,974
Dividends	222
Total income	\$ 9,196
Expenses:	
Management and administration fees	673
Audit and legal fees	136
Custodian fees	19
Trustees' fees and expenses	8
Registration fees	22
Reports to shareholders	38
Transfer agent and shareholder servicing expense	11
Other expenses	19
Preferred shares rating agency fees	6
Preferred shares auction agent fee expense	89
Total operating expenses	1,021
Less: Compensating balance credits	(6)
Interest expense	655
Net expenses	1,670
Net Investment Income	7,526
Net Realized and Unrealized Gain/(Loss) on Investments:	
Net realized gain/(loss) on:	
Investments	1,706
Futures	317
Swaps	9
Foreign currency transactions	(6)
	2,026
Change in unrealized appreciation/depreciation of:	
Investments, futures, swaps and foreign currency translations	(2,396)
Assets and liabilities denominated in foreign currency	1

Net realized and unrealized gain/(loss) on investments	(2,395)
Change in net assets resulting from operations	(369)
Dividends to Preferred Shareholders from:	7,157
Net investment income	(1,387)
Net realized gain on investments	(472)
	(1,859)
Change in Net Assets Applicable to Common Shareholders Resulting From Operations	\$ 5,298

See notes to financial statements.

*Semi-Annual Report to Shareholders***Statement of Changes in Net Assets Applicable to Common Shareholders***(Amounts in Thousands)*

Western Asset Premier Bond Fund

	FOR THE SIX MONTHS ENDED JUNE 30, 2007 (Unaudited)	FOR THE YEAR ENDED DECEMBER 31, 2006
Change in Net Assets Applicable to Common Shareholders:		
Net investment income	\$ 7,526	\$ 15,717
Net realized gain	2,026	5,441
Change in unrealized appreciation/depreciation	(2,395)	(228)
Change in net assets resulting from operations	7,157	20,930
Dividends to preferred shareholders from:		
Net investment income	(1,387)	(3,468)
Net realized gain on investments	(472)	(62)
Change in Net Assets Applicable to Common Shareholders Resulting from Operations	5,298	17,400
Distributions to Common Shareholders from:		
Net investment income	(6,450)	(12,619)
Net realized gain on investments	(666)	(2,219)
Capital Transactions:		
Reinvestment of dividends resulting in the issuance of 4 and 9 common shares, respectively	59	135
Change in net assets	(1,759)	2,697
Net Assets:		
Beginning of period	173,707	171,010
End of period	\$ 171,948	\$ 173,707
Overdistributed net investment income	\$ (1,752)	\$ (1,441)

See notes to financial statements.

*Semi-Annual Report to Shareholders***Financial Highlights**

Contained below is per share operating performance data for a share of common stock outstanding throughout each period shown, total investment return, ratios to average net assets and other supplemental data. This information has been derived from information in the financial statements.

	FOR THE SIX MONTHS ENDED JUNE 30, 2007 (Unaudited)	FOR THE YEARS ENDED DECEMBER 31,				
		2006	2005	2004	2003	2002 ^A
Investment Operations:						
Net asset value per common share, beginning of period	\$ 15.15	\$ 14.93	\$ 15.52	\$ 15.00	\$ 13.57	\$ 14.32 ^B
Net investment income ^C	.66	1.37	1.37	1.33	1.32	1.02
Net realized and unrealized gain/(loss)	(.04)	.45	(.55)	.56	1.51	(.63)
Dividends paid to preferred shareholders:						
From net investment income	(.12)	(.30)	(.21)	(.09)	(.08)	(.03)
From net realized gain on investments	(.04)	(.01)				
Total from investment operations applicable to Common Shareholders	.46	1.51	.61	1.80	2.75	.36
Distributions paid to common shareholders from:						
Net investment income	(.56)	(1.10)	(1.20)	(1.28)	(1.31)	(.97)
Net realized gain on investments	(.06)	(.19)				
Total distributions paid to common shareholders	(.62)	(1.29)	(1.20)	(1.28)	(1.31)	(.97)