

WESTERN ASSET HIGH INCOME FUND II INC.

Form N-CSRS

December 28, 2016

[Table of Contents](#)

**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 811-08709**

**Western Asset High Income Fund II Inc.**

**(Exact name of registrant as specified in charter)**

**620 Eighth Avenue, 49<sup>th</sup> 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: April 30**

**Date of reporting period: October 31, 2016**

**Table of Contents**

ITEM 1. REPORT TO STOCKHOLDERS.

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

**Table of Contents**

Semi-Annual Report

October 31, 2016

WESTERN ASSET

HIGH INCOME FUND II INC.

(HIX)

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

**Table of Contents**

<b>What's inside</b>	
<a href="#"><u>Letter from the chairman</u></a>	III
<a href="#"><u>Investment commentary</u></a>	IV
<a href="#"><u>Fund at a glance</u></a>	1
<a href="#"><u>Spread duration</u></a>	2
<a href="#"><u>Effective duration</u></a>	3
<a href="#"><u>Schedule of investments</u></a>	4
<a href="#"><u>Statement of assets and liabilities</u></a>	22
<a href="#"><u>Statement of operations</u></a>	23
<a href="#"><u>Statements of changes in net assets</u></a>	24
<a href="#"><u>Statement of cash flows</u></a>	25
<a href="#"><u>Financial highlights</u></a>	26
<a href="#"><u>Notes to financial statements</u></a>	28
<a href="#"><u>Additional shareholder information</u></a>	41
<a href="#"><u>Dividend reinvestment plan</u></a>	42

**Fund objectives**

The Fund seeks to maximize current income by investing at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield debt securities. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income.

Under normal market conditions, the Fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield debt securities. In addition, the Fund may invest up to 35% of its total assets in debt securities of issuers located in emerging market countries.

II Western Asset High Income Fund II Inc.

**Table of Contents**

## Letter from the chairman

**Dear Shareholder,**

We are pleased to provide the semi-annual report of Western Asset High Income Fund II Inc. for the six-month reporting period ended October 31, 2016. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

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](http://www.lmcef.com). Here you can gain immediate access to market and investment information, including:

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

November 30, 2016

**Table of Contents**

## Investment commentary

### Economic review

The pace of U.S. economic activity fluctuated during the six months ended October 31, 2016 (the reporting period). Looking back, the U.S. Department of Commerce reported that first and second quarter 2016 U.S. gross domestic product (GDP) growth was 0.8% and 1.4%, respectively. The U.S. Department of Commerce's second reading for third quarter 2016 GDP growth released after the reporting period ended was 3.2%. The improvement in GDP growth in the third quarter 2016 reflected an increase in private inventory investment, an acceleration in exports, an upturn in federal government spending and smaller decreases in state and local government spending.

While there was a pocket of weakness in May 2016, job growth in the U.S. was solid overall and a tailwind for the economy during the reporting period. When the period ended on October 31, 2016, the unemployment rate was 4.9%, as reported by the U.S. Department of Labor. However, the percentage of longer-term unemployed edged slightly higher over the period. In October 2016, 25.2% of Americans looking for a job had been out of work for more than six months, versus 25.1% when the period began.

## **Table of Contents**

### **Market review**

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

A. Looking back, after an extended period of maintaining the federal funds rate<sup>iii</sup> at a historically low range between zero and 0.25%, the Fed increased the rate at its meeting on December 16, 2015. This marked the first rate hike since 2006. In particular, the U.S. central bank raised the federal funds rate to a range between 0.25% and 0.50%. At its meeting that concluded on November 2, 2016 (after the reporting period ended), as well as during the prior meetings of the year, the Fed kept rates on hold. In the Fed's statement after the November meeting it said, "The Committee judges that the case for an increase in the federal funds rate has continued to strengthen but decided, for the time being, to wait for some further evidence of continued progress toward its objectives. The stance of monetary policy remains accommodative, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation."

#### **Q. Did Treasury yields trend higher or lower during the six months ended October 31, 2016?**

A. Short-term Treasury yields moved higher, whereas long-term Treasury yields were relatively flat overall during the six months ended October 31, 2016. Two-year Treasury yields began the reporting period at 0.77% and ended the period at 0.86%. Their peak of 0.92% took place on May 24 and May 25, 2016 and their low of 0.56% occurred on July 5, 2016. Ten-year Treasury yields began the reporting period at 1.83% and ended the period at 1.60%. Their peak of 1.88% took place on May 2, 2016 and their low of 1.37% occurred on July 5 and July 8, 2016.

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

A. The spread sectors generally posted positive results during the reporting period. Performance fluctuated with investor sentiment given signs of moderating global growth, shifting expectations for future Fed monetary policy, Brexit—the U.K.'s vote to leave the European Union, and several geopolitical issues. The broad U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Index<sup>iv</sup>, gained 1.51% during the six months ended October 31, 2016. Higher risk segments of the market generated the best returns during the reporting period.

#### **Q. How did the high-yield bond market perform over the six months ended October 31, 2016?**

A. The U.S. high-yield bond market, as measured by the Bloomberg Barclays U.S. Corporate High Yield – 2% Issuer Cap Index<sup>v</sup>, gained 7.59% for the six months ended October 31, 2016. The high-yield market posted positive returns during all six months of the reporting period. This was driven by several factors, including robust demand from investors looking to generate incremental yield in the low interest rate environment, stabilizing oil prices and the Fed reducing its expectations for rate hikes in 2016.

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

A. The JPMorgan Emerging Markets Bond Index Global (EMBI Global)<sup>vi</sup> gained 5.71% during the six months ended October 31, 2016. While there were several bouts of weakness, the asset class generated positive returns during four of the six months of the



**Table of Contents**

**Investment commentary (cont d)**

reporting period. Supporting the asset class were stabilizing oil prices, accommodative global monetary policy and overall solid investor demand.

**Performance review**

For the six months ended October 31, 2016, Western Asset High Income Fund II Inc. returned 11.70% based on its net asset value ( NAV<sup>ii</sup>) and 7.84% based on its New York Stock Exchange ( NYSE ) market price per share. The Fund’s unmanaged benchmarks, the Bloomberg Barclays U.S. Corporate High Yield – 2% Issuer Cap Index and the EMBI Global, returned 7.59% and 5.71%, respectively for the same period. The Lipper High Yield (Leveraged) Closed-End Funds Category Average<sup>viii</sup> returned 9.66% over the same time frame. Please note that Lipper performance returns are based on each fund’s NAV.

During this six-month period, the Fund made distributions to shareholders totaling \$0.36 per share. As of October 31, 2016, the Fund estimates that 97.1% of the distributions were sourced from investment income and 2.9% constitutes a return of capital.\* The performance table shows the Fund’s six-month total return based on its NAV and market price as of October 31, 2016. **Past performance is no guarantee of future results.**

**Performance Snapshot** as of October 31, 2016  
(unaudited)

	6-Month Total Return**
Price Per Share	
\$7.57 (NAV)	11.70%
\$7.07 (Market Price)	7.84%

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

**\*\* Total returns are based on changes in NAV or market price, respectively. 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, including returns of capital, if any, at NAV.**

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

\*These estimates are not for tax purposes. The Fund will issue a Form 1099 with final composition of the distributions for tax purposes after year-end. A return of capital is not taxable and results in a reduction in the tax basis of a shareholder’s investment. For more information about a distribution’s composition, please refer to the Fund’s distribution press release or, if applicable, the Section 19 notice located in the press release section of our website, [www.lmcef.com](http://www.lmcef.com) (click on the name of the Fund).

## Table of Contents

### Looking for additional information?

The Fund is traded under the symbol **HIX** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XHGIX** 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](http://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 High Income Fund II 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,

Jane Trust, CFA

Chairman, President and

Chief Executive Officer

November 30, 2016

***RISKS:** The Fund is a 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. The Fund's investments are subject to credit risk, inflation risk and interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund's holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. High-yield bonds, known as junk bonds, involve greater credit and liquidity risks than investment grade bonds. Foreign securities are subject to certain risks not associated with domestic investing, such as currency fluctuations and changes in political and economic conditions which could result in significant fluctuations. These risks are magnified in emerging markets. The Fund is also permitted purchases of equity securities. Equity securities generally have greater price volatility than fixed income securities. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss.*

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.

