

WESTERN ASSET HIGH INCOME FUND II INC.
Form N-CSRS
December 28, 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 811-08709

Western Asset High Income Fund II 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: April 30

Date of reporting period: October 31, 2018

ITEM 1. REPORT TO STOCKHOLDERS.

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

Semi-Annual Report

October 31, 2018

WESTERN ASSET

HIGH INCOME FUND II INC.

(HIX)

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

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Fund objectives

The Fund seeks to maximize current income. 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.

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, 2018. 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. 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,

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Jane Trust, CFA

Chairman, President and Chief Executive Officer

November 30, 2018

II Western Asset High Income Fund II Inc.

Investment commentary

Economic review

Economic activity in the U.S. was mixed during the six months ended October 31, 2018 (the reporting period). Looking back, the U.S. Department of Commerce reported that first quarter 2018 U.S. gross domestic product (GDP) growth was 2.2%. GDP growth then accelerated to 4.2% during the second quarter of 2018 – the strongest reading since the third quarter of 2014. Finally, the U.S. Department of Commerce’s second reading for third quarter 2018 GDP growth released after the reporting period ended was 3.5%. The deceleration in GDP growth in the third quarter of 2018 reflected a downturn in exports and decelerations in nonresidential fixed investment and personal consumption expenditures. Imports increased in the third quarter after decreasing in the second. These movements were partly offset by an upturn in private inventory investment.

Job growth in the U.S. was solid overall and supported the economy during the reporting period. As reported by the U.S. Department of Labor, when the reporting period ended on October 31, 2018, the unemployment rate was 3.7%, versus 3.8% when the period began. October 2018’s reading equaled the lowest unemployment rate since 1969. However, the percentage of longer-term unemployed rose during the reporting period. In October 2018, 22.5% of Americans looking for a job had been out of work for more than six months, versus 19.4% when the period began.

Investment commentary (cont d)

Market review

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

A. Looking back, at its meeting that concluded on September 20, 2017 before the reporting period began the Fed kept the federal funds rate on hold, but reiterated its intention to begin reducing its balance sheet, saying, "In October, the Committee will initiate the balance sheet normalization program." At its meeting that ended on December 13, 2017, the Fed raised rates to a range between 1.25% and 1.50%. As expected, the Fed kept rates on hold at its meeting that concluded on January 31, 2018. However, at its meeting that ended on March 21, 2018, the Fed again raised the federal funds rate, moving it to a range between 1.50% and 1.75%. At its meeting that concluded on June 13, 2018, the Fed raised the federal funds rate to a range between 1.75% and 2.00%. Finally, at its meeting that ended on September 26, 2018, the Fed raised the federal funds rate to a range between 2.00% and 2.25%.

Q. Did Treasury yields trend higher or lower during the reporting period?

A. Both short-term and longer-term Treasury yields moved higher during the six-month reporting period ended October 31, 2018. The yield for the two-year Treasury note began the reporting period at 2.49% and ended the period at 2.87%. The low for the period of 2.32% took place on May 29, 2018 and the peak for the period of 2.92% occurred on October 19 and 22, 2018. The yield for the ten-year Treasury began the reporting period at 2.95% and ended the period at 3.15%. The low for the period of 2.77% took place on May 29, 2018 and the high for the period of 3.23% took place on October 5, 2018.

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

A. The spread sectors posted mixed results during the reporting period. Performance fluctuated given changing expectations for global growth, central bank monetary policy adjustments and concerns over a global trade war. All told, the broad U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Index^{iv}, returned -0.19% during the six-month reporting period ended October 31, 2018.

Q. How did the high-yield bond market perform over the reporting period?

A. The U.S. high-yield bond market, as measured by the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index returned 1.14% for the six months ended October 31, 2018. The high-yield market posted positive returns over four of the six months of the reporting period. This was driven by overall robust corporate profits, periods of solid investor demand and moderating supply.

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

A. The JPMorgan Emerging Markets Bond Index Global (EMBI Globalⁱ) returned -2.47% during the six months ended October 31, 2018. The asset class produced choppy results during the reporting period. At times it was supported by solid investor demand, less concern over a significant shift in U.S. trade policy and a weakening U.S. dollar. However, at other times it was dragged down by rising U.S. interest rates, periods of investor risk aversion, geopolitical issues and a rising U.S. dollar.

Performance review

For the six months ended October 31, 2018, Western Asset High Income Fund II Inc. returned -0.67% based on its net asset value (NAV^{vi}) and -3.13% 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 1.14% and -2.47%, respectively, for the same period. The Lipper High Yield (Leveraged) Closed-End Funds Category Average^{viii} returned 0.78% 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 \$0.27 per share. As of October 31, 2018, the Fund estimates that 94% of the distributions were sourced from net investment income and 6% constituted 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, 2018. **Past performance is no guarantee of future results.**

Performance Snapshot as of October 31, 2018
(unaudited)

<p>Price Per Share</p> <p>\$7.07 (NAV)</p> <p>\$6.08 (Market Price)</p>	<p>6-Month Total Return**</p> <p>-0.67%</p> <p>-3.13%</p>
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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.

