

Western Asset Income Fund
Form N-Q
November 28, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-02351

Western Asset Income Fund

(Exact Name of Registrant as Specified In Its Charter)

| | |
|---|--|
| Address of Principal Executive Offices: | 385 East Colorado Boulevard Pasadena, CA 91101 |
| Name and address of agent for service: | Gregory B. McShea 385 East Colorado Boulevard Pasadena, CA 91101 |
| Registrant's telephone number, including area code: | (410) 539-0000 |
| Date of fiscal year end: | December 31, 2006 |
| Date of reporting period: | September 30, 2006 |

Item 1 Schedule of Investments

PORTFOLIO OF INVESTMENTS

September 30, 2006 (Unaudited)

(Amounts in Thousands)

Western Asset Income Fund

| | % OF NET ASSETS | RATE | MATURITY DATE | PAR/ SHARES | VALUE |
|---------------------------------------|--------------------|--------|------------------|----------------|--------------------|
| Long-Term Securities | 98.5% | | | | |
| Corporate Bonds and Notes | 74.7% | | | | |
| <i>Aerospace/Defense</i> | <i>0.2%</i> | | | | |
| L-3 Communications Corp. | | 7.625% | 6/15/12 | \$ 275 | \$ 283 |
| <i>Auto Parts and Equipment</i> | <i>0.4%</i> | | | | |
| Johnson Controls, Inc. | | 5.250% | 1/15/11 | 560 | 554 |
| <i>Automotive</i> | <i>3.9%</i> | | | | |
| Ford Motor Company | | 7.450% | 7/16/31 | 3,550 | 2,742 _A |
| General Motors Corporation | | 8.250% | 7/15/23 | 3,450 | 2,989 _A |
| | | | | | 5,731 |
| <i>Banking and Finance</i> | <i>8.0%</i> | | | | |
| Ford Motor Credit Company | | 7.375% | 10/28/09 | 4,425 | 4,300 |
| General Motors Acceptance Corporation | | 6.125% | 8/28/07 | 1,090 | 1,088 |
| General Motors Acceptance Corporation | | 6.311% | 11/30/07 | 110 | 109 |
| General Motors Acceptance Corporation | | 5.625% | 5/15/09 | 1,610 | 1,570 |
| HSBC Finance Capital Trust IX | | 5.911% | 11/30/35 | 1,350 | 1,350 _B |
| HSBC Finance Corporation | | 5.700% | 6/1/11 | 1,730 | 1,761 |
| Residential Capital Corporation | | 6.000% | 2/22/11 | 1,480 | 1,478 |
| Wachovia Capital Trust III | | 5.800% | 3/15/42 | 200 | 201 _B |
| | | | | | 11,857 |
| <i>Banks</i> | <i>2.2%</i> | | | | |
| Bank of America Corporation | | 7.800% | 9/15/16 | 250 | 291 |
| BankAmerica Capital III | | 6.077% | 1/15/27 | 215 | 208 _C |
| BB&T Capital Trust II | | 6.750% | 6/7/36 | 640 | 685 |
| Chase Capital II | | 5.989% | 2/1/27 | 725 | 697 _C |
| RBS Capital Trust III | | 5.512% | 9/29/49 | 1,460 | 1,419 _B |
| | | | | | 3,300 |
| <i>Building Materials</i> | <i>0.5%</i> | | | | |
| American Standard, Inc. | | 8.250% | 6/1/09 | 500 | 532 |

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| | | | | |
|--------------------------|--------|---------|-----|-----|
| Nortek, Inc. | 8.500% | 9/1/14 | 225 | 213 |
| | | | | 745 |
| <i>Cable</i> | 1.6% | | | |
| Comcast Corporation | 7.050% | 3/15/33 | 160 | 172 |
| Comcast Corporation | 6.450% | 3/15/37 | 380 | 380 |
| Cox Communications, Inc. | 4.625% | 1/15/10 | 510 | 496 |