Western Asset High Income Fund II Inc.

VII

**Table of Contents**

**Investment commentary (cont d)**

- <sup>i</sup> Gross domestic product ( GDP ) is the market value of all final goods and services produced within a country in a given period of time.
  
- <sup>ii</sup> 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.
  
- <sup>iii</sup> 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.
  
- <sup>iv</sup> 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.
  
- <sup>v</sup> The Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Bloomberg Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
  
- <sup>vi</sup> The JPMorgan Emerging Markets Bond Index Global ( EMBI Global ) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.
  
- <sup>vii</sup> 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.
  
- <sup>viii</sup> Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended October 31, 2016, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 35 funds in the Fund's Lipper category.

VIII Western Asset High Income Fund II Inc.

**Table of Contents**

**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 October 31, 2016 and April 30, 2016 and does not include derivatives, such as forward foreign currency contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

Represents less than 0.1%.

\* Effective August 31, 2016, the Financials sector was redefined to exclude real estate and a Real Estate sector was created.

**Table of Contents**

**Spread duration** (unaudited)

**Economic exposure** October 31, 2016

**Total Spread Duration**

HIX 5.16 years

Benchmark 4.68 years

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark 80% of Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index and 20% of JPMorgan Emerging Markets Bond Index Global  
 EM Emerging Markets  
 HIX Western Asset High Income Fund II Inc.  
 HY High Yield  
 IG Credit Investment Grade Credit

2 Western Asset High Income Fund II Inc. 2016 Semi-Annual Report

**Table of Contents**

## Effective duration (unaudited)

Interest rate exposure October 31, 2016

Total Effective Duration

HIX 5.89 years

Benchmark 4.73 years

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark 80% of Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index and 20% of JPMorgan Emerging Markets Bond Index Global  
EM Emerging Markets  
HIX Western Asset High Income Fund II Inc.  
HY High Yield  
IG Credit Investment Grade Credit

**Table of Contents****Schedule of investments (unaudited)**

October 31, 2016

**Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<b>Corporate Bonds &amp; Notes</b> 111.1%				
<b>Consumer Discretionary</b> 22.8%				
<i>Auto Components</i> 1.3%				
Adient Global Holdings Ltd., Senior Notes	4.875%	8/15/26	2,310,000	\$ 2,277,891 (a)
Goodyear Tire & Rubber Co., Senior Notes	5.000%	5/31/26	1,330,000	1,344,962 (b)
IHO Verwaltungs GmbH, Senior Secured Bonds	4.125%	9/15/21	910,000	933,888 (a)(c)
IHO Verwaltungs GmbH, Senior Secured Bonds	4.750%	9/15/26	910,000	910,000 (a)(c)
ZF North America Capital Inc., Senior Notes	4.750%	4/29/25	2,940,000	3,112,725 (a)
<i>Total Auto Components</i>				<i>8,579,466</i>
<i>Diversified Consumer Services</i> 1.4%				
Cengage Learning Inc., Senior Notes	9.500%	6/15/24	1,870,000	1,771,825 (a)(b)
Prime Security Services Borrower LLC/Prime Finance Inc., Secured Notes	9.250%	5/15/23	3,300,000	3,514,500 (a)
Service Corp. International, Senior Notes	7.500%	4/1/27	2,090,000	2,455,750 (b)
StoneMor Partners LP/Cornerstone Family Services of WV, Senior Notes	7.875%	6/1/21	1,810,000	1,778,325 (b)
<i>Total Diversified Consumer Services</i>				<i>9,520,400</i>
<i>Hotels, Restaurants &amp; Leisure</i> 4.7%				
Bossier Casino Venture Holdco Inc., Senior Secured Bonds	14.000%	2/9/18	2,736,014	2,736,014 (a)(b)(c)(d)(e)
Brinker International Inc., Senior Notes	5.000%	10/1/24	3,506,000	3,576,120 (a)
Carrols Restaurant Group Inc., Secured Notes	8.000%	5/1/22	1,910,000	2,086,675 (b)
CCM Merger Inc., Senior Notes	9.125%	5/1/19	1,344,000	1,406,182 (a)(b)
CEC Entertainment Inc., Senior Notes	8.000%	2/15/22	2,060,000	2,080,600 (b)
Downstream Development Authority of the Quapaw Tribe of Oklahoma, Senior Secured Notes	10.500%	7/1/19	2,180,000	2,212,700 (a)(b)
Fontainebleau Las Vegas Holdings LLC, Senior Secured Notes	10.250%	6/15/15	975,000	102 *(a)(b)(f)
Gala Electric Casinos Ltd., Secured Notes	11.500%	6/1/19	1,097,091 GBP	1,387,959 (g)
GLP Capital LP/GLP Financing II Inc., Senior Notes	5.375%	4/15/26	2,177,000	2,318,505 (b)
Greektown Holdings LLC/Greektown Mothership Corp., Senior Secured Notes	8.875%	3/15/19	850,000	903,125 (a)(b)
Landry's Inc., Senior Notes	6.750%	10/15/24	2,020,000	2,065,450 (a)(b)
MGM Resorts International, Senior Notes	4.625%	9/1/26	2,210,000	2,138,175 (b)
Mohegan Tribal Gaming Authority, Senior Notes	7.875%	10/15/24	1,640,000	1,668,700 (a)
Scientific Games International Inc., Senior Secured Notes	7.000%	1/1/22	1,030,000	1,100,658 (a)(b)
Viking Cruises Ltd., Senior Notes	8.500%	10/15/22	4,897,000	4,958,213 (a)(b)
<i>Total Hotels, Restaurants &amp; Leisure</i>				<i>30,639,178</i>
<i>Household Durables</i> 2.2%				
Century Intermediate Holding Co. 2, Senior Notes	9.750%	2/15/19	3,860,000	3,917,900 (a)(b)(c)
Shea Homes LP/Shea Homes Funding Corp., Senior Notes	6.125%	4/1/25	3,120,000	3,088,800 (a)(b)

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Household Durables continued</i>				
William Lyon Homes Inc., Senior Notes	8.500%	11/15/20	2,980,000	\$ 3,136,450 <sup>(b)</sup>
William Lyon Homes Inc., Senior Notes	7.000%	8/15/22	610,000	637,450 <sup>(b)</sup>
Woodside Homes Co., LLC/Woodside Homes Finance Inc., Senior Notes	6.750%	12/15/21	3,720,000	3,627,000 <sup>(a)(b)</sup>
<i>Total Household Durables</i>				<i>14,407,600</i>
<i>Leisure Products 0.3%</i>				
Gibson Brands Inc., Senior Secured Notes	8.875%	8/1/18	2,560,000	1,900,800 <sup>(a)(b)</sup>
<i>Media 9.3%</i>				
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	5.750%	2/15/26	2,050,000	2,140,969 <sup>(a)</sup>
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	5.875%	5/1/27	3,100,000	3,255,000 <sup>(a)(b)</sup>
Charter Communications Operating LLC/Charter Communications Operating Capital Corp., Senior Secured Notes	4.908%	7/23/25	3,510,000	3,792,313 <sup>(a)(b)</sup>
Charter Communications Operating LLC/Charter Communications Operating Capital Corp., Senior Secured Notes	6.484%	10/23/45	1,480,000	1,740,443 <sup>(a)(b)</sup>
DISH DBS Corp., Senior Notes	5.875%	7/15/22	1,400,000	1,449,000 <sup>(b)</sup>
DISH DBS Corp., Senior Notes	5.875%	11/15/24	1,020,000	1,030,838 <sup>(b)</sup>
DISH DBS Corp., Senior Notes	7.750%	7/1/26	3,850,000	4,237,425
iHeartCommunications Inc., Senior Notes	14.000%	2/1/21	2,768,612	1,065,916 <sup>(b)(c)</sup>
LG FinanceCo Corp., Senior Notes	5.875%	11/1/24	920,000	933,225 <sup>(a)</sup>
MDC Partners Inc., Senior Notes	6.500%	5/1/24	2,650,000	2,272,375 <sup>(a)(b)</sup>
New Cotai LLC/New Cotai Capital Corp., Senior Secured Notes	10.625%	5/1/19	2,767,499	1,646,662 <sup>(a)(b)(c)</sup>
SFR Group SA, Senior Secured Bonds	6.250%	5/15/24	7,770,000	7,794,242 <sup>(a)</sup>
SFR Group SA, Senior Secured Notes	7.375%	5/1/26	3,500,000	3,539,375 <sup>(a)</sup>
Time Warner Cable Inc., Senior Notes	8.750%	2/14/19	2,500,000	2,872,895 <sup>(b)</sup>
Time Warner Cable Inc., Senior Notes	8.250%	4/1/19	1,336,000	1,528,280 <sup>(b)</sup>
Univision Communications Inc., Senior Secured Notes	5.125%	2/15/25	4,184,000	4,210,150 <sup>(a)(b)</sup>
Viacom Inc., Senior Notes	4.375%	3/15/43	4,689,000	4,330,118
Virgin Media Finance PLC, Senior Notes	6.375%	4/15/23	5,620,000	5,760,500 <sup>(a)(b)</sup>
Virgin Media Finance PLC, Senior Notes	6.000%	10/15/24	3,990,000	4,064,812 <sup>(a)(b)</sup>
Ziggo Secured Finance BV, Senior Secured Notes	5.500%	1/15/27	3,100,000	3,069,000 <sup>(a)</sup>
<i>Total Media</i>				<i>60,733,538</i>
<i>Multiline Retail 0.9%</i>				
Dollar Tree Inc., Senior Notes	5.750%	3/1/23	2,210,000	2,364,700 <sup>(b)</sup>
Neiman Marcus Group LLC, Senior Secured Notes	7.125%	6/1/28	660,000	622,050 <sup>(b)</sup>
Neiman Marcus Group Ltd. LLC, Senior Notes	8.000%	10/15/21	1,310,000	1,087,300 <sup>(a)(b)</sup>
Neiman Marcus Group Ltd. LLC, Senior Notes	8.750%	10/15/21	2,040,000	1,615,425 <sup>(a)(b)(c)</sup>
<i>Total Multiline Retail</i>				<i>5,689,475</i>

