

WESTERN ASSET PREMIER BOND FUND
Form N-CSR
March 10, 2008

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

Western Asset Premier Bond Fund

Name of Fund:

385 East Colorado Boulevard

Pasadena, CA 91101

Address of Principal Executive Offices:

Charles A. Ruys de Perez

385 East Colorado Boulevard

Pasadena, CA 91101

Name and address of agent for service:

Registrant's telephone number, including area code: (626) 844-9400

Date of fiscal year end: December 31, 2007

Date of reporting period: December 31, 2007

Item 1. Report to Shareholders

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Western Asset
Premier Bond Fund

Annual Report to Shareholders

December 31, 2007

Annual Report to Shareholders

Management's Discussion of Fund Performance

Fund Performance

Periods ended December 31, 2007

	Three Months	One Year	Average Annual Total Returns		
			Three Years	Five Years	Since Inception ^A
Total Fund Investment Return Based on:					
Market Value	(4.97)%	(5.79)%	1.50%	7.09%	6.47%
Net Asset Value	(2.16)%	2.17%	5.58%	9.91%	8.92%
Lehman High Yield Index ^B	(1.30)%	1.87%	5.39%	10.90%	8.82%
Lehman US Credit Index ^C	(2.19)%	5.11%	3.77%	4.84%	6.06%

The performance data quoted represents past performance and does not guarantee future results. The performance stated may have been due to extraordinary market conditions which may not be duplicated in the future. Current performance may be lower or higher than the performance data quoted. The investment return and principal value of the Fund will fluctuate so that an investor's shares, when sold, may be worth more or less than the original cost. Calculations assume reinvestment of dividends and capital gain distributions. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

2007 was a tale of two markets. The first six months were reasonably benign. Then came the crisis in the fixed-income markets in the second half. The TED^D spread, a measure of systemic risk, rose four-fold during the period. The yield on the two-year Treasury declined 181 basis points^E (bps) from its June 30th level, driving a powerful rally in the Treasury market. Investors began to suspect that the Federal Reserve Board^F (Fed) had reached the end of its tightening cycle and would need to begin easing. These expectations were subsequently validated by the Fed's decision to cut the federal funds rate^G by a total of 100 bps at the final three Federal Open Market Committee^H meetings of the year. Short-term interest rates fell sharply, partly a result of the flight to quality. Long-term rates declined as well. Core inflation measures were tame but the Fed showed signs of hesitation in the use of monetary stimulus as headline measures remained uncomfortably high. Home prices declined and housing market indicators deteriorated markedly as the year progressed. Despite the ongoing weakness in residential construction and the collapse of the subprime lending market, economic growth picked up in the second and third quarters, largely due to a boom in nonresidential construction and net exports. Credit spreads widened significantly versus similar duration U.S. Treasuries with most of the losses arising in the second half of the year. Increasing uncertainty over the degree of subprime losses forced swap spreads sharply higher, negatively affecting mortgage-backed securities. The price of oil approached \$100 per barrel while gold prices reached new record highs. The dollar lost substantial value against a trade-weighted basket of currencies. Equity markets managed to produce small gains despite large losses in the final two months of the period.

The total return of the Fund, including reinvestment of dividends for the annual period ending December 31, 2007, was -5.79% based on market price. Based on net asset value (NAV), the annual return for the Fund was 2.17%. The Fund underperformed the Lehman U.S. Credit Index, which returned 5.11%. The Fund's discount to NAV increased from 2.33% at the end of 2006 to 7.92% at December 31, 2007. The Fund's exposure to high yield securities hurt performance as the Lehman High Yield Index returned 1.87%. An overweight to financials, and specifically capital securities within the financial arena, which returned 0.03%, hurt relative performance. Finally, issue selection detracted from performance due largely to exposure to Residential Capital, Countrywide Financial and GMAC, which returned -31.98%, -23.22% and -11.65%, respectively.