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| | % OF NET ASSETS | RATE | MATURITY DATE | PAR/ SHARES | VALUE |
|---|--------------------|--------|------------------|----------------|----------------------|
| CSC Holdings Inc. | | 7.250% | 7/15/08 | 700 | 707 |
| TCI Communications, Inc. | | 8.750% | 8/1/15 | 160 | 189 |
| Tele-Communications, Inc. | | 9.800% | 2/1/12 | 375 | 443 |
| | | | | | 2,387 |
| <i>Casino Resorts</i> | 0.8% | | | | |
| Caesars Entertainment Inc. | | 8.125% | 5/15/11 | 250 | 264 |
| Harrah's Operating Company, Inc. | | 5.500% | 7/1/10 | 470 | 463 |
| Harrah's Operating Company, Inc. | | 5.750% | 10/1/17 | 480 | 439 |
| | | | | | 1,166 |
| <i>Chemicals</i> | 0.6% | | | | |
| The Dow Chemical Company | | 7.375% | 11/1/29 | 800 | 934 |
| <i>Computer Services and Systems</i> | 0.7% | | | | |
| Electronic Data Systems Corporation | | 7.125% | 10/15/09 | 600 | 627 |
| Electronic Data Systems Corporation | | 7.450% | 10/15/29 | 420 | 461 _A |
| | | | | | 1,088 |
| <i>Containers and Packaging</i> | 0.1% | | | | |
| Graphic Packaging International Corp. | | 9.500% | 8/15/13 | 200 | 204 |
| <i>Diversified Financial Services</i> | 4.5% | | | | |
| AIG SunAmerica Global Financing VI | | 6.300% | 5/10/11 | 1,880 | 1,962 _D |
| American Express Company | | 6.800% | 9/1/66 | 790 | 834 _B |
| American General Finance Corporation (AGFC) | | 5.750% | 9/15/16 | 310 | 313 |
| Beaver Valley Funding Corp. | | 9.000% | 6/1/17 | 300 | 339 |
| Capital One Bank | | 5.750% | 9/15/10 | 310 | 315 |
| Capital One Bank | | 6.500% | 6/13/13 | 330 | 345 |
| Capital One Financial Corporation | | 7.125% | 8/1/08 | 90 | 93 |
| Citigroup Inc. | | 6.125% | 8/25/36 | 550 | 566 |
| iStar Financial Inc. | | 5.950% | 10/15/13 | 440 | 442 _D |
| Mizuho Preferred Capital Corp. LLC | | 8.790% | 12/29/49 | 110 | 116 _{B,D} |
| ZFS Finance (USA) Trust I | | 6.150% | 12/15/65 | 750 | 746 _{A,B,D} |
| ZFS Finance (USA) Trust II | | 6.450% | 12/15/65 | 690 | 682 _{B,D} |
| | | | | | 6,753 |
| <i>Drug and Grocery Store Chains</i> | 0.6% | | | | |
| CVS Corporation | | 5.750% | 8/15/11 | 290 | 294 |
| Safeway Inc. | | 7.500% | 9/15/09 | 500 | 527 |
| | | | | | 821 |