See Notes to Financial Statements.



**Table of Contents****Schedule of investments (unaudited) (cont d)**

October 31, 2016

**Western Asset High Income Fund II Inc.**

	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<i>Specialty Retail 2.7%</i>				
American Greetings Corp., Senior Notes	7.375%	12/1/21	2,480,000	\$ 2,551,300 (b)
GameStop Corp., Senior Notes	6.750%	3/15/21	1,760,000	1,817,200 (a)(b)
Guitar Center Inc., Senior Secured Bonds	6.500%	4/15/19	6,210,000	5,604,525 (a)(b)
Hot Topic Inc., Senior Secured Notes	9.250%	6/15/21	1,570,000	1,672,050 (a)(b)
L Brands Inc., Debentures	6.950%	3/1/33	800,000	830,000 (b)
L Brands Inc., Senior Notes	6.875%	11/1/35	1,710,000	1,821,150
L Brands Inc., Senior Notes	7.600%	7/15/37	270,000	284,175
PetSmart Inc., Senior Notes	7.125%	3/15/23	1,060,000	1,111,675 (a)(b)
Sally Holdings LLC/Sally Capital Inc., Senior Notes	5.625%	12/1/25	1,650,000	1,769,625 (b)
<i>Total Specialty Retail</i>				<i>17,461,700</i>
<b>Total Consumer Discretionary</b>				<b>148,932,157</b>
<b>Consumer Staples 4.4%</b>				
<i>Beverages 1.0%</i>				
Carolina Beverage Group LLC/Carolina Beverage Group Finance Inc., Secured Notes	10.625%	8/1/18	2,410,000	2,253,350 (a)(b)
Cott Beverages Inc., Senior Notes	6.750%	1/1/20	2,140,000	2,228,275 (b)
DS Services of America Inc., Secured Notes	10.000%	9/1/21	2,003,000	2,233,345 (a)(b)
<i>Total Beverages</i>				<i>6,714,970</i>
<i>Food &amp; Staples 0.2%</i>				
FAGE International SA/FAGE USA Dairy Industry Inc., Senior Notes	5.625%	8/15/26	1,250,000	1,293,750 (a)
<i>Food &amp; Staples Retailing 0.5%</i>				
Beverages & More Inc., Senior Secured Notes	10.000%	11/15/18	3,110,000	3,012,812 (a)(b)
<i>Food Products 1.1%</i>				
Pilgrim s Pride Corp., Senior Notes	5.750%	3/15/25	3,090,000	3,174,975 (a)(b)
Simmons Foods Inc., Secured Notes	7.875%	10/1/21	4,220,000	4,262,200 (a)(b)
<i>Total Food Products</i>				<i>7,437,175</i>
<i>Household Products 0.8%</i>				
Central Garden & Pet Co., Senior Notes	6.125%	11/15/23	1,290,000	1,383,525 (b)
Spectrum Brands Inc., Senior Notes	6.125%	12/15/24	1,630,000	1,793,000 (b)
Spectrum Brands Inc., Senior Notes	5.750%	7/15/25	2,080,000	2,262,000 (b)
<i>Total Household Products</i>				<i>5,438,525</i>
<i>Tobacco 0.8%</i>				
Alliance One International Inc., Secured Notes	9.875%	7/15/21	4,500,000	3,774,375 (b)
Alliance One International Inc., Senior Secured Notes	8.500%	4/15/21	1,170,000	1,172,925 (a)
<i>Total Tobacco</i>				<i>4,947,300</i>
<b>Total Consumer Staples</b>				<b>28,844,532</b>

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<b>Energy 20.5%</b>				
<i>Energy Equipment &amp; Services 1.6%</i>				
CGG, Senior Notes	6.500%	6/1/21	2,520,000	\$ 1,285,200
CGG, Senior Notes	6.875%	1/15/22	480,000	242,400
EnSCO PLC, Senior Notes	4.700%	3/15/21	450,000	416,700
EnSCO PLC, Senior Notes	5.750%	10/1/44	2,403,000	1,616,017
KCA Deutag UK Finance PLC, Senior Secured Notes	7.250%	5/15/21	880,000	761,200 (a)
Pride International Inc., Senior Notes	6.875%	8/15/20	650,000	662,188
Pride International Inc., Senior Notes	7.875%	8/15/40	1,890,000	1,516,725 (b)
SESI LLC, Senior Notes	6.375%	5/1/19	2,780,000	2,759,150
Sierra Hamilton LLC/Sierra Hamilton Finance Inc., Senior Secured Notes	12.250%	12/15/18	2,730,000	1,116,297 (a)(b)(d)(e)
<i>Total Energy Equipment &amp; Services</i>				<i>10,375,877</i>
<i>Oil, Gas &amp; Consumable Fuels 18.9%</i>				
Berry Petroleum Co., Senior Notes	6.750%	11/1/20	1,550,000	860,250 *(b)(d)(h)
Blue Racer Midstream LLC/Blue Racer Finance Corp., Senior Notes	6.125%	11/15/22	2,260,000	2,220,450 (a)(b)
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Secured Notes	11.500%	1/15/21	2,150,000	2,434,875 (a)(b)
Carrizo Oil & Gas Inc., Senior Notes	7.500%	9/15/20	1,750,000	1,822,188 (b)
Chesapeake Energy Corp., Senior Notes	6.875%	11/15/20	4,340,000	4,112,150 (b)
Chesapeake Energy Corp., Senior Notes	5.375%	6/15/21	940,000	822,500
Chesapeake Energy Corp., Senior Notes	5.750%	3/15/23	700,000	609,000
Continental Resources Inc., Senior Notes	5.000%	9/15/22	570,000	560,025 (b)
Continental Resources Inc., Senior Notes	3.800%	6/1/24	550,000	508,750
Continental Resources Inc., Senior Notes	4.900%	6/1/44	2,650,000	2,269,062
Crestwood Midstream Partners LP/Crestwood Midstream Finance Corp., Senior Notes	6.125%	3/1/22	2,919,000	2,999,272 (b)
Diamondback Energy Inc., Senior Notes	4.750%	11/1/24	760,000	760,950 (a)
Ecopetrol SA, Senior Notes	5.875%	5/28/45	2,500,000	2,218,750 (b)
Enterprise Products Operating LLC, Junior Subordinated Notes	4.593%	8/1/66	285,000	271,463 (b)(i)
EP Energy LLC/Everest Acquisition Finance Inc., Senior Notes	9.375%	5/1/20	1,960,000	1,548,400 (b)
EP Energy LLC/Everest Acquisition Finance Inc., Senior Notes	6.375%	6/15/23	1,330,000	911,050 (b)
Extraction Oil & Gas Holdings LLC/Extraction Finance Corp., Senior Notes	7.875%	7/15/21	960,000	1,020,000 (a)(b)
Freeport-McMoRan Oil & Gas LLC/FCX Oil & Gas Inc., Senior Notes	6.125%	6/15/19	670,000	686,750
Freeport-McMoRan Oil & Gas LLC/FCX Oil & Gas Inc., Senior Notes	6.750%	2/1/22	740,000	760,350