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Western Asset Management Company

February 19, 2008

- ^A *The Fund's inception date is March 28, 2002.*
- ^B *Lehman High Yield Index* A market value-weighted index that tracks the daily price, coupon, and total return performance of non-investment grade, fixed rate, publicly placed, dollar-denominated, and non-convertible debt registered with the U.S. Securities and Exchange Commission. An index does not incur fees and expenses and cannot be purchased directly by investors.
- ^C *Lehman US Credit Index* This index consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. The index includes both corporate (industrial, utility and finance) and non-corporate (sovereign, supranational, foreign agency, and foreign local government) sectors.
- ^D *Ted Spread (TED)* The price difference between three-month futures contracts for U.S. Treasuries and three-month contracts for euros having identical expiration months.
- ^E *100 basis points = 1.00%*
- ^F *The Federal Reserve Board (Fed)* is charged with, among other things, managing the nation's monetary policy by influencing the monetary and credit conditions in the economy in pursuit of maximum employment, stable prices, and moderate long-term interest rates.
- ^G *The federal funds rate* is the interest rate at which a depository institution lends immediately available funds (balances at the Federal Reserve) to another depository institution overnight.
- ^H *Federal Open Market Committee* The branch of the Federal Reserve Board that determines the direction of monetary policy. The FOMC is composed of the Board of Governors, which has seven members, and five reserve bank presidents. The president of the Federal Reserve Bank of New York serves continuously, while the presidents of the other reserve banks rotate in their service of one-year terms.

Annual Report to Shareholders

Fund Highlights

(Amounts in Thousands, except per share amounts)

	Year Ended December 31, 2007	Year Ended December 31, 2006
Net Asset Value	\$163,544	\$173,707
Per Share	\$14.26	\$15.15
Market Value Per Share	\$13.13	\$15.15
Net Investment Income	\$14,572	\$15,717
Per Common Share	\$1.27	\$1.37
Dividends Paid to Common Shareholders:		
Ordinary Income	\$11,156	\$12,619
Per Common Share	\$0.97	\$1.10
Long-Term Capital Gains	\$2,884	\$2,219
Per Common Share	\$0.25	\$0.19
Dividends Paid to Preferred Shareholders:		
Ordinary Income	\$2,908	\$3,468
Per Common Share	\$0.25	\$0.30
Long-Term Capital Gains	\$996	\$62
Per Common Share	\$0.09	\$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.

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.

Annual Certifications

In May 2007, the Fund submitted its annual CEO certification to the NYSE in which the Fund's principal executive officer certified that he was not aware, as of the date of the certification, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures and internal control over financial reporting.

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

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	Market Price	Net Asset Value	Premium/ (Discount)	Average Daily Volume/(Shares) ^A
March 31, 2007	\$ 15.29	\$ 15.31	(0.13)%	17,438
June 30, 2007	\$ 14.77	\$ 14.99	(1.47)%	16,432
September 30, 2007	\$ 14.14	\$ 14.90	(5.10)%	23,411
December 31, 2007	\$ 13.13	\$ 14.26	(7.92)%	22,933

^A Amounts not in thousands

Annual Report to Shareholders

Portfolio Diversification

December 31, 2007^A

The pie and bar charts above represent the composition of the Fund's portfolio as of December 31, 2007 and do not include derivatives such as Futures Contracts, Options Written, and Swaps.

^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.*

Annual Report to Shareholders

Portfolio of Investments

December 31, 2007

(Amounts in Thousands)

