

Western Asset Mortgage Defined Opportunity Fund Inc.
Form N-CSR
March 12, 2018

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 811-22369

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

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

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2017

ITEM 1. REPORT TO STOCKHOLDERS.

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

Annual Report

December 31, 2017

WESTERN ASSET

MORTGAGE DEFINED OPPORTUNITY FUND
INC. (DMO)

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

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Fund objectives

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

The Fund seeks to achieve its investment objectives by investing primarily in a diverse portfolio of mortgage-backed securities, consisting primarily of non-agency residential mortgage-backed securities and commercial mortgage-backed securities.

The Fund intends to liquidate and distribute substantially all of the Fund's net assets to shareholders on or about March 1, 2022.

Letter from the chairman

Dear Shareholder,

We are pleased to provide the annual report of Western Asset Mortgage Defined Opportunity Fund Inc. for the twelve-month reporting period ended December 31, 2017. Please read on for a detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

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

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

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A host of educational resources.
We look forward to helping you meet your financial goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

January 31, 2018

II Western Asset Mortgage Defined Opportunity Fund Inc.

Investment commentary

Economic review

Economic activity in the U.S. was somewhat mixed during the twelve months ended December 31, 2017 (the reporting period). Looking back, the U.S. Department of Commerce reported that U.S. gross domestic product (GDP) growth was 1.2% during the first quarter of 2017. Second and third quarter 2017 GDP growth then accelerated to 3.1% and 3.2%, respectively. Finally, the U.S. Department of Commerce's initial reading for fourth quarter 2017 GDP growth released after the reporting period ended was 2.6%. The deceleration in growth reflected a downturn in private investor investment, which was partially offset by accelerations in personal consumption expenditures (PCE), exports, nonresidential fixed investment, state and local government spending, federal government spending, and an upturn in residential fixed investment.

Job growth in the U.S. was solid overall and supported the economy during the reporting period. When the reporting period ended on December 31, 2017, the unemployment rate was 4.1%, as reported by the U.S. Department of Labor. This equaled the lowest unemployment rate since December 2000. The percentage of longer-term unemployed declined during the reporting period. In December 2017, 22.9% of Americans looking for a job had been out of work for more than six months, versus 24.4% when the period began.

The Federal Reserve Board (the Fed) raised interest rates, as represented by the federal funds rate,ⁱⁱⁱ three times during the reporting period. The first occurrence took place on March 15, 2017, as the Fed raised rates to a range between 0.75% and 1.00%. At its meeting that concluded on June 14, 2017, the Fed then raised rates to a range between 1.00% and 1.25%. During its meeting that concluded on September 20, 2017, the Fed kept rates on hold, but reiterated its intention to begin reducing its balance sheet, saying, "In October, the Committee will initiate the balance sheet normalization program." Finally, at its meeting that ended on December 13, 2017, the Fed raised rates to a range between 1.25% and 1.50%.

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

Sincerely,

Jane Trust, CFA

Chairman, President and

Chief Executive Officer

January 31, 2018

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

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

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

ⁱⁱⁱ 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.

Fund overview

Q. What is the Fund's investment strategy?

A. The Fund's primary investment objective is to provide current income. As a secondary investment objective, the Fund will seek capital appreciation. The Fund seeks to achieve its investment objectives by investing primarily in a diverse portfolio of mortgage-backed securities (MBS), consisting primarily of non-agency residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS).

The Fund intends to liquidate and distribute substantially all of the Fund's net assets to shareholders on or about March 1, 2022.

The Fund also may invest, to a lesser degree, in other permitted investments, including cash and cash equivalents; Treasury securities; non-mortgage related asset-backed securities (ABS) backed by various asset classes including, but not limited to, small balance commercial mortgages, aircrafts, automobiles, credit cards, equipment, manufactured housing, franchises, recreational vehicles and student loans; and investment grade and below investment grade fixed income securities including bonds, debentures, notes, commercial paper and other similar types of debt instruments including hybrid securities. The Fund also may invest in any newly developed mortgage-related derivatives that may hereafter become available for mortgage investing.

The Fund may invest in derivative instruments, such as options contracts, futures contracts, options on futures contracts, indexed securities, credit linked notes, credit default swaps and other swap agreements for investment, hedging and risk management purposes with certain limitations. Notwithstanding the foregoing, the Fund may invest without limitation in Treasury futures, Eurodollar futures, interest rate swaps, swaptions or similar instruments and combinations thereof.

The Fund is not limited in its ability to invest in below investment grade (commonly referred to as high yield or junk securities) or illiquid securities. Below investment grade securities are securities rated below the Baa3 or BBB- categories at the time of purchase by one or more nationally recognized statistical rating organizations or unrated securities that we determined to be of comparable credit quality.

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio management personnel, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. The individuals responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are S. Kenneth Leech, Greg E. Handler and Anup Agarwal.

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

A. The spread sectors (non-Treasuries) posted positive returns, but generated mixed results versus equal-duration¹ Treasuries over the twelve-month reporting period

Fund overview (cont d)

ended December 31, 2017. The fixed income market was impacted by a number of factors, including accelerating global economic growth, three interest rate hikes by the Federal Reserve Board (the Fed), generally benign inflation, several geopolitical issues and, most recently, the signing of the U.S. tax reform bill.

Short-term Treasury yields moved higher during the reporting period, whereas longer-term Treasury yields edged lower. The yield for the two-year Treasury note began the reporting period at 1.20% and ended the period at 1.89%. The low of 1.12% occurred on February 24, 2017, and the peak of 1.92% took place on December 26, 2017. The yield for the ten-year Treasury began the reporting period at 2.45% and ended the period at 2.40%. The low of 2.05% occurred on September 7, 2017, and the peak of 2.62% took place on March 13, 2017. All told, the Bloomberg Barclays U.S. Aggregate Indexⁱⁱⁱ returned 3.54% for the reporting period.