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (unaudited) (cont d)**

October 31, 2016

**Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas &amp; Consumable Fuels continued</i>				
Freeport-McMoRan Oil & Gas LLC/FCX Oil & Gas Inc., Senior Notes	6.875%	2/15/23	2,490,000	\$ 2,595,825 (b)
Gazprom OAO Via Gaz Capital SA, Loan Participation Notes, Senior Notes	6.510%	3/7/22	2,550,000	2,800,260 (a)
Globe Luxembourg SCA, Senior Secured Notes	9.625%	5/1/18	5,640,000	5,428,500 (a)(b)
Gulfport Energy Corp., Senior Notes	6.000%	10/15/24	2,010,000	2,050,200 (a)
Holly Energy Partners LP/Holly Energy Finance Corp., Senior Notes	6.000%	8/1/24	720,000	752,400 (a)
Kinder Morgan Inc., Medium-Term Notes	7.750%	1/15/32	1,950,000	2,390,353 (b)
LUKOIL International Finance BV, Bonds	6.356%	6/7/17	1,720,000	1,764,985 (g)
LUKOIL International Finance BV, Senior Notes	4.563%	4/24/23	2,040,000	2,071,997 (a)
Magnum Hunter Resources Corp. Escrow	9.750%	5/15/20	8,070,000	0 *(d)(e)(j)
MEG Energy Corp., Senior Notes	6.500%	3/15/21	3,250,000	2,819,375 (a)
MEG Energy Corp., Senior Notes	7.000%	3/31/24	880,000	726,000 (a)
Murray Energy Corp., Senior Secured Notes	11.250%	4/15/21	2,580,000	1,993,050 (a)(b)
NGL Energy Partners LP/NGL Energy Finance Corp., Senior Notes	7.500%	11/1/23	2,000,000	2,015,000 (a)
NGPL PipeCo LLC, Senior Secured Notes	7.768%	12/15/37	1,900,000	2,090,000 (a)(b)
Oasis Petroleum Inc., Senior Notes	7.250%	2/1/19	2,240,000	2,268,000 (b)
Oasis Petroleum Inc., Senior Notes	6.500%	11/1/21	3,238,000	3,233,952 (b)
Oasis Petroleum Inc., Senior Notes	6.875%	1/15/23	1,540,000	1,516,900 (b)
Pacific Exploration and Production Corp., Senior Notes	12.000%	12/22/16	1,810,000	1,831,720
Pacific Exploration and Production Corp., Senior Notes	7.250%	12/12/21	2,350,000	481,750 *(a)(h)
Petrobras Global Finance BV, Senior Notes	4.375%	5/20/23	800,000	727,000
Petrobras Global Finance BV, Senior Notes	6.750%	1/27/41	3,980,000	3,545,981
Petroleos de Venezuela SA, Senior Bonds	6.000%	5/16/24	4,560,000	1,721,400 (g)
Petroleos Mexicanos, Senior Bonds	6.625%	6/15/35	2,000,000	2,023,000
Petroleos Mexicanos, Senior Notes	4.875%	1/24/22	5,900,000	6,046,320
Rice Energy Inc., Senior Notes	7.250%	5/1/23	2,952,000	3,143,880 (b)
Rockies Express Pipeline LLC, Senior Notes	7.500%	7/15/38	1,330,000	1,436,400 (a)(b)
Rockies Express Pipeline LLC, Senior Notes	6.875%	4/15/40	1,430,000	1,497,925 (a)(b)
Rosneft Finance SA, Senior Notes	7.875%	3/13/18	1,390,000	1,481,254 (a)(b)
Sabine Pass Liquefaction LLC, Senior Secured Notes	5.750%	5/15/24	1,750,000	1,859,375
Sabine Pass Liquefaction LLC, Senior Secured Notes	5.000%	3/15/27	700,000	714,000 (a)
Sanchez Energy Corp., Senior Notes	7.750%	6/15/21	1,470,000	1,374,450 (b)(d)
Sanchez Energy Corp., Senior Notes	6.125%	1/15/23	10,670,000	9,176,200 (b)(d)
Shelf Drilling Holdings Ltd., Senior Secured Notes	8.625%	11/1/18	1,810,000	1,457,050 (a)(b)(d)
Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Notes	5.125%	2/1/25	1,810,000	1,810,000 (a)

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas &amp; Consumable Fuels continued</i>				
Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Notes	5.375%	2/1/27	2,000,000	\$ 2,005,000 (a)(b)
Tesoro Logistics LP/Tesoro Logistics Finance Corp., Senior Notes	6.125%	10/15/21	290,000	303,594
Tesoro Logistics LP/Tesoro Logistics Finance Corp., Senior Notes	6.375%	5/1/24	810,000	876,825
Whiting Petroleum Corp., Senior Notes	5.000%	3/15/19	1,840,000	1,757,200 (b)
Whiting Petroleum Corp., Senior Notes	6.250%	4/1/23	690,000	639,975 (b)
Williams Cos. Inc., Debentures	7.500%	1/15/31	780,000	900,416
Williams Cos. Inc., Senior Notes	3.700%	1/15/23	1,040,000	1,011,400
Williams Cos. Inc., Senior Notes	4.550%	6/24/24	1,280,000	1,308,800 (b)
Williams Cos. Inc., Senior Notes	5.750%	6/24/44	3,900,000	4,004,812 (b)
WPX Energy Inc., Senior Notes	7.500%	8/1/20	610,000	645,838 (b)
WPX Energy Inc., Senior Notes	8.250%	8/1/23	1,020,000	1,106,700 (b)
YPF Sociedad Anonima, Senior Notes	8.500%	3/23/21	540,000	595,188 (a)
YPF Sociedad Anonima, Senior Notes	8.500%	7/28/25	3,530,000	3,856,525 (a)
<i>Total Oil, Gas &amp; Consumable Fuels</i>				<i>123,253,010</i>
<b>Total Energy</b>				<b>133,628,887</b>
<b>Financials 13.4%</b>				
<i>Banks 8.3%</i>				
Bank of America Corp., Junior Subordinated Notes	6.500%	10/23/24	2,550,000	2,769,937 (b)(i)(k)
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	3,710,000	4,695,536 (a)(b)
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	2,950,000	3,298,469 (b)
Barclays PLC, Junior Subordinated Bonds	8.250%	12/15/18	800,000	812,300 (b)(i)(k)
BNP Paribas SA, Junior Subordinated Notes	7.375%	8/19/25	1,820,000	1,870,050 (a)(b)(i)(k)
CIT Group Inc., Senior Notes	5.375%	5/15/20	340,000	364,225
CIT Group Inc., Senior Notes	5.000%	8/15/22	1,060,000	1,132,875 (b)
CIT Group Inc., Senior Notes	5.000%	8/1/23	3,901,000	4,164,708 (b)
Citigroup Inc., Junior Subordinated Bonds	6.300%	5/15/24	2,530,000	2,593,250 (b)(i)(k)
Credit Agricole SA, Junior Subordinated Notes	8.375%	10/13/19	3,180,000	3,595,880 (a)(b)(i)(k)
Credit Agricole SA, Junior Subordinated Notes	8.125%	12/23/25	2,510,000	2,703,069 (a)(i)(k)
JPMorgan Chase & Co., Junior Subordinated Bonds	6.000%	8/1/23	570,000	595,650 (b)(i)(k)
JPMorgan Chase & Co., Junior Subordinated Notes	6.100%	10/1/24	2,410,000	2,535,681 (b)(i)(k)
Lloyds Banking Group PLC, Subordinated Notes	4.650%	3/24/26	2,030,000	2,093,397
M&T Bank Corp., Junior Subordinated Bonds	6.875%	12/1/16	4,400,000	4,438,500 (b)(k)
Royal Bank of Scotland Group PLC, Junior Subordinated Bonds	7.648%	9/30/31	3,530,000	4,191,875 (b)(i)(k)
Royal Bank of Scotland Group PLC, Junior Subordinated Notes	8.625%	8/15/21	1,370,000	1,366,575 (i)(k)