Western Asset Premier Bond Fund

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Long-Term Securities	151.9%				
Corporate Bonds and Notes	82.4%				
<i>Aerospace and Defense</i>	<i>1.6%</i>				
DRS Technologies Inc.		6.625%	2/1/16	\$ 300	\$ 296
L-3 Communications Corp.		6.375%	10/15/15	430	423
Northrop Grumman Corp.		7.750%	2/15/31	1,000	1,226
The Boeing Co.		6.125%	2/15/33	600	630
					2,575
<i>Airlines</i>	<i>10.1%</i>				
America West Airlines Inc.		8.057%	7/2/20	3,042	2,981
Continental Airlines Inc.		7.160%	3/24/13	871	834
Continental Airlines Inc.		6.900%	1/2/18	1,016	1,031
Continental Airlines Inc.		6.820%	5/1/18	926	928
Continental Airlines Inc.		6.545%	2/2/19	1,853	1,862
Continental Airlines Inc.		8.048%	11/1/20	695	740
Continental Airlines Inc.		6.703%	6/15/21	888	890
DAE Aviation Holdings Inc.		11.250%	8/1/15	460	485 _A
Northwest Airlines Corp.		7.575%	9/1/20	725	725
Northwest Airlines Inc.		5.836%	8/6/13	2,362	2,220 _B
United Air Lines Inc.		7.032%	10/1/10	246	246
United Air Lines Inc.		7.186%	4/1/11	52	52
United Air Lines Inc.		6.602%	9/1/13	934	929
US Airways Pass-Through Trust		6.850%	1/30/18	2,636	2,636
					16,559
<i>Auto Components</i>	<i>0.4%</i>				
Visteon Corp.		8.250%	8/1/10	645	571
<i>Automobiles</i>	<i>1.6%</i>				
DaimlerChrysler NA Holding Corp.		7.300%	1/15/12	1,000	1,066
DaimlerChrysler NA Holding Corp.		8.500%	1/18/31	1,000	1,261

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General Motors Corp.	8.375%	7/15/33	420	338
				2,665
<i>Building Products</i>	0.5%			
Associated Materials Inc.	0.000%	3/1/14	675	432 _c
Nortek Inc.	8.500%	9/1/14	215	172
NTK Holdings Inc.	0.000%	3/1/14	500	292 _c
				896

*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>Capital Markets</i> 2.5%					
Credit Suisse USA Inc.		6.500%	1/15/12	\$ 1,125	\$ 1,186
Morgan Stanley		6.600%	4/1/12	1,500	1,576
The Goldman Sachs Group Inc.		6.600%	1/15/12	1,200	1,270
					4,032
<i>Chemicals</i> 1.8%					
Georgia Gulf Corp.		9.500%	10/15/14	310	247
Huntsman International LLC		7.875%	11/15/14	95	101
The Dow Chemical Co.		6.000%	10/1/12	2,500	2,599
Westlake Chemical Corp.		6.625%	1/15/16	70	66
					3,013
<i>Commercial Services and Supplies</i> 1.9%					
Allied Security Escrow Corp.		11.375%	7/15/11	60	56
Interface Inc.		10.375%	2/1/10	400	419
Rental Service Corp.		9.500%	12/1/14	200	179
US Investigations Services Inc.		10.500%	11/1/15	310	284 _A
Waste Management Inc.		7.375%	5/15/29	2,000	2,186
Waste Management Inc.		7.750%	5/15/32	40	45
					3,169
<i>Communications Equipment</i> N.M.					
Motorola Inc.		7.625%	11/15/10	64	69
<i>Computers and Peripherals</i> 0.1%					
International Business Machines Corp.		4.750%	11/29/12	240	242
<i>Consumer Finance</i> 1.9%					
Ford Motor Credit Co.		7.993%	1/13/12	70	59 _B
GMAC LLC		6.875%	8/28/12	150	126
GMAC LLC		8.000%	11/1/31	1,530	1,283
HSBC Finance Corp.		4.750%	7/15/13	1,670	1,610

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3,078

<i>Containers and Packaging</i>					
	0.3%				
Graham Packaging Co. Inc.		9.875%	10/15/14	273	251
Graphic Packaging International Corp.		9.500%	8/15/13	210	208

459

<i>Distributors</i>					
	0.2%				
Keystone Automotive Operations Inc.		9.750%	11/1/13	480	353

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Annual Report to Shareholders