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| | % OF NET ASSETS | RATE | MATURITY DATE | PAR/ SHARES | VALUE |
|---|--------------------|--------|------------------|----------------|----------------------|
| <i>Electric</i> 2.1% | | | | | |
| AEP Texas Central Company | | 5.500% | 2/15/13 | 420 | 418 |
| American Electric Power Company, Inc. | | 5.250% | 6/1/15 | 490 | 477 |
| Dominion Resources, Inc. | | 5.150% | 7/15/15 | 560 | 538 |
| FirstEnergy Corp. | | 6.450% | 11/15/11 | 60 | 62 |
| FirstEnergy Corp. | | 7.375% | 11/15/31 | 710 | 821 |
| System Energy Resources, Inc. | | 4.875% | 10/1/07 | 380 | 376 |
| Tampa Electric Company | | 6.375% | 8/15/12 | 145 | 152 |
| The AES Corporation | | 9.500% | 6/1/09 | 39 | 42 |
| The Cleveland Electric Illuminating Company | | 5.650% | 12/15/13 | 300 | 300 |
| | | | | | 3,186 |
| <i>Energy</i> 4.8% | | | | | |
| CenterPoint Energy, Inc. | | 6.850% | 6/1/15 | 1,150 | 1,219 _A |
| DTE Energy Company | | 6.375% | 4/15/33 | 330 | 334 _A |
| Exelon Corporation | | 6.750% | 5/1/11 | 1,050 | 1,103 |
| MidAmerican Energy Holdings Company | | 5.875% | 10/1/12 | 500 | 509 |
| Pacific Gas and Electric Company | | 6.050% | 3/1/34 | 1,270 | 1,277 |
| Peabody Energy Corporation | | 6.875% | 3/15/13 | 285 | 281 |
| Sempra Energy | | 5.863% | 5/21/08 | 635 | 636 _C |
| TXU Corp. | | 6.550% | 11/15/34 | 520 | 490 |
| TXU Energy Co. | | 6.125% | 3/15/08 | 500 | 504 |
| TXU Energy Co. | | 7.000% | 3/15/13 | 370 | 388 |
| Xcel Energy, Inc. | | 7.000% | 12/1/10 | 350 | 371 |
| | | | | | 7,112 |
| <i>Environmental Services</i> 0.3% | | | | | |
| Waste Management, Inc. | | 7.375% | 5/15/29 | 415 | 475 |
| <i>Food, Beverage and Tobacco</i> 1.6% | | | | | |
| Altria Group, Inc. | | 7.000% | 11/4/13 | 305 | 332 |
| Altria Group, Inc. | | 7.750% | 1/15/27 | 340 | 412 |
| Domino's, Inc. | | 8.250% | 7/1/11 | 200 | 210 |
| Reynolds American Inc. | | 7.250% | 6/1/12 | 1,360 | 1,399 _{A,D} |
| | | | | | 2,353 |
| <i>Gas and Pipeline Utilities</i> 2.4% | | | | | |
| Dynegy Holdings Inc. | | 6.875% | 4/1/11 | 1,300 | 1,266 |
| Dynegy Holdings Inc. | | 8.750% | 2/15/12 | 735 | 762 |
| The Williams Companies, Inc. | | 7.500% | 1/15/31 | 102 | 100 |
| The Williams Companies, Inc. | | 8.750% | 3/15/32 | 1,250 | 1,369 |
| | | | | | 3,497 |

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| | % OF NET ASSETS | RATE | MATURITY DATE | PAR/ SHARES | VALUE |
|--|--------------------|--------|------------------|----------------|----------------------|
| <i>Health Care</i> 2.6% | | | | | |
| Aetna Inc. | | 5.750% | 6/15/11 | 540 | 549 |
| Baxter International Inc. | | 5.900% | 9/1/16 | 520 | 534 |
| Humana Inc. | | 6.450% | 6/1/16 | 220 | 228 |
| Quest Diagnostics Incorporated | | 5.125% | 11/1/10 | 290 | 287 |
| Tenet Healthcare Corporation | | 6.375% | 12/1/11 | 1,465 | 1,287 ^A |
| Tenet Healthcare Corporation | | 6.875% | 11/15/31 | 250 | 196 |
| Wyeth | | 6.950% | 3/15/11 | 680 | 723 |
| | | | | | 3,804 |
| <i>Homebuilding</i> 0.3% | | | | | |
| D.R. Horton, Inc. | | 5.250% | 2/15/15 | 410 | 374 |
| Pulte Homes, Inc. | | 6.250% | 2/15/13 | 145 | 147 |
| | | | | | 521 |
| <i>Insurance</i> 1.1% | | | | | |
| American International Group, Inc. | | 5.050% | 10/1/15 | 180 | 175 |
| Liberty Mutual Group | | 5.750% | 3/15/14 | 270 | 266 ^D |
| Liberty Mutual Group | | 7.500% | 8/15/36 | 330 | 354 ^D |
| The St. Paul Travelers Companies, Inc. | | 6.250% | 6/20/16 | 310 | 323 |
| Willis Group North America | | 5.125% | 7/15/10 | 280 | 275 |
| Willis Group North America | | 5.625% | 7/15/15 | 230 | 221 |
| | | | | | 1,614 |
| <i>Investment Banking/Brokerage</i> 3.4% | | | | | |
| J.P. Morgan Capital Trust II | | 7.950% | 2/1/27 | 150 | 156 ^A |
| Lehman Brothers Holdings Inc. | | 5.000% | 1/14/11 | 1,340 | 1,327 |
| Lehman Brothers Holdings Inc. | | 5.500% | 4/4/16 | 100 | 100 |
| Morgan Stanley | | 5.050% | 1/21/11 | 1,780 | 1,764 |
| Morgan Stanley | | 4.750% | 4/1/14 | 60 | 57 |
| The Goldman Sachs Group, Inc. | | 6.345% | 2/15/34 | 555 | 551 |
| UBS Preferred Funding Trust V | | 6.243% | 5/12/49 | 1,120 | 1,158 ^{A,B} |
| | | | | | 5,113 |
| <i>Lodging/Hotels</i> 0.3% | | | | | |
| Hilton Hotels Corporation | | 7.625% | 12/1/12 | 450 | 479 |
| <i>Machinery</i> 0.3% | | | | | |
| Case New Holland Incorporated | | 9.250% | 8/1/11 | 475 | 503 |