It was a positive year for the mortgage market, driven by overall solid fundamentals and rising housing prices. Agency MBS experienced periods of volatility during the year. This was largely driven by uncertainties about how the Fed would begin normalizing its sizable balance sheet, including its allocation to agency MBS. Agency MBS spreads widened leading up to the Fed announcing its balance sheet reduction strategy in September 2017. However, with the Fed clearly communicating a very gradual tapering of its balance sheet by initially not selling, but rather just not reinvesting a relatively small portion of its maturing agency MBS positions every month the sector rallied and its spreads narrowed.

During the twelve months ended December 31, 2017, the overall agency MBS market, as measured by the Bloomberg Barclays U.S. Mortgage Backed Securities Index^{iv}, gained 2.47%. Looking at the year more closely, within this index, MBS GNMA 30 years returned 1.87%, MBS Conventional 30 years returned 2.96%, MBS GNMA 15 years gained 1.22% and MBS Conventional 15 years returned 1.70%. Other securitized sectors, including non-agency MBS, CMBS and ABS, all outperformed agency MBS. This was driven by overall strong demand from investors looking to generate incremental income in the low interest rate environment.

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

A. A number of adjustments were made to the Fund during the reporting period. We reduced our exposure to CMBS as their spreads tightened and we found better relative values elsewhere. However, we did increase our allocation to credit risk transfer securities, which are credits issued by Fannie Mae and Freddie Mac. We added to our position in non-agency MBS as housing fundamentals improved and they offered attractive yields. Within the ABS market, we initiated positions in credit cards and rental cars, while increasing our position in manufactured housing. We actively managed our non-agency MBS exposure by selling higher dollar priced issues with limited upside potential in favor of legacy securities (issued pre-2007) that offered more attractive yields and greater upside potential. Finally, we added to the Fund's position in re-performing loans. These are loans issued prior to 2007 that, at some point in time, were either modified or the borrower had become delinquent. The borrower has since cleared the

delinquency and has continued to make their interest payments over the last few years.

During the reporting period, we utilized Treasury futures to manage the Fund's duration and yield curve exposure. Overall, the use of these derivatives detracted from performance. CMBS index and total return swaps, which were used to manage the Fund's exposure to CMBS, were additive to results. Finally, the strategy used foreign exchange forwards to manage currency risk. The use of this derivative did not meaningfully impact performance.

Finally, we actively utilized leverage in the Fund. When the reporting period began, the Fund's leverage as a percentage of gross assets was roughly 32%. At the end of the period, approximately 31% of the Fund's gross assets were levered. Overall, leverage contributed to results given the positive total return of the assets of the Fund in 2017.

Performance review

For the twelve months ended December 31, 2017, Western Asset Mortgage Defined Opportunity Fund Inc. returned 19.70% based on its net asset value (NAV) and 24.13% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the ICE BofAML U.S. Floating Rate Home Equity Loan Asset Backed Securities Index^{vii}, returned 9.26% for the same period. The Lipper U.S. Mortgage Closed-End Funds Category Average^{viii} returned 9.23% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling \$3.28 per share*. The performance table shows the Fund's twelve-month total return based on its NAV and market price as of December 31, 2017. **Past performance is no guarantee of future results.**

Performance Snapshot as of December 31, 2017

| | |
|------------------------|----------------------------|
| Price Per Share | 12-Month Total Return** |
| \$21.27 (NAV) | 19.70% |
| \$24.67 (Market Price) | 24.20% |

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

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

Total return assumes the reinvestment of all distributions at NAV.

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

Q. What were the leading contributors to performance?

A. On an absolute basis, the leading contributor to the Fund's performance during the reporting period was our allocation to legacy non-agency MBS (issued pre-2007). Our credit risk transfer securities also generated solid results. They both performed well given strengthening housing fundamentals and overall robust investor demand. Allocations to ABS and CMBS were also

*For the tax character of distributions paid during the fiscal year ended December 31, 2017, please refer to page 46 of this report.

Fund overview (cont d)

additive for performance given narrowing spreads and solid demand.

Q. What were the leading detractors from performance?

A. The Fund generated a strong absolute return during the reporting period. There were no meaningful detractors from absolute performance during the period, although select securities were modest headwinds for results.

Looking for additional information?

The Fund is traded under the symbol **DMO** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XDMOX** 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 (click on the name of the Fund).

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

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

Sincerely,

Western Asset Management Company

January 24, 2018

***RISKS:** The Fund is a non-diversified, limited-term closed-end management investment company designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objective. The Fund's common stock is traded on the New York Stock Exchange. Similar to stocks, the Fund's share price will fluctuate with market conditions and, at the time of sale, may be worth more or less than the original investment. Shares of closed-end funds often trade at a discount to their net asset value. Because the Fund is non-diversified, it may be more susceptible to economic, political or regulatory events than a diversified fund. The Fund's investments are subject to a number of risks, such as credit risk, inflation risk and interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund's fixed-income holdings. The Fund may invest in lower-rated high-yield bonds (commonly known as "junk bonds"), which are subject to greater liquidity risk and credit risk (risk of default) than higher-rated obligations. Mortgage-backed securities are subject to additional risks, including prepayment risk, which can limit the potential gains in a declining interest rate environment. The Fund may invest in securities backed by subprime or distressed mortgages which involve a higher degree of risk and chance of loss. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss. 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. The Fund is not guaranteed by the U.S. government, the U.S. Treasury or any government agency.*