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 (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.

*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 (click on the name of the Fund).

Investment commentary (cont d)

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, 2018

***RISKS:** The Fund is a diversified 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. Diversification does not assure against market loss. 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 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.

VI Western Asset High Income Fund II Inc.

- 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.
- ^{iv} 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.
- ^v 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.
- ^{vi} 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.
- ^{vii} 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.
- ^{viii} 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, 2018, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 37 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 October 31, 2018 and April 30, 2018 and does not include derivatives, such as futures 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.

* As of September 28, 2018, the Telecommunication Services sector was broadened to include some companies previously classified in the Consumer Discretionary and Information Technology sectors and renamed the Communication Services sector.

Spread duration (unaudited)

Total Spread Duration

HIX 5.72 years

Benchmark 4.46 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

Effective duration (unaudited)

Interest rate exposure October 31, 2018

Total Effective Duration

HIX 5.83 years

Benchmark 4.55 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

Schedule of investments (unaudited)

October 31, 2018

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Corporate Bonds & Notes 99.1%				
Communication Services 22.6%				
<i>Diversified Telecommunication Services</i> 3.0%				
Cogent Communications Group Inc., Senior Secured Notes	5.375%	3/1/22	1,460,000	\$ 1,476,425 (a)(b)
Intelsat Jackson Holdings SA, Senior Secured Notes	8.000%	2/15/24	2,660,000	2,789,675 (a)(b)
Telecom Italia SpA, Senior Notes	5.303%	5/30/24	2,660,000	2,517,025 (a)(b)
UPCB Finance IV Ltd., Senior Secured Notes	5.375%	1/15/25	700,000	682,850 (a)
Windstream Services LLC/Windstream Finance Corp., Senior Notes	10.500%	6/30/24	13,439,000	10,952,785 (a)(b)
<i>Total Diversified Telecommunication Services</i>				<i>18,418,760</i>
<i>Interactive Media & Services</i> 0.6%				
Match Group Inc., Senior Notes	6.375%	6/1/24	1,170,000	1,219,725 (b)
Match Group Inc., Senior Notes	5.000%	12/15/27	2,340,000	2,240,550 (a)(b)
<i>Total Interactive Media & Services</i>				<i>3,460,275</i>
<i>Media</i> 11.8%				
Altice France SA, Senior Secured Notes	6.250%	5/15/24	2,190,000	2,107,875 (a)(b)
Altice France SA, Senior Secured Notes	7.375%	5/1/26	5,890,000	5,659,937 (a)(b)
Altice France SA, Senior Secured Notes	8.125%	2/1/27	9,260,000	9,190,550 (a)(b)
Altice Luxembourg SA, Senior Notes	7.750%	5/15/22	14,420,000	13,482,700 (a)(b)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	5.125%	5/1/27	1,850,000	1,745,938 (a)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	5.875%	5/1/27	1,100,000	1,083,500 (a)(b)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	5.000%	2/1/28	8,060,000	7,531,062 (a)(b)
DISH DBS Corp., Senior Notes	5.875%	11/15/24	4,830,000	4,123,612 (b)
DISH DBS Corp., Senior Notes	7.750%	7/1/26	14,859,000	13,354,526 (b)
Time Warner Cable LLC, Senior Secured Notes	8.750%	2/14/19	2,410,000	2,447,372 (b)
UPC Holding BV, Senior Secured Notes	5.500%	1/15/28	4,410,000	4,090,275 (a)(b)
Virgin Media Finance PLC, Senior Notes	6.000%	10/15/24	3,850,000	3,778,967 (a)(b)
Virgin Media Secured Finance PLC, Senior Secured Notes	5.250%	1/15/26	2,530,000	2,368,713 (a)(b)
Virgin Media Secured Finance PLC, Senior Secured Notes	5.500%	8/15/26	540,000	510,300 (a)
<i>Total Media</i>				<i>71,475,327</i>
<i>Wireless Telecommunication Services</i> 7.2%				
CSC Holdings LLC, Senior Notes	10.125%	1/15/23	400,000	436,160 (a)(b)
CSC Holdings LLC, Senior Notes	6.625%	10/15/25	2,510,000	2,635,500 (a)(b)
CSC Holdings LLC, Senior Notes	10.875%	10/15/25	5,649,000	6,531,656 (a)(b)
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	2,200,000	2,169,750 (b)
Sprint Capital Corp., Senior Notes	8.750%	3/15/32	5,170,000	5,661,150 (b)
Sprint Communications Inc., Senior Notes	9.000%	11/15/18	7,200,000	7,223,400 (a)(b)
Sprint Communications Inc., Senior Notes	7.000%	8/15/20	2,300,000	2,386,250 (b)
Sprint Communications Inc., Senior Notes	11.500%	11/15/21	4,285,000	5,045,588 (b)