	% 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	\$ 155	\$ 156
Education Management LLC		10.250%	6/1/16	170	175
Service Corp. International		6.750%	4/1/16	140	135
Service Corp. International		7.625%	10/1/18	5	5
Service Corp. International		7.500%	4/1/27	60	55
					526
<i>Diversified Financial Services</i> 6.6%					
AAC Group Holding Corp.		0.000%	10/1/12	440	378 _C
Air 2 US		8.027%	10/1/19	470	472 _A
Boeing Capital Corp.		6.500%	2/15/12	1,000	1,074
Boeing Capital Corp.		5.800%	1/15/13	400	419
CCM Merger Inc.		8.000%	8/1/13	140	132 _A
Citigroup Inc.		6.625%	6/15/32	1,000	1,007
DI Finance LLC		9.500%	2/15/13	502	525
Fuji Co. Ltd.		9.870%	6/30/08	790	797 _{A,C}
General Electric Capital Corp.		3.750%	12/15/09	740	734
General Electric Capital Corp.		6.000%	6/15/12	700	734
General Electric Capital Corp.		5.450%	1/15/13	250	258
JPMorgan Chase and Co.		5.750%	1/2/13	1,750	1,783
JPMorgan Chase and Co.		5.125%	9/15/14	1,300	1,274
TNK-BP Finance SA		7.875%	3/13/18	420	415 _A
Vanguard Health Holding Co. II LLC		9.000%	10/1/14	735	707
					10,709
<i>Diversified Telecommunication Services</i> 3.0%					
AT&T Inc.		6.250%	3/15/11	1,000	1,041 _D
BellSouth Corp.		6.000%	10/15/11	1,000	1,036
Cincinnati Bell Inc.		7.000%	2/15/15	270	255
Cincinnati Bell Inc.		6.300%	12/1/28	25	22
Citizens Communications Co.		9.250%	5/15/11	90	97
Citizens Communications Co.		7.875%	1/15/27	115	109
Citizens Communications Co.		7.050%	10/1/46	25	20
Hawaiian Telcom Communications Inc.		12.500%	5/1/15	135	139
Level 3 Financing Inc.		9.250%	11/1/14	320	290
Level 3 Financing Inc.		9.150%	2/15/15	50	42 _B
MetroPCS Wireless Inc.		9.250%	11/1/14	35	33
NTL Cable PLC		8.750%	4/15/14	280	278
Qwest Communications International Inc.		7.250%	2/15/11	160	160
Qwest Corp.		7.875%	9/1/11	390	406

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 Telecommunication Services</i> Continued					
Qwest Corp.		8.875%	3/15/12	\$ 140	\$ 150
Qwest Corp.		7.500%	10/1/14	150	152
Telcordia Technologies Inc.		10.000%	3/15/13	485	386 _A
Windstream Corp.		8.625%	8/1/16	330	346
					4,962
<i>Electric Utilities</i> 5.5%					
Duke Energy Corp.		6.250%	1/15/12	250	264
Energy Future Holdings Corp.		10.875%	11/1/17	280	281 _A
Energy Future Holdings Corp.		11.250%	11/1/17	1,300	1,313 _{A,E}
FirstEnergy Corp.		6.450%	11/15/11	610	630
FirstEnergy Corp.		7.375%	11/15/31	3,040	3,336
IPALCO Enterprises Inc.		8.625%	11/14/11	130	136 _F
Midwest Generation LLC		8.560%	1/2/16	83	89
Niagara Mohawk Power Corp.		7.750%	10/1/08	1,500	1,530
Orion Power Holdings Inc.		12.000%	5/1/10	150	163
Progress Energy Inc.		7.100%	3/1/11	117	124
Progress Energy Inc.		6.850%	4/15/12	750	803
TXU Electric Delivery Co.		7.000%	9/1/22	250	259
					8,928
<i>Energy Equipment and Services</i> 0.9%					
Complete Production Services Inc.		8.000%	12/15/16	150	145
EEB International Ltd.		8.750%	10/31/14	820	836 _A
Gulfmark Offshore Inc.		7.750%	7/15/14	270	273
Pride International Inc.		7.375%	7/15/14	240	247
					1,501
<i>Food and Staples Retailing</i> 3.4%					
CVS Caremark Corp.		6.943%	1/10/30	2,000	2,006 _A
CVS Corp.		5.789%	1/10/26	898	877 _A
CVS Lease Pass-Through Trust		5.880%	1/10/28	975	986 _A
CVS Lease Pass-Through Trust		6.036%	12/10/28	978	939 _A
Delhaize America Inc.		9.000%	4/15/31	166	192