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

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

- ⁱ Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- ⁱⁱ The Federal Reserve Board (the Fed) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- ⁱⁱⁱ The Bloomberg Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- ^{iv} The Bloomberg Barclays U.S. Mortgage-Backed Securities Index is an unmanaged index composed of agency mortgage-backed pass-through securities, both fixed-rate and hybrid adjustable rate mortgages, issued by the Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.
- ^v The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- ^{vi} Net asset value (NAV) is calculated by subtracting total liabilities, including liabilities associated with financial leverage (if any), from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- ^{vii} The ICE BofAML U.S. Floating Rate Home Equity Loan Asset Backed Securities Index (formerly known as BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index) tracks the performance of U.S. dollar-denominated investment grade floating-rate asset-backed securities collateralized by home equity loans publicly issued in the U.S. domestic market. Qualifying securities must have an investment grade rating, at least one year remaining to final stated maturity, a floating-rate coupon, and an original deal size for the collateral group of at least \$250 million.
- ^{viii} Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended December 31, 2017, 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 December 31, 2017 and December 31, 2016 and does not include derivatives, such as futures contracts, swap contracts and forward foreign currency contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

Spread duration (unaudited)

Economic exposure December 31, 2017

Total Spread Duration

DMO 5.23 years

Benchmark 3.33 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.

| | |
|-----------|---|
| ABS | Asset-Backed Securities |
| Benchmark | ICE BofAML U.S. Floating Rate Home Equity Loan Asset Backed Securities Index* |
| DMO | Western Asset Mortgage Defined Opportunity Fund Inc. |
| HY | High Yield |
| MBS | Mortgage-Backed Securities |

* Formerly known as the BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index.

Effective duration (unaudited)

Interest rate exposure December 31, 2017

Total Effective Duration

DMO 3.27 years
 Benchmark -0.06 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.

ABS Asset-Backed Securities
 Benchmark ICE BofAML U.S. Floating Rate Home Equity Loan Asset Backed Securities Index*
 DMO Western Asset Mortgage Defined Opportunity Fund Inc.
 HY High Yield
 MBS Mortgage-Backed Securities

* Formerly known as the BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index.

Schedule of investments

December 31, 2017

Western Asset Mortgage Defined Opportunity Fund Inc.

| Security | Rate | Maturity Date | Face Amount | Value |
|---|---------|---------------|--------------|---------------------|
| Residential Mortgage-Backed Securities^(a) 96.3% | | | | |
| Ace Securities Corp., 2005-RM1 M4 (1 mo. USD LIBOR + 1.020%) | 2.572% | 3/25/35 | \$ 3,139,058 | \$ 2,656,818 (b)(c) |
| Adjustable Rate Mortgage Trust, 2005-05 1A1 (6 mo. USD LIBOR + 2.020%) | 3.401% | 9/25/35 | 196,761 | 161,802 (b)(c) |
| Adjustable Rate Mortgage Trust, 2005-07 2A21 (12 mo. USD LIBOR + 1.900%) | 3.407% | 10/25/35 | 506,965 | 473,354 (b)(c) |
| Adjustable Rate Mortgage Trust, 2005-12 5A1 (1 mo. USD LIBOR + 0.500%) | 1.829% | 3/25/36 | 295,905 | 162,832 (b)(c) |
| Aegis Asset-Backed Securities Trust, 2005-3 M3 (1 mo. USD LIBOR + 0.490%) | 2.042% | 8/25/35 | 3,460,000 | 2,503,508 (b)(c) |
| AFC Home Equity Loan Trust, 2003-3 1A (1 mo. USD LIBOR + 0.750%) | 2.302% | 10/25/30 | 1,264,753 | 1,084,549 (b)(c)(d) |
| American Home Mortgage Assets, 2005-2 2A1A (6 mo. USD LIBOR + 2.580%) | 3.406% | 1/25/36 | 1,021,655 | 864,962 (b)(c) |
| American Home Mortgage Investment Trust, 2007-2 2A (1 mo. USD LIBOR + 0.800%) | 2.129% | 3/25/47 | 12,735,445 | 987,469 (b)(c) |
| American Home Mortgage Investment Trust, 2007-A 4A (1 mo. USD LIBOR + 0.900%) | 2.229% | 7/25/46 | 2,132,637 | 1,004,655 (b)(c)(d) |
| Argent Securities Inc., 2006-M2 A2C (1 mo. USD LIBOR + 0.150%) | 1.479% | 9/25/36 | 2,245,728 | 993,813 (b)(c) |
| Argent Securities Inc., 2006-M2 A2D (1 mo. USD LIBOR + 0.240%) | 1.569% | 9/25/36 | 592,714 | 264,767 (b)(c) |
| Argent Securities Inc., 2006-M3 A2C (1 mo. USD LIBOR + 0.160%) | 1.489% | 10/25/36 | 3,633,058 | 1,677,814 (b)(c) |
| Banc of America Alternative Loan Trust, 2005-9 1CB5, IO (-1.000 x 1 mo. USD LIBOR + 5.100%) | 3.771% | 10/25/35 | 3,525,140 | 304,777 (b)(c) |
| Banc of America Funding Corp., 2004-B 6A1 | 2.105% | 12/20/34 | 416,801 | 322,876 (b)(c) |
| Banc of America Funding Corp., 2004-C 3A1 (12 mo. USD LIBOR + 1.980%) | 3.617% | 12/20/34 | 551,594 | 530,930 (b)(c) |
| Banc of America Funding Corp., 2006-D 2A1 | 3.369% | 5/20/36 | 40,600 | 36,986 (b)(c) |
| Banc of America Funding Corp., 2006-D 6A1 (12 mo. USD LIBOR + 2.300%) | 3.408% | 5/20/36 | 1,028,859 | 952,739 (b)(c) |
| Banc of America Funding Corp., 2006-F 1A1 (1 year Treasury Constant Maturity Rate + 2.500%) | 3.306% | 7/20/36 | 335,454 | 333,062 (b)(c) |
| Banc of America Funding Corp., 2014-R5 1A2 (6 mo. USD LIBOR + 1.500%) | 3.061% | 9/26/45 | 3,750,000 | 2,827,894 (b)(c)(d) |
| Banc of America Funding Corp., 2015-R2 09A2 | 1.743% | 3/27/36 | 4,636,945 | 3,274,824 (b)(c)(d) |
| Banc of America Funding Corp., 2015-R3 2A2 | 1.368% | 2/27/37 | 2,491,118 | 1,639,674 (b)(c)(d) |
| Banc of America Funding Corp., 2015-R4 4A3 | 12.877% | 1/27/30 | 9,206,900 | 4,432,625 (b)(c)(d) |
| Bayview Financial Acquisition Trust, 2007-A 2A (1 mo. USD LIBOR + 0.350%) | 1.688% | 5/28/37 | 1,247,156 | 1,147,422 (b)(c) |
| Bayview Financial Asset Trust, 2007-SR1A M1 (1 mo. USD LIBOR + 0.800%) | 2.129% | 3/25/37 | 2,962,295 | 2,774,106 (b)(c)(d) |