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Wireless Telecommunication Services continued</i>				
Sprint Corp., Senior Notes	7.250%	9/15/21	4,400,000	\$ 4,609,000 (b)
Sprint Corp., Senior Notes	7.875%	9/15/23	110,000	117,700 (b)
T-Mobile USA Inc., Senior Notes	6.000%	3/1/23	1,900,000	1,952,896 (b)
T-Mobile USA Inc., Senior Notes	6.500%	1/15/26	310,000	327,050 (b)
VEON Holdings BV, Senior Notes	7.504%	3/1/22	1,620,000	1,732,606 (c)
VEON Holdings BV, Senior Notes	7.504%	3/1/22	700,000	748,657 (a)
Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, Senior Notes	7.748%	2/2/21	2,300,000	2,450,995 (a)(b)
<i>Total Wireless Telecommunication Services</i>				44,028,358
Total Communication Services				137,382,720
<i>Consumer Discretionary 8.2%</i>				
<i>Auto Components 1.0%</i>				
Adient Global Holdings Ltd., Senior Notes	4.875%	8/15/26	1,383,000	1,192,838 (a)(b)
JB Poindexter & Co. Inc., Senior Notes	7.125%	4/15/26	2,130,000	2,204,550 (a)(b)
ZF North America Capital Inc., Senior Notes	4.750%	4/29/25	2,940,000	2,847,821 (a)(b)
<i>Total Auto Components</i>				6,245,209
<i>Diversified Consumer Services 1.4%</i>				
Carriage Services Inc., Senior Notes	6.625%	6/1/26	2,920,000	2,941,900 (a)(b)
Prime Security Services Borrower LLC /Prime Finance Inc., Senior Notes	9.250%	5/15/23	3,300,000	3,495,360 (a)(b)
Service Corp. International/US, Senior Notes	7.500%	4/1/27	2,090,000	2,306,837 (b)
<i>Total Diversified Consumer Services</i>				8,744,097
<i>Hotels, Restaurants & Leisure 3.4%</i>				
1011778 BC ULC/New Red Finance Inc., Senior Secured Notes	4.250%	5/15/24	2,950,000	2,780,375 (a)
Bossier Casino Venture Holdco Inc., Senior Secured Bonds (14.000% PIK)	14.000%	2/9/23	2,839,349	2,839,349 (a)(d)(e)(f)
Brinker International Inc., Senior Notes	5.000%	10/1/24	36,000	34,020 (a)
Carrols Restaurant Group Inc., Secured Notes	8.000%	5/1/22	1,910,000	1,986,400 (b)
Downstream Development Authority of the Quapaw Tribe of Oklahoma, Senior Secured Notes	10.500%	2/15/23	640,000	654,400 (a)(b)
Hilton Domestic Operating Co. Inc., Senior Notes	5.125%	5/1/26	2,145,000	2,102,100 (a)(b)
Silversea Cruise Finance Ltd., Senior Secured Notes	7.250%	2/1/25	1,803,000	1,951,766 (a)(b)
Viking Cruises Ltd., Senior Notes	5.875%	9/15/27	1,800,000	1,710,000 (a)(b)
VOC Escrow Ltd., Senior Secured Notes	5.000%	2/15/28	6,780,000	6,407,100 (a)(b)
<i>Total Hotels, Restaurants & Leisure</i>				20,465,510
<i>Household Durables 0.8%</i>				
Lennar Corp., Senior Notes	5.000%	6/15/27	2,920,000	2,763,050 (b)
TopBuild Corp., Senior Notes	5.625%	5/1/26	2,210,000	2,110,550 (a)(b)
<i>Total Household Durables</i>				4,873,600

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont'd)