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|---|--------------------|--------|------------------|----------------|--------------------|
| <i>Media</i> 3.7% | | | | | |
| AMFM Inc. | | 8.000% | 11/1/08 | 210 | 220 |
| Clear Channel Communications, Inc. | | 5.500% | 9/15/14 | 365 | 339 |
| Liberty Media Corporation | | 7.875% | 7/15/09 | 750 | 785 |
| Liberty Media Corporation | | 8.500% | 7/15/29 | 130 | 132 |
| Liberty Media Corporation | | 8.250% | 2/1/30 | 65 | 65 _A |
| News America, Inc. | | 6.550% | 3/15/33 | 545 | 537 |
| News America, Inc. | | 6.200% | 12/15/34 | 35 | 33 |
| Readers Digest Association, Inc. | | 6.500% | 3/1/11 | 300 | 285 |
| Time Warner Entertainment Company, L.P. | | 8.375% | 7/15/33 | 680 | 802 |
| Time Warner Inc. | | 9.125% | 1/15/13 | 240 | 280 |
| Time Warner Inc. | | 7.700% | 5/1/32 | 885 | 988 |
| Viacom Inc. | | 5.750% | 4/30/11 | 440 | 439 _D |
| Viacom Inc. | | 5.625% | 8/15/12 | 520 | 514 |
| | | | | | 5,419 |
| <i>Medical Care Facilities</i> 1.9% | | | | | |
| Coventry Health Care, Inc. | | 5.875% | 1/15/12 | 400 | 397 |
| HCA, Inc. | | 5.250% | 11/6/08 | 105 | 104 |
| HCA, Inc. | | 7.875% | 2/1/11 | 250 | 239 |
| HCA, Inc. | | 6.300% | 10/1/12 | 180 | 152 |
| HCA, Inc. | | 6.250% | 2/15/13 | 930 | 777 |
| HCA, Inc. | | 5.750% | 3/15/14 | 65 | 51 |
| Health Care REIT, Inc. | | 8.000% | 9/12/12 | 370 | 408 |
| Health Care REIT, Inc. | | 5.875% | 5/15/15 | 130 | 128 |
| Universal Health Services, Inc. | | 7.125% | 6/30/16 | 520 | 548 |
| | | | | | 2,804 |
| <i>Oil and Gas</i> 6.9% | | | | | |
| Amerada Hess Corporation | | 7.875% | 10/1/29 | 1,450 | 1,713 |
| Conoco Inc. | | 6.950% | 4/15/29 | 90 | 104 |
| ConocoPhillips | | 4.750% | 10/15/12 | 200 | 196 _A |
| Devon Energy Corporation | | 7.950% | 4/15/32 | 350 | 432 |
| El Paso Corporation | | 7.625% | 8/16/07 | 300 | 304 _A |
| El Paso Corporation | | 7.800% | 8/1/31 | 2,000 | 2,050 _A |
| Kerr-McGee Corporation | | 7.875% | 9/15/31 | 1,315 | 1,590 |
| Kinder Morgan Energy Partners | | 7.125% | 3/15/12 | 530 | 562 |
| Occidental Petroleum Corporation | | 6.750% | 1/15/12 | 500 | 534 _A |
| Ocean Energy Inc. | | 4.375% | 10/1/07 | 430 | 426 |
| Panhandle Eastern Pipe Line Company | | 4.800% | 8/15/08 | 445 | 438 |
| Pemex Project Funding Master Trust | | 6.625% | 6/15/35 | 1,150 | 1,130 _D |