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2017

Western Asset Mortgage Defined Opportunity Fund Inc.

| Security | Rate | Maturity Date | Face Amount | Value |
|--|--------|---------------|--------------|------------------------|
| Residential Mortgage-Backed Securities ^(a) continued | | | | |
| Bayview Financial Asset Trust, 2007-SR1A M2 (1 mo. USD LIBOR + 0.900%) | 2.229% | 3/25/37 | \$ 3,606,477 | \$ 3,390,272 (b)(c)(d) |
| Bayview Financial Asset Trust, 2007-SR1A M3 (1 mo. USD LIBOR + 1.150%) | 2.479% | 3/25/37 | 1,633,964 | 1,462,594 (b)(c)(d) |
| Bayview Financial Asset Trust, 2007-SR1A M4 (1 mo. USD LIBOR + 1.500%) | 2.829% | 3/25/37 | 705,308 | 637,164 (b)(c)(d) |
| BCAP LLC Trust, 2010-RR6 1212 | 5.500% | 2/26/35 | 117,646 | 117,902 (c)(d) |
| BCAP LLC Trust, 2011-RR2 1A4 (6 mo. USD LIBOR + 2.400%) | 4.505% | 7/26/36 | 4,373,993 | 3,066,945 (b)(c)(d) |
| Bear Stearns Alt-A Trust, 2005-9 25A1 (12 mo. USD LIBOR + 1.990%) | 4.124% | 11/25/35 | 385,309 | 341,384 (b)(c) |
| Bear Stearns Asset-Backed Securities Trust, 2004-BO1 M9B (1 mo. USD LIBOR + 4.000%) | 5.329% | 10/25/34 | 487,000 | 493,342 (b)(c) |
| Bear Stearns Asset-Backed Securities Trust, 2005-CL1 A1 (1 mo. USD LIBOR + 0.500%) | 1.451% | 9/25/34 | 93,573 | 90,545 (b)(c) |
| Bellemeade Re Ltd., 2017-1 B1 (1 mo. USD LIBOR + 4.750%) | 6.302% | 10/25/27 | 1,070,000 | 1,096,943 (b)(c)(d) |
| Centex Home Equity Loan Trust, 2004-D MV1 (1 mo. USD LIBOR + 0.620%) | 1.949% | 9/25/34 | 922,972 | 926,673 (b)(c) |
| Chase Mortgage Finance Corp., 2006-S3 2A1 | 5.500% | 11/25/21 | 212,007 | 175,710 (c) |
| Chaseflex Trust, 2005-2 3A3, IO (-1.000 x 1 mo. USD LIBOR + 5.500%) | 4.171% | 6/25/35 | 11,746,317 | 2,051,652 (b)(c) |
| Chevy Chase Mortgage Funding Corp., 2006-2A A1 (1 mo. USD LIBOR + 0.130%) | 1.368% | 4/25/47 | 173,278 | 162,787 (b)(c)(d) |
| Citicorp Mortgage Securities Inc., 2007-8 B1 | 5.944% | 9/25/37 | 3,859,613 | 2,602,331 (b)(c) |
| Citigroup Mortgage Loan Trust Inc., 2004-HYB3 1A (1 year Treasury Constant Maturity Rate + 2.500%) | 3.579% | 9/25/34 | 83,078 | 83,478 (b)(c) |
| Citigroup Mortgage Loan Trust Inc., 2004-UST1 A2 (3 mo. USD LIBOR + 1.110%) | 2.410% | 8/25/34 | 24,712 | 23,946 (b)(c) |
| Citigroup Mortgage Loan Trust Inc., 2005-05 (6 mo. USD LIBOR + 2.210%) | 3.558% | 8/25/35 | 220,641 | 199,046 (b)(c) |
| Citigroup Mortgage Loan Trust Inc., 2006-AR5 2A1A (12 mo. USD LIBOR + 2.070%) | 3.301% | 7/25/36 | 331,610 | 260,155 (b)(c) |
| Citigroup Mortgage Loan Trust Inc., 2008-3 A3 | 6.100% | 4/25/37 | 6,969,009 | 2,886,048 (c)(d) |
| Countrywide Alternative Loan Trust, 2005-11CB 3A3, IO (-1.000 x 1 mo. USD LIBOR + 5.000%) | 3.671% | 6/25/35 | 2,415,942 | 239,962 (b)(c) |
| Countrywide Alternative Loan Trust, 2005-14 3A1 | 2.336% | 5/25/35 | 266,817 | 189,700 (b)(c) |
| Countrywide Alternative Loan Trust, 2005-36 4A1 (12 mo. USD LIBOR + 1.900%) | 3.285% | 8/25/35 | 546,243 | 507,921 (b)(c) |
| Countrywide Alternative Loan Trust, 2005-J10 1A1 (1 mo. USD LIBOR + 0.500%) | 1.829% | 10/25/35 | 142,774 | 113,599 (b)(c) |
| Countrywide Alternative Loan Trust, 2006-HY10 1A1 (12 mo. USD LIBOR + 1.870%) | 2.924% | 5/25/36 | 465,571 | 401,105 (b)(c) |
| Countrywide Alternative Loan Trust, 2006-J8 A5 | 6.000% | 2/25/37 | 119,179 | 85,339 (c) |

See Notes to Financial Statements.