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (unaudited) (cont d)**

October 31, 2016

**Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Banks continued</i>				
Royal Bank of Scotland NV, Subordinated Bonds	7.750%	5/15/23	650,000	\$ 729,037 <sup>(b)</sup>
Royal Bank of Scotland PLC, Subordinated Notes	13.125%	3/19/22	4,860,000 <sup>AUD</sup>	3,833,942 <sup>(g)(i)</sup>
Santander UK Group Holdings PLC, Junior Subordinated Bonds	7.375%	6/24/22	1,640,000 <sup>GBP</sup>	2,017,892 <sup>(g)(i)(k)</sup>
Sberbank of Russia Via SB Capital SA, Subordinated Notes	5.500%	2/26/24	4,420,000	4,392,375 <sup>(g)(i)</sup>
<i>Total Banks</i>				<i>54,195,223</i>
<i>Capital Markets 1.0%</i>				
Credit Suisse Group Funding Guernsey Ltd., Senior Notes	4.875%	5/15/45	1,110,000	1,170,407
Donnelley Financial Solutions Inc., Senior Notes	8.250%	10/15/24	2,080,000	2,152,800 <sup>(a)</sup>
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	2,320,000	2,935,058 <sup>(b)</sup>
<i>Total Capital Markets</i>				<i>6,258,265</i>
<i>Consumer Finance 0.9%</i>				
Navient Corp., Medium-Term Notes, Senior Notes	8.450%	6/15/18	2,230,000	2,417,432 <sup>(b)</sup>
Navient Corp., Senior Notes	6.625%	7/26/21	1,200,000	1,212,000 <sup>(b)</sup>
TMX Finance LLC/TitleMax Finance Corp., Senior Secured Notes	8.500%	9/15/18	3,129,000	2,362,395 <sup>(a)(b)</sup>
<i>Total Consumer Finance</i>				<i>5,991,827</i>
<i>Diversified Financial Services 2.5%</i>				
AerCap Ireland Capital Ltd./AerCap Global Aviation Trust, Senior Bonds	4.625%	7/1/22	1,390,000	1,454,287
AerCap Ireland Capital Ltd./AerCap Global Aviation Trust, Senior Notes	4.625%	10/30/20	890,000	938,950
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	3,385,000	3,472,279 <sup>(b)</sup>
International Lease Finance Corp., Senior Notes	8.875%	9/1/17	5,180,000	5,464,900 <sup>(b)</sup>
International Lease Finance Corp., Senior Notes	6.250%	5/15/19	310,000	335,962
International Lease Finance Corp., Senior Notes	8.250%	12/15/20	2,160,000	2,575,800 <sup>(b)</sup>
International Lease Finance Corp., Senior Notes	5.875%	8/15/22	760,000	838,873
Nationwide Building Society, Junior Subordinated Notes	6.875%	6/20/19	1,140,000 <sup>GBP</sup>	1,377,919 <sup>(g)(i)(k)</sup>
<i>Total Diversified Financial Services</i>				<i>16,458,970</i>
<i>Insurance 0.7%</i>				
Fidelity & Guaranty Life Holdings Inc., Senior Notes	6.375%	4/1/21	1,450,000	1,453,625 <sup>(a)(b)</sup>
Genworth Holdings Inc., Senior Notes	4.900%	8/15/23	1,780,000	1,468,500 <sup>(b)</sup>
MetLife Capital Trust IV, Junior Subordinated Notes	7.875%	12/15/37	1,100,000	1,413,500 <sup>(a)(b)</sup>
<i>Total Insurance</i>				<i>4,335,625</i>
<b>Total Financials</b>				
<b>Health Care 6.0%</b>				
<i>Biotechnology 0.2%</i>				
AMAG Pharmaceuticals Inc., Senior Notes	7.875%	9/1/23	1,490,000	1,404,325 <sup>(a)(b)</sup>

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Health Care Equipment &amp; Supplies 1.3%</i>				
ConvaTec Finance International SA, Senior Notes	8.250%	1/15/19	1,610,000	\$ 1,610,000 (a)(b)(c)
DJO Finance LLC/DJO Finance Corp., Secured Notes	10.750%	4/15/20	1,360,000	1,169,600
DJO Finco Inc./DJO Finance LLC/DJO Finance Corp., Secured Notes	8.125%	6/15/21	620,000	571,950 (a)(b)
Greatbatch Ltd., Senior Notes	9.125%	11/1/23	1,760,000	1,694,000 (a)(b)
Immucor Inc., Senior Notes	11.125%	8/15/19	1,960,000	1,852,200 (b)
Kinetic Concepts Inc./KCI USA Inc., Senior Secured Notes	7.875%	2/15/21	1,720,000	1,857,600 (a)(b)
<i>Total Health Care Equipment &amp; Supplies</i>				<i>8,755,350</i>
<i>Health Care Providers &amp; Services 3.3%</i>				
BioScrip Inc., Senior Notes	8.875%	2/15/21	1,458,000	1,355,940 (b)
Centene Corp., Senior Notes	5.625%	2/15/21	1,020,000	1,072,540 (b)
Centene Corp., Senior Notes	4.750%	5/15/22	1,290,000	1,315,800 (b)
Centene Corp., Senior Notes	6.125%	2/15/24	810,000	864,675
Centene Corp., Senior Notes	4.750%	1/15/25	980,000	978,163
HCA Inc., Debentures	7.500%	11/15/95	2,205,000	2,238,075 (b)
HCA Inc., Senior Secured Notes	5.250%	6/15/26	1,090,000	1,141,775 (b)
IASIS Healthcare LLC/IASIS Capital Corp., Senior Notes	8.375%	5/15/19	3,240,000	3,102,300 (b)
Synlab Unsecured Bondco PLC, Senior Bonds	8.250%	7/1/23	820,000 EUR	975,588 (g)
Tenet Healthcare Corp., Senior Notes	8.125%	4/1/22	2,010,000	1,974,825 (b)
Tenet Healthcare Corp., Senior Secured Notes	6.000%	10/1/20	2,580,000	2,724,170 (b)
Universal Hospital Services Inc., Secured Notes	7.625%	8/15/20	3,900,000	3,763,500 (b)
<i>Total Health Care Providers &amp; Services</i>				<i>21,507,351</i>
<i>Pharmaceuticals 1.2%</i>				
ConvaTec Healthcare E SA, Senior Notes	10.875%	12/15/18	2,500,000 EUR	2,784,032 (b)(g)
Valeant Pharmaceuticals International Inc., Senior Notes	5.375%	3/15/20	1,280,000	1,113,600 (a)(b)
Valeant Pharmaceuticals International Inc., Senior Notes	7.500%	7/15/21	4,240,000	3,789,500 (a)(b)
<i>Total Pharmaceuticals</i>				<i>7,687,132</i>
<b>Total Health Care</b>				<b>39,354,158</b>
<b>Industrials 11.6%</b>				
<i>Aerospace &amp; Defense 0.9%</i>				
CBC Ammo LLC/CBC FinCo Inc., Senior Notes	7.250%	11/15/21	4,430,000	4,330,325 (a)(b)
LMI Aerospace Inc., Secured Notes	7.375%	7/15/19	1,400,000	1,410,500 (b)
<i>Total Aerospace &amp; Defense</i>				<i>5,740,825</i>
<i>Air Freight &amp; Logistics 0.6%</i>				
XPO Logistics Inc., Senior Notes	6.500%	6/15/22	1,530,000	1,595,025 (a)(b)
XPO Logistics Inc., Senior Notes	6.125%	9/1/23	2,290,000	2,361,562 (a)
<i>Total Air Freight &amp; Logistics</i>				<i>3,956,587</i>