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|---|--------------------|--------|------------------|----------------|----------------------|
| Valero Energy Corporation | | 6.875% | 4/15/12 | 215 | 229 |
| XTO Energy, Inc. | | 6.250% | 4/15/13 | 560 | 578 |
| | | | | | 10,286 |
| <i>Paper and Forest Products</i> | <i>1.5%</i> | | | | |
| Georgia-Pacific Corp. | | 9.500% | 12/1/11 | 325 | 350 |
| Georgia-Pacific Corp. | | 7.375% | 12/1/25 | 250 | 237 |
| Weyerhaeuser Company | | 6.750% | 3/15/12 | 995 | 1,040 |
| Weyerhaeuser Company | | 7.375% | 3/15/32 | 540 | 559 |
| | | | | | 2,186 |
| <i>Photo Equipment and Supplies</i> | <i>0.5%</i> | | | | |
| Eastman Kodak Company | | 3.625% | 5/15/08 | 375 | 360 |
| Eastman Kodak Company | | 7.250% | 11/15/13 | 345 | 337 _A |
| | | | | | 697 |
| <i>Real Estate Management and Development</i> | <i>0.2%</i> | | | | |
| Forest City Enterprises, Inc. | | 7.625% | 6/1/15 | 225 | 229 |
| Socgen Real Estate Co. LLC | | 7.640% | 12/29/49 | 80 | 82 _{B,D} |
| | | | | | 311 |
| <i>Retail</i> | <i>0.4%</i> | | | | |
| May Department Stores Company | | 5.750% | 7/15/14 | 400 | 394 _A |
| May Department Stores Company | | 6.700% | 7/15/34 | 180 | 179 |
| | | | | | 573 |
| <i>Special Purpose</i> | <i>12.1%</i> | | | | |
| Ahold Finance USA, Inc. | | 8.250% | 7/15/10 | 355 | 380 _A |
| ASIF Global Financing XIX | | 4.900% | 1/17/13 | 30 | 29 _B |
| DaimlerChrysler NA Holding Corporation | | 5.870% | 9/10/07 | 1,270 | 1,273 _C |
| DaimlerChrysler NA Holding Corporation | | 7.300% | 1/15/12 | 415 | 441 |
| DaimlerChrysler NA Holding Corporation | | 6.500% | 11/15/13 | 160 | 164 |
| Deutsche Bank Capital Funding Trust VII | | 5.628% | 1/19/49 | 670 | 653 _{A,B,D} |
| Duke Capital Corporation | | 6.250% | 2/15/13 | 1,200 | 1,233 _A |
| ILFC E-Capital Trust II | | 6.250% | 12/21/65 | 380 | 380 _{B,D} |
| ILFC E-Capital Trust I | | 5.900% | 12/21/65 | 720 | 725 _{A,B,D} |
| PNPP II Funding Corporation | | 9.120% | 5/30/16 | 2,398 | 2,747 _A |
| Qwest Capital Funding, Inc. | | 7.250% | 2/15/11 | 1,150 | 1,150 |
| Rabobank Capital Funding Trust II | | 5.260% | 12/31/49 | 115 | 113 _{B,D} |
| Rabobank Capital Funding Trust III | | 5.254% | 12/29/49 | 1,145 | 1,105 _{B,D} |
| Sithe Independence Funding Corporation | | 9.000% | 12/30/13 | 1,500 | 1,616 |