Western Asset Mortgage Defined Opportunity Fund Inc.

| Security | Rate | Maturity Date | Face Amount | Value |
|---|---------|---------------|-------------|---------------------|
| Residential Mortgage-Backed Securities (a) continued | | | | |
| Countrywide Alternative Loan Trust, 2007-23CB A8 (-4.000 x 1 mo. USD LIBOR + 28.400%) | 23.086% | 9/25/37 | \$ 687,344 | \$ 979,057 (b)(c) |
| Countrywide Alternative Loan Trust, 2007-3T1 2A1 | 6.000% | 3/25/27 | 206,515 | 214,354 (c) |
| Countrywide Alternative Loan Trust, 2007-OA8 1A1 (1 mo. USD LIBOR + 0.180%) | 1.732% | 6/25/47 | 1,763,521 | 1,522,246 (b)(c) |
| Countrywide Asset-Backed Certificates, 2006-S7 A3 | 5.712% | 11/25/35 | 88,194 | 88,073 (b)(c) |
| Countrywide Asset-Backed Certificates, 2006-S9 A3 | 5.728% | 8/25/36 | 14,988 | 14,978 (b)(c) |
| Countrywide Asset-Backed Certificates, 2006-SD3 A1 (1 mo. USD LIBOR + 0.330%) | 1.659% | 7/25/36 | 736,462 | 693,720 (b)(c)(d) |
| Countrywide Asset-Backed Certificates, 2007-SE1 1A1 (1 mo. USD LIBOR + 0.550%) | 1.879% | 5/25/47 | 756,854 | 535,420 (b)(c)(d) |
| Countrywide Home Equity Loan Trust, 2004-B 1A (1 mo. USD LIBOR + 0.220%) | 1.470% | 2/15/29 | 782,256 | 747,222 (b)(c) |
| Countrywide Home Equity Loan Trust, 2004-J 1A (1 mo. USD LIBOR + 0.290%) | 1.540% | 12/15/33 | 1,097,242 | 1,071,756 (b)(c) |
| Countrywide Home Equity Loan Trust, 2004-L 2A (1 mo. USD LIBOR + 0.280%) | 1.530% | 2/15/34 | 114,494 | 105,073 (b)(c) |
| Countrywide Home Loans, 2005-11 6A1 (1 mo. USD LIBOR + 0.600%) | 1.929% | 3/25/35 | 56,893 | 52,721 (b)(c) |
| Countrywide Home Loans, 2005-18 A7 (-2.750 x 1 mo. USD LIBOR + 19.525%) | 15.871% | 10/25/35 | 24,025 | 29,367 (b)(c) |
| Countrywide Home Loans, 2005-HYB9 1A1 (12 mo. USD LIBOR + 1.750%) | 3.479% | 2/20/36 | 187,568 | 175,341 (b)(c) |
| Countrywide Home Loans Mortgage Pass-Through Trust, 2005-02 2A1 (1 mo. USD LIBOR + 0.640%) | 1.969% | 3/25/35 | 98,804 | 97,519 (b)(c) |
| Countrywide Home Loans Mortgage Pass-Through Trust, 2005-09 1A1 (1 mo. USD LIBOR + 0.600%) | 1.929% | 5/25/35 | 119,174 | 111,464 (b)(c) |
| Countrywide Home Loans Mortgage Pass-Through Trust, 2005-11 3A3 | 2.495% | 4/25/35 | 597,236 | 462,251 (b)(c) |
| Countrywide Home Loans Mortgage Pass-Through Trust, 2005-HY10 1A1 (12 mo. USD LIBOR + 2.070%) | 3.631% | 2/20/36 | 208,103 | 197,545 (b)(c) |
| Countrywide Home Loans Mortgage Pass-Through Trust, 2005-R2 2A3 | 8.000% | 6/25/35 | 66,383 | 69,375 (c)(d) |
| Countrywide Home Loans Mortgage Pass-Through Trust, 2006-3 2A1 (1 mo. USD LIBOR + 0.250%) | 1.579% | 3/25/36 | 480,911 | 443,114 (b)(c) |
| Credit Suisse First Boston Mortgage Securities Corp., 2005-10 03A3 | 5.500% | 11/25/35 | 378,605 | 341,150 (c) |
| Credit Suisse Mortgage Trust, 2010-18R 6A5 (6 mo. USD LIBOR + 1.930%) | 3.506% | 9/28/36 | 2,133,000 | 1,996,078 (b)(c)(d) |
| Credit Suisse Mortgage Trust, 2014-11R 09A2 (1 mo. USD LIBOR + 0.140%) | 1.378% | 10/27/36 | 4,453,765 | 2,889,010 (b)(c)(d) |
| Credit Suisse Mortgage Trust, 2015-02R 7A2 (12 mo. Monthly Treasury Average Index + 2.540%) | 2.728% | 8/27/36 | 3,720,760 | 3,269,498 (b)(c)(d) |

See Notes to Financial Statements.