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (unaudited) (cont d)**

October 31, 2016

**Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Airlines 1.0%</i>				
American Airlines, Pass-Through Trust, Secured Notes	7.000%	1/31/18	921,541	\$ 971,074 (a)(b)
Continental Airlines Inc., Pass-Through Certificates	5.983%	4/19/22	3,772,244	4,257,921 (b)
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	988,093	1,127,661 (b)
Delta Air Lines Inc., Pass-Through Certificates, Subordinated Secured Notes	9.750%	12/17/16	426,362	431,354 (b)
<i>Total Airlines</i>				<i>6,788,010</i>
<i>Building Products 0.7%</i>				
GTL Trade Finance Inc., Senior Notes	7.250%	4/16/44	2,340,000	2,246,400 (a)
Standard Industries Inc., Senior Notes	5.125%	2/15/21	870,000	917,850 (a)
Standard Industries Inc., Senior Notes	5.500%	2/15/23	1,290,000	1,348,050 (a)(b)
<i>Total Building Products</i>				<i>4,512,300</i>
<i>Commercial Services &amp; Supplies 2.4%</i>				
Garda World Security Corp., Senior Notes	7.250%	11/15/21	1,270,000	1,219,200 (a)(b)
GFL Environmental Inc., Senior Notes	9.875%	2/1/21	2,290,000	2,519,000 (a)
Monitronics International Inc., Senior Notes	9.125%	4/1/20	810,000	771,525 (b)
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	5.250%	4/15/21	1,241,000	1,278,230 (a)(b)
United Rentals North America Inc., Senior Notes	7.625%	4/15/22	3,018,000	3,224,371 (b)
United Rentals North America Inc., Senior Notes	5.500%	5/15/27	1,750,000	1,743,438
West Corp., Senior Notes	5.375%	7/15/22	4,730,000	4,570,362 (a)(b)
<i>Total Commercial Services &amp; Supplies</i>				<i>15,326,126</i>
<i>Construction &amp; Engineering 1.1%</i>				
Brundage-Bone Concrete Pumping Inc., Senior Secured Notes	10.375%	9/1/21	2,380,000	2,594,200 (a)(b)
Michael Baker Holdings LLC/Michael Baker Finance Corp., Senior Notes	8.875%	4/15/19	2,496,539	2,259,368 (a)(b)(c)
Michael Baker International LLC/CDL Acquisition Co. Inc., Senior Secured Notes	8.250%	10/15/18	1,310,000	1,316,550 (a)(b)
Modular Space Corp., Secured Notes	10.250%	1/31/19	2,480,000	1,078,800 *(a)(b)(d)(h)
<i>Total Construction &amp; Engineering</i>				<i>7,248,918</i>
<i>Electrical Equipment 0.5%</i>				
International Wire Group Inc., Senior Notes	10.750%	8/1/21	1,300,000	1,231,750 (a)(b)
NES Rentals Holdings Inc., Senior Secured Notes	7.875%	5/1/18	1,400,000	1,379,000 (a)(b)
Trionista TopCo GmbH, Senior Subordinated Notes	6.875%	4/30/21	150,000 <sup>EUR</sup>	174,172 (a)
WESCO Distribution Inc., Senior Notes	5.375%	6/15/24	380,000	385,320 (a)(b)
<i>Total Electrical Equipment</i>				<i>3,170,242</i>

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Fund II Inc.**

	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<i>Machinery 1.8%</i>				
Allison Transmission Inc., Senior Bonds	5.000%	10/1/24	4,550,000	\$ 4,652,375 (a)
CTP Transportation Products LLC/CTP Finance Inc., Senior Secured Notes	8.250%	12/15/19	1,570,000	1,201,050 (a)(b)
DH Services Luxembourg Sarl, Senior Notes	7.750%	12/15/20	5,370,000	5,598,225 (a)(b)
<i>Total Machinery</i>				<i>11,451,650</i>
<i>Marine 0.5%</i>				
Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes	8.125%	11/15/21	4,110,000	3,123,600 (a)(b)
Ultrapetrol Bahamas Ltd., Senior Secured Notes	8.875%	6/15/21	2,150,000	419,250 *(d)(h)
<i>Total Marine</i>				<i>3,542,850</i>
<i>Road &amp; Rail 1.1%</i>				
Flexi-Van Leasing Inc., Senior Notes	7.875%	8/15/18	3,040,000	2,842,400 (a)(b)
Florida East Coast Holdings Corp., Senior Secured Notes	6.750%	5/1/19	3,340,000	3,373,400 (a)(b)
Jack Cooper Holdings Corp., Senior Secured Notes	9.250%	6/1/20	1,870,000	1,262,250 (b)
<i>Total Road &amp; Rail</i>				<i>7,478,050</i>
<i>Trading Companies &amp; Distributors 0.7%</i>				
H&E Equipment Services Inc., Senior Notes	7.000%	9/1/22	4,325,000	4,571,525 (b)
<i>Transportation 0.3%</i>				
Neovia Logistics Intermediate Holdings LLC/Logistics Intermediate Finance Corp., Senior Notes	10.000%	2/15/18	2,799,087	1,728,436 (a)(b)(c)
<b>Total Industrials</b>				<b>75,515,519</b>
<i>Information Technology 2.6%</i>				
<i>Electronic Equipment, Instruments &amp; Components 0.1%</i>				
Interface Security Systems Holdings Inc./Interface Security Systems LLC, Senior Secured Notes	9.250%	1/15/18	740,000	742,775 (b)
<i>Internet Software &amp; Services 0.2%</i>				
Match Group Inc., Senior Notes	6.375%	6/1/24	1,170,000	1,267,987
<i>IT Services 1.3%</i>				
Compiler Finance Subordinated Inc., Senior Notes	7.000%	5/1/21	980,000	460,600 (a)(b)(d)
First Data Corp., Senior Secured Notes	5.000%	1/15/24	7,780,000	7,925,875 (a)
<i>Total IT Services</i>				<i>8,386,475</i>
<i>Technology Hardware, Storage &amp; Peripherals 1.0%</i>				
Diamond 1 Finance Corp./Diamond 2 Finance Corp., Senior Notes	5.875%	6/15/21	2,140,000	2,256,337 (a)
Diamond 1 Finance Corp./Diamond 2 Finance Corp., Senior Notes	7.125%	6/15/24	1,240,000	1,359,449 (a)(b)
Seagate HDD Cayman, Senior Bonds	4.750%	6/1/23	1,700,000	1,692,563
Seagate HDD Cayman, Senior Bonds	4.750%	1/1/25	850,000	810,581
Seagate HDD Cayman, Senior Bonds	4.875%	6/1/27	495,000	448,132
<i>Total Technology Hardware, Storage &amp; Peripherals</i>				<i>6,567,062</i>
<b>Total Information Technology</b>				<b>16,964,299</b>

See Notes to Financial Statements.