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|--|--------------------|---------|------------------|----------------|------------------|
| Sprint Capital Corporation | | 8.750% | 3/15/32 | 1,830 | 2,232 |
| TCI Communications Financing III | | 9.650% | 3/31/27 | 3,000 | 3,186 |
| Verizon Global Funding Corp. | | 5.850% | 9/15/35 | 570 | 537 |
| | | | | | 17,964 |
| <i>Telecommunications</i> | <i>2.8%</i> | | | | |
| AT&T Corp. | | 8.000% | 11/15/31 | 440 | 538 |
| BellSouth Corporation | | 4.750% | 11/15/12 | 320 | 305 |
| Embarq Corporation | | 6.738% | 6/1/13 | 350 | 360 |
| Embarq Corporation | | 7.082% | 6/1/16 | 540 | 551 |
| Emmis Operating Company | | 6.875% | 5/15/12 | 250 | 250 |
| Qwest Communications International Inc. | | 7.500% | 2/15/14 | 850 | 852 |
| Qwest Corporation | | 6.875% | 9/15/33 | 1,000 | 913 |
| Verizon New York Inc. | | 6.875% | 4/1/12 | 340 | 355 _A |
| | | | | | 4,124 |
| <i>Telecommunications (Cellular/Wireless)</i> | <i>1.1%</i> | | | | |
| Motorola, Inc. | | 7.625% | 11/15/10 | 56 | 61 |
| New Cingular Wireless Services Inc. | | 7.500% | 5/1/07 | 350 | 354 _A |
| New Cingular Wireless Services Inc. | | 8.125% | 5/1/12 | 155 | 175 |
| New Cingular Wireless Services Inc. | | 8.750% | 3/1/31 | 475 | 607 |
| Nextel Communications, Inc. | | 5.950% | 3/15/14 | 88 | 86 |
| Nextel Communications, Inc. | | 7.375% | 8/1/15 | 285 | 294 |
| | | | | | 1,577 |
| <i>Transportation</i> | <i>0.3%</i> | | | | |
| Continental Airlines, Inc. | | 7.256% | 3/15/20 | 218 | 231 |
| Continental Airlines, Inc. | | 6.545% | 8/2/20 | 176 | 179 |
| Delta Air Lines, Inc. | | 7.570% | 5/18/12 | 40 | 40 |
| | | | | | 450 |
| Total Corporate Bonds and Notes (Identified Cost \$107,863) | | | | | 110,871 |
| U.S. Government Agency Mortgage- Backed Securities N.M. | | | | | |
| Fannie Mae | | 11.500% | 11/1/17 | 8 | 9 |
| Freddie Mac | | 10.250% | 5/1/09 | 11 | 11 |
| Total U.S. Government Agency Mortgage- Backed Securities (Identified Cost \$19) | | | | | 20 |

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|---------------------------------------|--------------------|---------|------------------|----------------|----------------------|
| Yankee Bonds^E | 23.8% | | | | |
| <i>Aerospace/Defense</i> | <i>0.3%</i> | | | | |
| Systems 2001 Asset Trust | | 6.664% | 9/15/13 | 443 | 467 _D |
| <i>Banking and Finance</i> | <i>2.4%</i> | | | | |
| AIFUL CORPORATION | | 5.000% | 8/10/10 | 995 | 967 _D |
| Corporacion Andina de Fomento | | 5.840% | 1/26/07 | 470 | 470 _C |
| HBOS Capital Funding LP | | 6.071% | 6/30/49 | 560 | 568 _{B,D} |
| HBOS Treasury Services plc | | 4.000% | 9/15/09 | 420 | 407 _D |
| Mizuho Financial Group, Inc. | | 5.790% | 4/15/14 | 1,100 | 1,112 _D |
| | | | | | 3,524 |
| <i>Banks</i> | <i>4.3%</i> | | | | |
| Glitnir Banki hf | | 6.330% | 7/28/11 | 400 | 409 _D |
| Glitnir Banki hf | | 6.693% | 6/15/16 | 680 | 695 _{B,D} |
| Glitnir Banki hf | | 7.451% | 9/14/16 | 210 | 215 _D |
| Kaupthing Bank hf | | 6.190% | 4/12/11 | 540 | 540 _{C,D} |
| Kaupthing Bank hf | | 5.750% | 10/4/11 | 480 | 478 _D |
| Kaupthing Bank hf | | 7.125% | 5/19/16 | 1,250 | 1,314 _D |
| RSHB Capital SA | | 7.175% | 5/16/13 | 1,340 | 1,393 _D |
| Shinsei Finance Cayman Ltd. | | 6.418% | 1/29/49 | 1,100 | 1,092 _{B,D} |
| Sumitomo Mitsui Banking Corporation | | 5.625% | 7/29/49 | 270 | 263 _{B,D} |
| | | | | | 6,399 |
| <i>Cable</i> | <i>0.2%</i> | | | | |
| British Sky Broadcasting Group plc | | 6.875% | 2/23/09 | 330 | 341 |
| <i>Electric</i> | <i>0.6%</i> | | | | |
| Empresa Nacional de Electricidad S.A. | | 8.350% | 8/1/13 | 750 | 841 |
| <i>Foreign Governments</i> | <i>4.1%</i> | | | | |
| Federated Republic of Brazil | | 7.125% | 1/20/37 | 120 | 123 _A |
| Federative Republic of Brazil | | 11.000% | 8/17/40 | 340 | 443 _A |
| Quebec Province | | 7.970% | 7/22/36 | 650 | 898 _B |
| Republic of Colombia | | 11.750% | 2/25/20 | 65 | 91 |
| Republic of Panama | | 7.125% | 1/29/26 | 150 | 157 |
| Republic of Panama | | 9.375% | 4/1/29 | 23 | 30 |
| Republic of Panama | | 6.700% | 1/26/36 | 141 | 139 |
| Russian Federation | | 5.000% | 3/31/30 | 750 | 837 |
| United Mexican States | | 5.625% | 1/15/17 | 62 | 61 |
| United Mexican States | | 11.500% | 5/15/26 | 960 | 1,520 |
| United Mexican States | | 8.300% | 8/15/31 | 340 | 424 |
| United Mexican States | | 7.500% | 4/8/33 | 1,183 | 1,365 |
| | | | | | 6,088 |