Schedule of investments (cont d)

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Western Asset Mortgage Defined Opportunity Fund Inc.

| Security | Rate | Maturity Date | Face Amount | Value |
|---|---------|---------------|--------------|------------------------|
| Residential Mortgage-Backed Securities ^(a) continued | | | | |
| Credit Suisse Mortgage Trust, 2017-RPL1 B1 | 3.088% | 7/25/57 | \$ 3,052,442 | \$ 2,197,169 (b)(c)(d) |
| Credit Suisse Mortgage Trust, 2017-RPL1 B2 | 3.088% | 7/25/57 | 3,501,991 | 1,972,591 (b)(c)(d) |
| Credit Suisse Mortgage Trust, 2017-RPL1 B3 | 3.088% | 7/25/57 | 2,977,486 | 1,316,484 (b)(c)(d) |
| Credit Suisse Mortgage Trust, 2017-RPL1 B4 | 3.088% | 7/25/57 | 3,427,174 | 709,051 (b)(c)(d) |
| Credit-Based Asset Servicing and Securitization LLC, 2006-SL1 A3 (1 mo. USD LIBOR + 0.220%) | 1.549% | 9/25/36 | 4,177,944 | 750,568 (b)(c)(d) |
| Deutsche Mortgage Securities Inc., 2006-PR1 2PO, PO | 0.000% | 4/15/36 | 41,454 | 24,405 (c)(d) |
| Deutsche Mortgage Securities Inc., 2006-PR1 4AS1, IO | 7.874% | 4/15/36 | 360,695 | 91,590 (b)(c)(d) |
| Deutsche Mortgage Securities Inc., 2006-PR1 4AS2, IO | 13.419% | 4/15/36 | 343,842 | 144,693 (b)(c)(d) |
| Deutsche Mortgage Securities Inc., 2006-PR1 5AS1, IO | 8.853% | 4/15/36 | 93,271 | 31,816 (b)(c)(d) |
| Deutsche Mortgage Securities Inc., 2006-PR1 5AS3, IO | 6.354% | 4/15/36 | 340,760 | 86,795 (b)(c)(d) |
| Downey Savings & Loan Association Mortgage Loan Trust, 2006-AR1 2A1B (1 mo. USD LIBOR + 0.260%) | 1.543% | 4/19/47 | 3,533,182 | 2,245,453 (b)(c) |
| EMC Mortgage Loan Trust, 2006-A A1 (1 mo. USD LIBOR + 0.450%) | 1.778% | 12/25/42 | 411,041 | 408,145 (b)(c)(d) |
| Federal Home Loan Mortgage Corp. (FHLMC) Seasoned Credit Risk Transfer Trust, 2016-1 B, PO | 0.000% | 9/25/55 | 12,701,873 | 1,037,667 (c)(d) |
| Federal Home Loan Mortgage Corp. (FHLMC) Seasoned Credit Risk Transfer Trust, 2016-1 BIO, IO | 0.910% | 9/25/55 | 29,936,889 | 3,535,786 (b)(c)(d) |
| Federal Home Loan Mortgage Corp. (FHLMC) Seasoned Credit Risk Transfer Trust, 2016-1 XSIO, IO | 0.075% | 9/25/55 | 240,525,163 | 903,894 (b)(c)(d) |
| Federal Home Loan Mortgage Corp. (FHLMC) Seasoned Credit Risk Transfer Trust, 2017-2 B, PO | 0.000% | 8/25/56 | 11,994,232 | 1,058,575 (c)(d) |
| Federal Home Loan Mortgage Corp. (FHLMC) Seasoned Credit Risk Transfer Trust, 2017-2 BIO, IO | 0.990% | 8/25/56 | 19,994,345 | 2,800,068 (b)(c)(d) |
| Federal Home Loan Mortgage Corp. (FHLMC) Seasoned Credit Risk Transfer Trust, 2017-2 M1 | 4.000% | 8/25/56 | 1,170,000 | 1,142,944 (b)(c)(d)(e) |
| Federal Home Loan Mortgage Corp. (FHLMC) Seasoned Credit Risk Transfer Trust, 2017-2 XSIO, IO | 0.075% | 8/25/56 | 571,939,761 | 2,205,972 (b)(c)(d) |
| Federal Home Loan Mortgage Corp. (FHLMC) Structured Agency Credit Risk Debt Notes, 2016-DNA2 B (1 mo. USD LIBOR + 10.500%) | 11.828% | 10/25/28 | 499,447 | 697,918 (b)(c) |
| Federal Home Loan Mortgage Corp. (FHLMC) Structured Agency Credit Risk Debt Notes, 2016-DNA3 B (1 mo. USD LIBOR + 11.250%) | 12.578% | 12/25/28 | 1,039,548 | 1,476,429 (b)(c) |
| Federal Home Loan Mortgage Corp. (FHLMC) Structured Agency Credit Risk Debt Notes, 2016-DNA4 B (1 mo. USD LIBOR + 8.600%) | 9.929% | 3/25/29 | 1,589,876 | 1,988,697 (b)(c) |
| Federal Home Loan Mortgage Corp. (FHLMC) Structured Agency Credit Risk Debt Notes, 2017-DNA1 B2 (1 mo. USD LIBOR + 10.000%) | 11.329% | 7/25/29 | 2,670,000 | 2,534,719 (b)(c) |
| Federal Home Loan Mortgage Corp. (FHLMC) Structured Agency Credit Risk Debt Notes, 2017-DNA2 B2 (1 mo. USD LIBOR + 11.250%) | 12.578% | 10/25/29 | 1,789,856 | 1,794,871 (b)(c) |

See Notes to Financial Statements.

Western Asset Mortgage Defined Opportunity Fund Inc.