**Table of Contents****Schedule of investments (unaudited) (cont d)**

October 31, 2016

**Western Asset High Income Fund II Inc.**

	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<b>Materials 10.8%</b>				
<i>Chemicals 1.9%</i>				
Axalta Coating Systems LLC, Senior Notes	4.875%	8/15/24	1,600,000	\$ 1,628,000 (a)(b)
Braskem America Finance Co., Senior Notes	7.125%	7/22/41	700,000	729,316 (g)
Eco Services Operations LLC/Eco Finance Corp., Senior Notes	8.500%	11/1/22	1,206,000	1,293,435 (a)(b)
HIG BBC Intermediate Holdings LLC/HIG BBC Holdings Corp., Senior Notes	10.500%	9/15/18	1,173,496	1,114,821 (a)(b)(c)
PQ Corp., Senior Secured Notes	6.750%	11/15/22	440,000	475,750 (a)
Rain CII Carbon LLC/CII Carbon Corp., Senior Secured Notes	8.000%	12/1/18	4,490,000	4,456,325 (a)(b)
Valvoline Inc., Senior Notes	5.500%	7/15/24	2,200,000	2,326,500 (a)
<i>Total Chemicals</i>				<i>12,024,147</i>
<i>Construction Materials 0.6%</i>				
Cemex SAB de CV, Senior Secured Notes	6.125%	5/5/25	1,530,000	1,587,375 (a)(b)
Hardwoods Acquisition Inc., Senior Secured Notes	7.500%	8/1/21	2,360,000	1,722,800 (a)(b)
NWH Escrow Corp., Senior Secured Notes	7.500%	8/1/21	790,000	576,700 (a)(b)
<i>Total Construction Materials</i>				<i>3,886,875</i>
<i>Containers &amp; Packaging 2.7%</i>				
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	6.000%	6/30/21	1,960,000	2,018,800 (a)(b)
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	7.250%	5/15/24	580,000	614,800 (a)
BWAY Holding Co., Senior Notes	9.125%	8/15/21	4,070,000	4,273,500 (a)(b)
Coveris Holdings SA, Senior Notes	7.875%	11/1/19	1,600,000	1,660,000 (a)
Pactiv LLC, Senior Bonds	8.375%	4/15/27	5,220,000	5,833,350 (b)
Pactiv LLC, Senior Notes	7.950%	12/15/25	920,000	1,009,700 (b)
PaperWorks Industries Inc., Senior Secured Notes	9.500%	8/15/19	2,000,000	1,855,000 (a)(b)
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer (Luxembourg) SA, Senior Secured Notes	5.125%	7/15/23	590,000	606,408 (a)
<i>Total Containers &amp; Packaging</i>				<i>17,871,558</i>
<i>Metals &amp; Mining 5.4%</i>				
Alcoa Nederland Holding BV, Senior Notes	6.750%	9/30/24	1,020,000	1,058,250 (a)
Alcoa Nederland Holding BV, Senior Notes	7.000%	9/30/26	2,450,000	2,529,135 (a)
Anglo American Capital PLC, Senior Notes	3.625%	5/14/20	2,510,000	2,535,100 (a)
Anglo American Capital PLC, Senior Notes	4.125%	4/15/21	590,000	599,366 (a)
Anglo American Capital PLC, Senior Notes	4.875%	5/14/25	2,040,000	2,085,900 (a)
ArcelorMittal SA, Senior Notes	8.000%	10/15/39	3,200,000	3,456,000
Barmenco Finance Pty Ltd., Senior Notes	9.000%	6/1/18	800,000	819,000 (a)(b)
Coeur Mining Inc., Senior Notes	7.875%	2/1/21	1,350,000	1,390,500 (b)
Freeport-McMoRan Inc., Senior Notes	3.100%	3/15/20	30,000	29,025

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Metals &amp; Mining continued</i>				
Freeport-McMoRan Inc., Senior Notes	4.000%	11/14/21	1,060,000	\$ 1,007,000 <sup>(b)</sup>
Freeport-McMoRan Inc., Senior Notes	3.550%	3/1/22	760,000	701,100
Freeport-McMoRan Inc., Senior Notes	3.875%	3/15/23	910,000	825,825
Freeport-McMoRan Inc., Senior Notes	5.450%	3/15/43	1,280,000	1,068,800
Midwest Vanadium Pty Ltd., Senior Secured Notes	11.500%	2/15/18	2,925,408	109,703 <sup>*(a)(d)(h)</sup>
Mirabela Nickel Ltd., Subordinated Notes	1.000%	9/10/44	32,857	0 <sup>(a)(d)(e)(j)</sup>
Novelis Corp., Senior Notes	5.875%	9/30/26	1,530,000	1,552,950 <sup>(a)(b)</sup>
Rio Tinto Finance USA Ltd., Senior Notes	9.000%	5/1/19	1,820,000	2,141,991 <sup>(b)</sup>
Steel Dynamics Inc., Senior Notes	6.125%	8/15/19	1,300,000	1,345,565 <sup>(b)</sup>
Teck Resources Ltd., Senior Notes	3.000%	3/1/19	1,130,000	1,118,700
Teck Resources Ltd., Senior Notes	8.000%	6/1/21	1,990,000	2,179,050 <sup>(a)</sup>
Teck Resources Ltd., Senior Notes	8.500%	6/1/24	2,780,000	3,224,800 <sup>(a)</sup>
Vale Overseas Ltd., Senior Notes	4.375%	1/11/22	1,784,000	1,792,920 <sup>(b)</sup>
Vale Overseas Ltd., Senior Notes	6.875%	11/21/36	2,960,000	2,999,812 <sup>(b)</sup>
Vale SA, Senior Notes	5.625%	9/11/42	830,000	725,777 <sup>(b)</sup>
<i>Total Metals &amp; Mining</i>				<i>35,296,269</i>
<i>Paper &amp; Forest Products 0.2%</i>				
Fibria Overseas Finance Ltd., Senior Notes	5.250%	5/12/24	1,340,000	<i>1,375,175 <sup>(b)</sup></i>
<b>Total Materials</b>				<b>70,454,024</b>
<b>Real Estate 2.5%</b>				
<i>Equity Real Estate Investment Trusts (REITs) 1.1%</i>				
Communications Sales & Leasing Inc., Senior Secured Notes	6.000%	4/15/23	970,000	1,008,800 <sup>(a)(b)</sup>
Corrections Corp. of America, Senior Notes	4.125%	4/1/20	290,000	272,600
Corrections Corp. of America, Senior Notes	5.000%	10/15/22	1,440,000	1,306,800
Corrections Corp. of America, Senior Notes	4.625%	5/1/23	470,000	414,775
GEO Group Inc., Senior Notes	6.000%	4/15/26	1,740,000	1,509,450 <sup>(b)</sup>
MGM Growth Properties Operating Partnership LP/MGP Finance Co.-Issuer Inc., Senior Notes	4.500%	9/1/26	1,770,000	1,747,875 <sup>(a)(b)</sup>
MPT Operating Partnership LP/MPT Finance Corp., Senior Notes	6.375%	3/1/24	1,020,000	1,104,150 <sup>(b)</sup>
<i>Total Equity Real Estate Investment Trusts (REITs)</i>				<i>7,364,450</i>
<i>Real Estate Management &amp; Development 1.4%</i>				
Caesars Entertainment Resort Properties LLC, Senior Secured Notes	8.000%	10/1/20	5,680,000	5,921,400 <sup>(b)</sup>
Greystar Real Estate Partners LLC, Senior Secured Notes	8.250%	12/1/22	3,110,000	3,397,675 <sup>(a)(b)</sup>
<i>Total Real Estate Management &amp; Development</i>				<i>9,319,075</i>
<b>Total Real Estate</b>				<b>16,683,525</b>