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| | % OF NET ASSETS | RATE | MATURITY DATE | PAR/ SHARES | VALUE |
|---|--------------------|--------|------------------|----------------|----------------------|
| <i>Insurance</i> | | | | | |
| | 0.7% | | | | |
| Axa | | 8.600% | 12/15/30 | 550 | 702 |
| XL Capital Ltd. | | 5.250% | 9/15/14 | 250 | 244 |
| | | | | | 946 |
| <i>Manufacturing (Diversified)</i> | | | | | |
| | 1.0% | | | | |
| Tyco International Group SA | | 6.375% | 10/15/11 | 1,450 | 1,520 |
| <i>Oil and Gas</i> | | | | | |
| | 1.2% | | | | |
| Gazprom | | 9.625% | 3/1/13 | 50 | 59 _D |
| Gazprom | | 9.625% | 3/1/13 | 20 | 24 |
| Petrobras International Finance Company (PIFCO) | | 6.125% | 10/6/16 | 210 | 209 |
| Petroliam Nasional Berhad | | 7.625% | 10/15/26 | 1,260 | 1,517 _D |
| | | | | | 1,809 |
| <i>Metals and Minerals</i> | | | | | |
| | 0.7% | | | | |
| Vale Overseas Limited | | 6.250% | 1/11/16 | 1,102 | 1,094 |
| <i>Special Purpose</i> | | | | | |
| | 5.0% | | | | |
| AES El Salvador Trust | | 6.750% | 2/1/16 | 750 | 741 _D |
| Conoco Funding Company | | 6.350% | 10/15/11 | 470 | 494 |
| Deutsche Telekom International Finance BV | | 5.750% | 3/23/16 | 160 | 156 |
| Deutsche Telekom International Finance BV | | 8.250% | 6/15/30 | 500 | 611 |
| Molson Coors Capital Finance ULC | | 4.850% | 9/22/10 | 480 | 472 |
| Petrozuata Finance, Inc. | | 8.220% | 4/1/17 | 3,205 | 3,125 _D |
| Resona Preferred Global Securities | | 7.191% | 12/29/49 | 1,035 | 1,071 _{B,D} |
| TNK-BP Finance S.A. | | 7.500% | 7/18/16 | 360 | 376 _D |
| UFJ Finance Aruba AEC | | 6.750% | 7/15/13 | 355 | 380 |
| | | | | | 7,426 |
| <i>Telecommunications</i> | | | | | |
| | 1.4% | | | | |
| British Telecommunications plc | | 8.875% | 12/15/30 | 330 | 440 |
| France Telecom SA | | 8.500% | 3/1/31 | 560 | 731 |
| Koninklijke (Royal) KPN NV | | 8.375% | 10/1/30 | 240 | 275 |
| Tele Norte Leste Participacoes S.A. | | 8.000% | 12/18/13 | 410 | 433 |
| Telus Corporation | | 7.500% | 6/1/07 | 250 | 253 |
| | | | | | 2,132 |
| <i>Telecommunications (Cellular/Wireless)</i> | | | | | |
| | 1.2% | | | | |
| Rogers Wireless Communications Inc. | | 6.375% | 3/1/14 | 300 | 299 |
| Telecom Italia Capital | | 7.200% | 7/18/36 | 770 | 791 |
| Telefonica Emisiones SAU | | 7.045% | 6/20/36 | 600 | 633 |
| | | | | | 1,723 |