| Security | Rate | Maturity Date | Face Amount | Value |
|---|---------|---------------|--------------|---------------------|
| Residential Mortgage-Backed Securities (a) continued | | | | |
| Federal National Mortgage Association (FNMA), 2012-134, IO (-1.000 x 1 mo. USD LIBOR + 6.150%) | 4.823% | 12/25/42 | \$ 4,486,329 | \$ 836,730 (b)(c) |
| Federal National Mortgage Association (FNMA) CAS, 2016-C01 1B (1 mo. USD LIBOR + 11.750%) | 13.078% | 8/25/28 | 1,889,488 | 2,735,340 (b)(c)(d) |
| Federal National Mortgage Association (FNMA) CAS, 2016-C02 1B (1 mo. USD LIBOR + 12.250%) | 13.578% | 9/25/28 | 2,354,151 | 3,502,318 (b)(c)(d) |
| Federal National Mortgage Association (FNMA) CAS, 2016-C03 1B (1 mo. USD LIBOR + 11.750%) | 13.078% | 10/25/28 | 1,665,000 | 2,429,330 (b)(c)(d) |
| Federal National Mortgage Association (FNMA) CAS, 2016-C04 1B (1 mo. USD LIBOR + 10.250%) | 11.579% | 1/25/29 | 2,639,016 | 3,591,389 (b)(c)(d) |
| Federal National Mortgage Association (FNMA) CAS, 2016-C06 1B (1 mo. USD LIBOR + 9.250%) | 10.579% | 4/25/29 | 4,250,000 | 5,426,566 (b)(c)(d) |
| Federal National Mortgage Association (FNMA) CAS, 2017-C05 1B1 (1 mo. USD LIBOR + 3.600%) | 4.929% | 1/25/30 | 1,320,000 | 1,323,117 (b)(c)(d) |
| First Horizon Alternative Mortgage Securities Trust, 2005-AA6 3A1 (6 mo. USD LIBOR + 1.880%) | 3.005% | 8/25/35 | 843,550 | 764,358 (b)(c) |
| First Horizon Alternative Mortgage Securities Trust, 2006-FA6 2A1, PAC-11 | 6.250% | 11/25/36 | 125,970 | 94,317 (c) |
| First Horizon Mortgage Pass-Through Trust, 2005-AR4 2A1 (1 year Treasury Constant Maturity Rate + 2.500%) | 3.341% | 10/25/35 | 442,507 | 425,822 (b)(c) |
| GS Mortgage Securities Corp. II, 2000-1A A (1 mo. USD LIBOR + 0.350%) | 1.983% | 3/20/23 | 61,177 | 61,358 (b)(c)(d) |
| GSAA Home Equity Trust, 2005-11 2A2 (1 mo. USD LIBOR + 0.320%) | 1.649% | 10/25/35 | 4,288,511 | 3,999,027 (b)(c) |
| GSAA Home Equity Trust, 2005-R1 1A2, IO (-1.000 x 1 mo. USD LIBOR + 5.000%) | 3.671% | 4/25/35 | 2,892,486 | 343,810 (b)(c)(d) |
| GSAMP Trust, 2004-SEA2 M2 (1 mo. USD LIBOR + 1.250%) | 2.579% | 3/25/34 | 3,432,585 | 2,624,004 (b)(c) |
| GSMPS Mortgage Loan Trust, 2005-RP1 1A4 | 8.500% | 1/25/35 | 72,323 | 82,317 (c)(d) |
| GSMPS Mortgage Loan Trust, 2006-RP1 1A2 | 7.500% | 1/25/36 | 474,868 | 501,117 (c)(d) |
| GSMPS Mortgage Loan Trust, 2006-RP1 1A3 | 8.000% | 1/25/36 | 78,088 | 84,238 (c)(d) |
| GSR Mortgage Loan Trust, 2005-AR4 2A1 (12 mo. USD LIBOR + 2.000%) | 3.867% | 7/25/35 | 303,652 | 274,338 (b)(c) |
| GSRPM Mortgage Loan Trust, 2007-1 A (1 mo. USD LIBOR + 0.400%) | 1.729% | 10/25/46 | 1,680,272 | 1,462,139 (b)(c)(d) |
| HarborView Mortgage Loan Trust, 2005-9 B5 (1 mo. USD LIBOR + 1.000%) | 2.283% | 6/20/35 | 2,209,129 | 1,807,888 (b)(c) |
| HarborView Mortgage Loan Trust, 2006-02 (6 mo. USD LIBOR + 2.370%) | 3.621% | 2/25/36 | 37,959 | 29,691 (b)(c) |
| Home Equity Mortgage Trust, 2006-1 A3 (1 mo. USD LIBOR + 0.500%) | 1.829% | 5/25/36 | 3,500,000 | 90,800 (b)(c) |
| Homestar Mortgage Acceptance Corp., 2004-3 M3 (1 mo. USD LIBOR + 1.600%) | 2.929% | 7/25/34 | 683,956 | 672,897 (b)(c) |

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2017

Western Asset Mortgage Defined Opportunity Fund Inc.