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Safeway Inc.	5.800%	8/15/12	500	517
				5,517
<i>Food Products</i>	0.2%			
Dole Food Co. Inc.	7.250%	6/15/10	285	259

Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Gas Utilities</i> 0.6%					
Panhandle Eastern Pipe Line Co.		4.800%	8/15/08	\$ 400	\$ 398
Southern Natural Gas Co.		8.000%	3/1/32	20	22
Suburban Propane Partners LP		6.875%	12/15/13	580	563
					983
<i>Health Care Equipment and Supplies</i> 0.2%					
Fresenius Medical Care Capital Trust II		7.875%	2/1/08	250	250
ReAble Therapeutics Finance LLC		10.875%	11/15/14	70	69 _A
					319
<i>Health Care Providers and Services</i> 2.7%					
Community Health Systems Inc.		8.875%	7/15/15	460	469
DaVita Inc.		6.625%	3/15/13	100	99
DaVita Inc.		7.250%	3/15/15	300	301
HCA Inc.		6.250%	2/15/13	85	74
HCA Inc.		6.500%	2/15/16	105	89
HCA Inc.		9.250%	11/15/16	195	205
HCA Inc.		9.625%	11/15/16	275	291 _E
HCA Inc.		7.690%	6/15/25	90	75
HCA Inc.		7.500%	11/15/95	185	141
Tenet Healthcare Corp.		9.250%	2/1/15	2,810	2,599
					4,343
<i>Hotels, Restaurants and Leisure</i> 1.3%					
Buffets Inc.		12.500%	11/1/14	265	101 _G
Denny's Holdings Inc.		10.000%	10/1/12	90	87
El Pollo Loco Inc.		11.750%	11/15/13	195	184
Inn of the Mountain Gods Resort and Casino		12.000%	11/15/10	530	551
MGM MIRAGE		8.500%	9/15/10	10	10
Pinnacle Entertainment Inc.		8.250%	3/15/12	250	252
Pokagon Gaming Authority		10.375%	6/15/14	250	269 _A
River Rock Entertainment Authority		9.750%	11/1/11	180	188
Sbarro Inc.		10.375%	2/1/15	100	88
Snoqualmie Entertainment Authority		9.063%	2/1/14	110	104 _{A,B}
Station Casinos Inc.		7.750%	8/15/16	205	185
Station Casinos Inc.		6.625%	3/15/18	100	69
					2,088

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<i>Household Durables</i>	0.5%				
American Greetings Corp.		7.375%	6/1/16	20	19
K Hovnanian Enterprises Inc.		8.625%	1/15/17	300	219