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| | % OF NET ASSETS | RATE | MATURITY DATE | PAR/ SHARES | VALUE |
|---|--------------------|--------|------------------|----------------|------------------|
| <i>Transportation</i> | | | | | |
| Qantas Airways Limited | 0.3% | 6.050% | 4/15/16 | 370 | 372 ^D |
| <i>Utilities</i> | | | | | |
| United Utilities plc | 0.4% | 5.375% | 2/1/19 | 580 | 553 |
| Total Yankee Bonds (Identified Cost \$33,090) | | | | | 35,235 |
| Total Long-Term Securities (Identified Cost \$140,972) | | | | | 146,126 |
| Investment of Collateral From Securities Lending | 11.8% | | | | |
| State Street Navigator Securities Lending Prime Portfolio | | | | 17,508 shs | 17,508 |
| Total Investment of Collateral From Securities Lending (Identified Cost \$17,508) | | | | | |
| | | | | | 17,508 |
| Short-Term Securities | 0.3% | | | | |
| <i>Repurchase Agreements</i> | | | | | |
| Lehman Brothers, Inc. 5.25%, dated 9/29/06, to be repurchased at \$490 on 10/2/06 (Collateral: \$2,075 Federal Home Loan Bank principal-only securities, due 9/29/28, value \$500) | 0.3% | | | 490 | 490 |
| Total Repurchase Agreements | | | | | 490 |
| Total Short-Term Securities (Identified Cost \$490) | | | | | 490 |
| Total Investments (Identified Cost \$158,970) | 110.6% | | | | 164,124 |
| Obligation to Return Collateral For Securities Loaned | (11.8)% | | | | (17,508) |
| Other Assets Less Liabilities | 1.2% | | | | 1,744 |
| Net Assets Applicable to Common Shareholders | 100.0% | | | | \$ 148,360 |

^A All or a portion of this security is on loan.

^B Stepped coupon security A security with a predetermined schedule of interest or dividend rate changes.

^C Indexed Security The rate of interest earned on this security is tied to the London Interbank Offered Rate (LIBOR). The coupon rate is the rate as of September 30, 2006.

^D 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 18.7% of net assets.

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

N.M. Not Meaningful

Security Valuation

The Fund's securities are valued on the basis of readily available market quotations or, lacking such quotations, at fair value as determined under policies approved by and under the general oversight of the Board of Directors. In determining fair value, all relevant qualitative and quantitative factors available are considered. These factors are subject to change over time and are reviewed periodically. The Fund may use fair value

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pricing instead of market quotations to value one or more securities if the Fund believes that, because of special circumstances, doing so would more accurately reflect the prices the Fund would expect to realize on the current sale of those securities. Further, because of the inherent uncertainty of valuation, those estimated values may differ significantly from quoted or published values or from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Securities Lending

The Fund lends its securities to approved brokers to earn additional income and receives cash and U.S. government securities as collateral against the loans. Cash collateral received is invested in a money market pooled account by the Fund's lending agent. Collateral is maintained over the life of the loan in an amount not less than 100% of the value of loaned securities. At September 30, 2006, the market value of the securities on loan to broker-dealers was \$17,143 for which the Fund received collateral of \$17,508 in cash. Such collateral is in the possession of the Fund's custodian. The cash was invested in the State Street Navigator Securities Lending Prime Portfolio and is included in the Fund's portfolio of investments. As with other extensions of credit, the Fund may bear the risk of delay in recovery or even loss of rights to the collateral should the borrower of the securities fail financially.

Other information regarding the Fund is available in the Fund's most recent Report to Shareholders. This information is available on the Securities and Exchange Commission's website (www.sec.gov).

Item 2 Controls and Procedures

- (a) Western Asset Income Fund's (the Registrant) principal executive and principal financial officers have concluded, based on their evaluation of the Registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the Registrant's disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the Registrant on Form N-Q is recorded, processed, summarized and reported within the required time periods in the Securities and Exchange Commission's rules and forms and that information required to be disclosed by the Registrant in the reports that it files or submits on Form N-Q is accumulated and communicated to the Registrant's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

- (b) There were no changes in the Registrant's internal control over financial reporting during the Registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

Item 3 Exhibits

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 filed as an exhibit hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Western Asset Income Fund

By: /s/ James W. Hirschmann
James W. Hirschmann
President
Western Asset Income Fund

Date: November 27, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ James W. Hirschmann
James W. Hirschmann
President
Western Asset Income Fund

Date: November 27, 2006

By: /s/ Marie K. Karpinski
Marie K. Karpinski
Principal Financial and Accounting Officer
Western Asset Income Fund

Date: November 20, 2006