| Security | Rate | Maturity Date | Face Amount | Value |
|--|--------|---------------|--------------|--------------------------------|
| Residential Mortgage-Backed Securities ^(a) continued | | | | |
| Homestar Mortgage Acceptance Corp., 2004-6 M7 (1 mo. USD LIBOR + 1.950%) | 3.279% | 1/25/35 | \$ 1,132,859 | \$ 1,045,119 ^{(b)(c)} |
| HSI Asset Loan Obligation Trust, 2007-AR1 4A1 (12 mo. USD LIBOR + 2.300%) | 3.809% | 1/25/37 | 185,681 | 155,454 ^{(b)(c)} |
| Impac CMB Trust, 2004-8 1A (1 mo. USD LIBOR + 0.720%) | 2.049% | 10/25/34 | 386,345 | 380,731 ^{(b)(c)} |
| Indymac INDA Mortgage Loan Trust, 2005-AR2 1A1 (1 year Treasury Constant Maturity Rate + 2.370%) | 3.192% | 1/25/36 | 109,782 | 102,787 ^{(b)(c)} |
| Indymac Index Mortgage Loan Trust, 2004-AR13 1A1 (1 year Treasury Constant Maturity Rate + 2.370%) | 2.945% | 1/25/35 | 97,327 | 93,371 ^{(b)(c)} |
| Indymac Index Mortgage Loan Trust, 2005-AR15 A2 (6 mo. USD LIBOR + 2.230%) | 3.335% | 9/25/35 | 90,120 | 85,532 ^{(b)(c)} |
| Indymac Index Mortgage Loan Trust, 2006-AR07 5A1 (12 mo. USD LIBOR + 2.300%) | 3.472% | 5/25/36 | 348,518 | 311,116 ^{(b)(c)} |
| Indymac Index Mortgage Loan Trust, 2006-AR09 3A3 (12 mo. USD LIBOR + 2.330%) | 3.325% | 6/25/36 | 501,153 | 492,526 ^{(b)(c)} |
| Indymac Index Mortgage Loan Trust, 2006-AR11 1A1 (6 mo. USD LIBOR + 2.080%) | 3.593% | 6/25/36 | 503,473 | 470,153 ^{(b)(c)} |
| Indymac Index Mortgage Loan Trust, 2006-AR25 4A3 (12 mo. USD LIBOR + 2.350%) | 3.355% | 9/25/36 | 2,541,605 | 1,757,396 ^{(b)(c)} |
| JPMorgan Alternative Loan Trust, 2007-A1 3A1 (12 mo. USD LIBOR + 2.160%) | 3.120% | 3/25/37 | 491,159 | 458,805 ^{(b)(c)} |
| JPMorgan Mortgage Trust, 2005-S3 1A1 | 6.500% | 1/25/36 | 1,077,041 | 924,385 ^(c) |
| JPMorgan Mortgage Trust, 2007-S2 3A2 | 6.000% | 6/25/37 | 125,138 | 126,976 ^(c) |
| JPMorgan Mortgage Trust, 2007-S2 3A3 | 6.500% | 6/25/37 | 42,389 | 43,483 ^(c) |
| JPMorgan Mortgage Trust, 2007-S3 1A18 (1 mo. USD LIBOR + 0.500%) | 1.829% | 8/25/37 | 3,059,077 | 1,879,595 ^{(b)(c)} |
| Lehman Mortgage Trust, 2006-3 1A7, IO (-1.000 x 1 mo. USD LIBOR + 5.400%) | 4.071% | 7/25/36 | 7,368,492 | 1,705,337 ^{(b)(c)} |
| Lehman Mortgage Trust, 2006-3 2A1 (1 mo. USD LIBOR + 0.360%) | 1.689% | 7/25/36 | 3,306,325 | 799,225 ^{(b)(c)} |
| Lehman Mortgage Trust, 2006-3 2A2, IO (-1.000 x 1 mo. USD LIBOR + 7.140%) | 5.811% | 7/25/36 | 3,733,341 | 1,227,392 ^{(b)(c)} |
| Lehman Mortgage Trust, 2006-7 1A3, IO (-1.000 x 1 mo. USD LIBOR + 5.350%) | 4.023% | 11/25/36 | 6,495,158 | 1,097,134 ^{(b)(c)} |
| Lehman Mortgage Trust, 2006-7 1A8 (1 mo. USD LIBOR + 0.180%) | 1.509% | 11/25/36 | 3,331,375 | 2,279,933 ^{(b)(c)} |
| Lehman Mortgage Trust, 2006-7 3A2, IO (-1.000 x 1 mo. USD LIBOR + 7.150%) | 5.823% | 11/25/36 | 5,807,738 | 1,497,963 ^{(b)(c)} |
| Lehman Mortgage Trust, 2007-1 2A3, IO (-1.000 x 1 mo. USD LIBOR + 6.630%) | 5.301% | 2/25/37 | 11,260,784 | 3,077,887 ^{(b)(c)} |
| Lehman Mortgage Trust, 2007-5 2A3 (1 mo. USD LIBOR + 0.330%) | 1.659% | 6/25/37 | 3,348,865 | 1,018,657 ^{(b)(c)} |

See Notes to Financial Statements.

Western Asset Mortgage Defined Opportunity Fund Inc.

| Security | Rate | Maturity Date | Face Amount | Value |
|---|--------|---------------|--------------|---------------------|
| Residential Mortgage-Backed Securities (a) continued | | | | |
| Lehman XS Trust, 2005-9N 1A1 (1 mo. USD LIBOR + 0.270%) | 1.599% | 2/25/36 | \$ 1,138,950 | \$ 1,088,839 (b)(c) |
| Lehman XS Trust, 2006-14N 3A2 (1 mo. USD LIBOR + 0.120%) | 1.449% | 8/25/36 | 1,656,509 | 1,545,571 (b)(c) |
| Lehman XS Trust, 2006-19 A4 (1 mo. USD LIBOR + 0.170%) | 1.499% | 12/25/36 | 851,753 | 809,005 (b)(c) |
| MASTR Adjustable Rate Mortgages Trust, 2004-12 5A1 (12 mo. USD LIBOR + 2.400%) | 3.698% | 10/25/34 | 100,291 | 98,168 (b)(c) |
| MASTR Adjustable Rate Mortgages Trust, 2006-2 4A1 (1 year Treasury Constant Maturity Rate + 2.500%) | 3.570% | 2/25/36 | 33,127 | 32,077 (b)(c) |
| MASTR Adjustable Rate Mortgages Trust, 2006-OA1 1A1 (1 mo. USD LIBOR + 0.210%) | 1.539% | 4/25/46 | 321,152 | 264,759 (b)(c) |
| MASTR Asset-Backed Securities Trust, 2005-AB1 A5A | 5.712% | 11/25/35 | 3,360,000 | 2,014,990 (c) |
| MASTR Reperforming Loan Trust, 2005-1 1A2 | 6.500% | 8/25/34 | 708,652 | 690,241 (c)(d) |
| MASTR Reperforming Loan Trust, 2005-1 1A3 | 7.000% | 8/25/34 | 188,355 | 188,524 (c)(d) |
| MASTR Reperforming Loan Trust, 2005-1 1A4 | 7.500% | 8/25/34 | 78,453 | 81,390 (c)(d) |
| Merrill Lynch Mortgage Investors Trust, 2006-A1 2A1 (12 mo. USD LIBOR + 1.960%) | 3.230% | | | |