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>Household Durables</i> Continued					
Norcraft Cos.		9.000%	11/1/11	\$ 360	\$ 365
Norcraft Holdings LP		0.000%	9/1/12	155	140 _c
					743
<i>Independent Power Producers and Energy Traders</i>					
	2.6%				
Dynegy Holdings Inc.		7.750%	6/1/19	450	415
Edison Mission Energy		7.750%	6/15/16	180	185
Edison Mission Energy		7.625%	5/15/27	20	19
Exelon Generation Co. LLC		6.950%	6/15/11	2,000	2,087
Mirant North America LLC		7.375%	12/31/13	350	351
NRG Energy Inc.		7.375%	2/1/16	505	492
NRG Energy Inc.		7.375%	1/15/17	225	219
The AES Corp.		8.000%	10/15/17	525	537 _A
					4,305
<i>IT Services</i>					
	1.2%				
Ceridian Corp.		12.250%	11/15/15	130	121 _{A,E}
Electronic Data Systems Corp.		7.125%	10/15/09	700	723
Electronic Data Systems Corp.		7.450%	10/15/29	500	513
SunGard Data Systems Inc.		10.250%	8/15/15	630	644
					2,001
<i>Leisure Equipment and Products</i>					
	1.1%				
Eastman Kodak Co.		7.250%	11/15/13	1,800	1,800
<i>Media</i>					
	6.9%				
Affinion Group Inc.		10.125%	10/15/13	180	182
Affinion Group Inc.		11.500%	10/15/15	225	221
CCH I Holdings LLC		11.750%	5/15/14	470	297 _C
CCH I Holdings LLC		12.125%	1/15/15	115	72 _C
CCH I Holdings LLC		11.000%	10/1/15	337	275
CCH II Holdings LLC		10.250%	9/15/10	280	274
Charter Communications Holdings LLC		11.750%	5/15/11	110	85

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Charter Communications Holdings LLC	12.125%	1/15/12	60	44c
Clear Channel Communications Inc.	4.900%	5/15/15	700	511
CMP Susquehanna Corp.	9.875%	5/15/14	190	143
Comcast Cable Communications Inc.	6.750%	1/30/11	500	523
Comcast Corp.	5.900%	3/15/16	400	402
Comcast Corp.	7.050%	3/15/33	1,000	1,092
CSC Holdings Inc.	8.125%	7/15/09	30	30

Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Media Continued</i>					
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	239
CSC Holdings Inc.		7.875%	2/15/18	45	42
EchoStar DBS Corp.		7.000%	10/1/13	600	606
Idearc Inc.		8.000%	11/15/16	180	165
Lamar Media Corp.		6.625%	8/15/15	120	117
Liberty Media LLC		3.750%	2/15/30	1,860	1,049 ^H
News America Holdings Inc.		8.875%	4/26/23	400	499
News America Inc.		6.625%	1/9/08	300	300
R.H. Donnelley Corp.		8.875%	10/15/17	710	657 ^A
Time Warner Inc.		6.875%	5/1/12	1,400	1,474
Time Warner Inc.		7.700%	5/1/32	1,150	1,278
TL Acquisitions Inc.		10.500%	1/15/15	270	260 ^A
Tube City IMS Corp.		9.750%	2/1/15	185	167
XM Satellite Radio Inc.		9.411%	5/1/13	80	75 ^B
XM Satellite Radio Inc.		9.750%	5/1/14	110	106
					11,276
<i>Metals and Mining</i> 2.1%					
Alcoa Inc.		5.375%	1/15/13	750	751
CII Carbon LLC		11.125%	11/15/15	580	571 ^A
Freeport-McMoRan Copper & Gold Inc.		8.375%	4/1/17	960	1,030
GTL Trade Finance Inc.		7.250%	10/20/17	428	434 ^A
Metals USA Inc.		11.125%	12/1/15	445	460
Noranda Aluminium Holding Corp.		10.488%	11/15/14	195	166 ^{A,B,E}
					3,412
<i>Multi-Utilities</i> 0.6%					
Dominion Resources Inc.		5.700%	9/17/12	770	791
MidAmerican Energy Holdings Co.		5.875%	10/1/12	250	259
					1,050
<i>Multiline Retail</i> 0.4%					
Dollar General Corp.		11.875%	7/15/17	415	327 ^{A,E}
The Neiman-Marcus Group Inc.		9.000%	10/15/15	260	268 ^E
					595

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<i>Oil, Gas and Consumable Fuels</i>	10.3%				
Belden and Blake Corp.		8.750%	7/15/12	750	757
Chesapeake Energy Corp.		6.375%	6/15/15	480	464

Annual Report to Shareholders

Portfolio of Investments Continued

Western Asset Premier Bond Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
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