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (unaudited) (cont d)**

October 31, 2016

**Western Asset High Income Fund II Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<b>Telecommunication Services 14.1%</b>				
<i>Diversified Telecommunication Services 5.4%</i>				
CenturyLink Inc., Senior Notes	6.750%	12/1/23	1,150,000	\$ 1,185,937 <sup>(b)</sup>
CenturyLink Inc., Senior Notes	7.650%	3/15/42	2,690,000	2,407,550 <sup>(b)</sup>
Frontier Communications Corp., Senior Notes	11.000%	9/15/25	3,520,000	3,617,328
Intelsat Jackson Holdings SA, Senior Notes	7.500%	4/1/21	3,500,000	2,590,000 <sup>(b)</sup>
Intelsat Jackson Holdings SA, Senior Secured Notes	8.000%	2/15/24	3,660,000	3,696,600 <sup>(a)</sup>
Level 3 Financing Inc., Senior Notes	6.125%	1/15/21	1,260,000	1,302,525 <sup>(b)</sup>
Level 3 Financing Inc., Senior Notes	5.250%	3/15/26	2,060,000	2,096,050 <sup>(a)(b)</sup>
Oi Brasil Holdings Cooperatief U.A., Senior Notes	5.750%	2/10/22	4,340,000	1,182,650 <sup>*(a)(h)</sup>
Telecom Italia SpA, Senior Notes	5.303%	5/30/24	7,690,000	7,843,800 <sup>(a)</sup>
Windstream Services LLC, Senior Notes	7.750%	10/15/20	5,760,000	5,889,600 <sup>(b)</sup>
Windstream Services LLC, Senior Notes	7.750%	10/1/21	2,640,000	2,630,100 <sup>(b)</sup>
Windstream Services LLC, Senior Notes	6.375%	8/1/23	630,000	560,700 <sup>(b)</sup>
<i>Total Diversified Telecommunication Services</i>				<i>35,002,840</i>
<i>Wireless Telecommunication Services 8.7%</i>				
Altice Financing SA, Senior Secured Bonds	7.500%	5/15/26	6,240,000	6,442,800 <sup>(a)</sup>
CSC Holdings LLC, Senior Notes	10.125%	1/15/23	400,000	452,000 <sup>(a)</sup>
CSC Holdings LLC, Senior Notes	6.625%	10/15/25	2,510,000	2,726,487 <sup>(a)(b)</sup>
CSC Holdings LLC, Senior Notes	10.875%	10/15/25	6,720,000	7,744,800 <sup>(a)(b)</sup>
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	2,200,000	2,029,500 <sup>(b)</sup>
Sprint Capital Corp., Senior Notes	8.750%	3/15/32	5,170,000	5,260,475 <sup>(b)</sup>
Sprint Communications Inc., Senior Notes	9.000%	11/15/18	7,200,000	7,938,000 <sup>(a)(b)</sup>
Sprint Communications Inc., Senior Notes	7.000%	8/15/20	2,300,000	2,397,750 <sup>(b)</sup>
Sprint Communications Inc., Senior Notes	11.500%	11/15/21	4,285,000	5,034,875 <sup>(b)</sup>
Sprint Corp., Senior Notes	7.250%	9/15/21	4,400,000	4,515,500 <sup>(b)</sup>
Sprint Corp., Senior Notes	7.875%	9/15/23	110,000	109,175 <sup>(b)</sup>
T-Mobile USA Inc., Senior Notes	6.542%	4/28/20	1,090,000	1,126,788 <sup>(b)</sup>
T-Mobile USA Inc., Senior Notes	6.633%	4/28/21	140,000	147,175 <sup>(b)</sup>
T-Mobile USA Inc., Senior Notes	6.000%	3/1/23	3,150,000	3,323,250 <sup>(b)</sup>
T-Mobile USA Inc., Senior Notes	6.500%	1/15/26	310,000	340,597
Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, Senior Notes	9.125%	4/30/18	2,220,000	2,415,118 <sup>(g)</sup>
Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, Senior Notes	7.748%	2/2/21	2,300,000	2,547,124 <sup>(a)(b)</sup>
VimpelCom Holdings BV, Senior Notes	7.504%	3/1/22	1,620,000	1,792,546 <sup>(g)</sup>
VimpelCom Holdings BV, Senior Notes	7.504%	3/1/22	700,000	774,557 <sup>(a)</sup>
<i>Total Wireless Telecommunication Services</i>				<i>57,118,517</i>
<b>Total Telecommunication Services</b>				<b>92,121,357</b>

See Notes to Financial Statements.

**Table of Contents****Western Asset High Income Fund II Inc.**

	Rate	Maturity Date	Face Amount	Value
Security				
<b>Utilities 2.4%</b>				
<i>Electric Utilities 1.2%</i>				
NRG REMA LLC, Pass-Through Certificates, Senior Secured Bonds	9.681%	7/2/26	4,320,000	\$ 2,986,200 (b)
Red Oak Power LLC, Secured Notes	9.200%	11/30/29	4,380,000	4,599,000 (b)
<i>Total Electric Utilities</i>				7,585,200
<i>Independent Power and Renewable Electricity Producers 1.2%</i>				
Calpine Corp., Senior Secured Notes	7.875%	1/15/23	2,415,000	2,535,750 (a)(b)
Mirant Mid Atlantic LLC, Pass-Through Certificates, Secured Bonds	10.060%	12/30/28	7,190,293	5,689,319 (b)
<i>Total Independent Power and Renewable Electricity Producers</i>				8,225,069
<b>Total Utilities</b>				<b>15,810,269</b>
<b>Total Corporate Bonds &amp; Notes (Cost \$697,875,984)</b>				<b>725,548,637</b>
<b>Convertible Bonds &amp; Notes 0.9%</b>				
<b>Consumer Discretionary 0.3%</b>				
<i>Media 0.3%</i>				
DISH Network Corp., Senior Notes	3.375%	8/15/26	1,710,000	1,967,569 (a)(b)
<b>Energy 0.2%</b>				
<i>Oil, Gas &amp; Consumable Fuels 0.2%</i>				
Chesapeake Energy Corp., Senior Notes	5.500%	9/15/26	900,000	849,375 (a)
Whiting Petroleum Corp., Senior Notes	1.250%	4/1/20	280,000	236,250
<b>Total Energy</b>				<b>1,085,625</b>
<b>Information Technology 0.3%</b>				
<i>Semiconductors &amp; Semiconductor Equipment 0.3%</i>				
Advanced Micro Devices Inc., Senior Notes	2.125%	9/1/26	1,670,000	1,886,056
<b>Materials 0.1%</b>				
<i>Chemicals 0.1%</i>				
Hercules Inc., Junior Subordinated Bonds	6.500%	6/30/29	802,000	725,810
<i>Metals &amp; Mining 0.0%</i>				
Mirabela Nickel Ltd., Senior Secured Bonds	9.500%	6/24/19	2,275,505	159,285 (a)(c)(d)
<b>Total Materials</b>				<b>885,095</b>
<b>Total Convertible Bonds &amp; Notes (Cost \$7,550,198)</b>				<b>5,824,345</b>
<b>Senior Loans 2.1%</b>				
<b>Consumer Discretionary 0.6%</b>				
<i>Hotels, Restaurants &amp; Leisure 0.1%</i>				
Equinox Holdings Inc., Second Lien Term Loan	9.750%	7/31/20	940,000	943,917 (l)(m)
<i>Specialty Retail 0.3%</i>				
Spencer Gifts LLC, Second Lien Term Loan	9.250%	6/29/22	2,070,000	1,707,750 (l)(m)

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (unaudited) (cont d)**

October 31, 2016

**Western Asset High Income Fund II Inc.**

	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<i>Textiles, Apparel &amp; Luxury Goods 0.2%</i>				
TOMS Shoes LLC, Term Loan B	6.500%	10/28/20	1,566,150	\$ 1,151,120 (l)(m)
<b>Total Consumer Discretionary</b>				<b>3,802,787</b>
<b>Energy 0.7%</b>				
<i>Energy Equipment &amp; Services 0.2%</i>				
Hercules Offshore LLC, Exit Term Loan	10.500%	5/6/20	2,216,451	1,551,515 (d)(l)(m)
<i>Oil, Gas &amp; Consumable Fuels 0.5%</i>				
Chesapeake Energy Corp., Term Loan	8.500%	8/23/21	1,350,000	1,445,175 (l)(m)
Magnum Hunter Resources Inc., Exit Term Loan	8.000%	5/6/19	765,667	761,839 (d)(l)(m)
Westmoreland Coal Co., Term Loan B	7.500%	12/16/20	1,078,586	865,565 (l)(m)
<i>Total Oil, Gas &amp; Consumable Fuels</i>				<i>3,072,579</i>
<b>Total Energy</b>				<b>4,624,094</b>
<b>Health Care 0.4%</b>				
<i>Health Care Equipment &amp; Supplies 0.1%</i>				
Lantheus Medical Imaging Inc., Term Loan	7.000%	6/30/22	1,135,053	1,117,082 (l)(m)
<i>Health Care Providers &amp; Services 0.3%</i>				
Radnet Management Inc., Second Lien Term Loan	8.000%	3/25/21	1,815,333	1,803,988 (l)(m)
<b>Total Health Care</b>				<b>2,921,070</b>
<b>Utilities 0.4%</b>				
<i>Electric Utilities 0.4%</i>				
Panda Temple II Power LLC, New Term Loan B	7.250%	4/3/19	535,338	499,203 (d)(l)(m)
Panda Temple Power LLC, 2015 Term Loan B	7.250%	3/4/22	2,275,350	2,047,815