October 31, 2018

Western Asset High Income Fund II Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Specialty Retail 1.1%</i>				
Hertz Corp., Senior Notes	5.875%	10/15/20	2,520,000	\$ 2,479,050 ^(b)
Party City Holdings Inc., Senior Notes	6.625%	8/1/26	4,320,000	4,212,000 ^{(a)(b)}
<i>Total Specialty Retail</i>				<i>6,691,050</i>
<i>Textiles, Apparel & Luxury Goods 0.5%</i>				
Hanesbrands Inc., Senior Notes	4.625%	5/15/24	190,000	182,875 ^(a)
Hanesbrands Inc., Senior Notes	4.875%	5/15/26	2,950,000	2,809,875 ^{(a)(b)}
<i>Total Textiles, Apparel & Luxury Goods</i>				<i>2,992,750</i>
Total Consumer Discretionary				50,012,216
Consumer Staples 1.6%				
<i>Food Products 0.8%</i>				
Lamb Weston Holdings Inc., Senior Notes	4.875%	11/1/26	1,440,000	1,395,000 ^{(a)(b)}
Pilgrim's Pride Corp., Senior Notes	5.875%	9/30/27	3,695,000	3,362,450 ^{(a)(b)}
<i>Total Food Products</i>				<i>4,757,450</i>
<i>Household Products 0.8%</i>				
Central Garden & Pet Co., Senior Notes	6.125%	11/15/23	1,290,000	1,319,025 ^(b)
Spectrum Brands Inc., Senior Notes	6.125%	12/15/24	1,630,000	1,630,000 ^(b)
Spectrum Brands Inc., Senior Notes	5.750%	7/15/25	2,080,000	2,033,200 ^(b)
<i>Total Household Products</i>				<i>4,982,225</i>
Total Consumer Staples				9,739,675
Energy 22.0%				
<i>Energy Equipment & Services 0.9%</i>				
KCA Deutag UK Finance PLC, Senior Secured Notes	9.875%	4/1/22	2,990,000	2,900,300 ^{(a)(b)}
Pride International Inc., Senior Notes	7.875%	8/15/40	920,000	828,000 ^(b)
Transocean Inc., Senior Notes	9.000%	7/15/23	1,020,000	1,072,275 ^{(a)(b)}
Transocean Inc., Senior Notes	6.800%	3/15/38	1,035,000	837,056 ^(b)
<i>Total Energy Equipment & Services</i>				<i>5,637,631</i>
<i>Oil, Gas & Consumable Fuels 21.1%</i>				
Andeavor Logistics LP/Tesoro Logistics Finance Corp., Senior Notes	6.375%	5/1/24	810,000	858,195 ^(b)
Berry Petroleum Co. Escrow			1,550,000	0 ^{*(d)(e)(g)}
Blue Racer Midstream LLC/Blue Racer Finance Corp., Senior Notes	6.125%	11/15/22	2,260,000	2,316,500 ^{(a)(b)}
Blue Racer Midstream LLC/Blue Racer Finance Corp., Senior Notes	6.625%	7/15/26	190,000	193,800 ^(a)
Cheniere Corpus Christi Holdings LLC, Senior Secured Notes	5.875%	3/31/25	1,120,000	1,156,400 ^(b)
Chesapeake Energy Corp., Senior Notes	6.875%	11/15/20	4,340,000	4,557,000 ^(b)
Chesapeake Energy Corp., Senior Notes	5.375%	6/15/21	940,000	935,300 ^(b)
Chesapeake Energy Corp., Senior Notes	5.750%	3/15/23	700,000	668,500 ^(b)

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels continued</i>				
Chesapeake Energy Corp., Senior Notes	8.000%	1/15/25	670,000	\$ 680,050 (b)
Chesapeake Energy Corp., Senior Notes	8.000%	6/15/27	2,610,000	2,600,213 (b)
Continental Resources Inc., Senior Notes	3.800%	6/1/24	4,160,000	4,023,094 (b)
Continental Resources Inc., Senior Notes	4.900%	6/1/44	3,220,000	3,008,097 (b)
Ecopetrol SA, Senior Notes	4.125%	1/16/25	1,500,000	1,434,375
Ecopetrol SA, Senior Notes	5.375%	6/26/26	7,000,000	7,085,400 (b)
Ecopetrol SA, Senior Notes	5.875%	5/28/45	2,500,000	2,391,875 (b)
Gazprom OAO Via Gaz Capital SA, Senior Notes	6.510%	3/7/22	2,550,000	2,674,690 (a)(b)
Genesis Energy LP/Genesis Energy Finance Corp., Senior Notes	5.625%	6/15/24	2,320,000	2,111,200 (b)
Genesis Energy LP/Genesis Energy Finance Corp., Senior Notes	6.500%	10/1/25	840,000	779,100 (b)
Genesis Energy LP/Genesis Energy Finance Corp., Senior Notes	6.250%	5/15/26	1,170,000	1,058,850 (b)
KazMunayGas National Co. JSC, Senior Notes	4.750%	4/19/27	3,000,000	2,943,717 (a)(b)
Kinder Morgan Inc., Senior Notes	7.750%	1/15/32	1,950,000	2,398,210 (b)
Lukoil International Finance BV, Senior Notes	4.563%	4/24/23	2,040,000	2,009,247 (a)(b)
Lukoil International Finance BV, Senior Notes	4.750%	11/2/26	1,600,000	1,573,581 (a)(b)
Magnum Hunter Resources Corp. Escrow			8,070,000	0 *(d)(e)(g)
MEG Energy Corp., Senior Notes	6.375%	1/30/23	5,170,000	5,001,975 (a)(b)
MEG Energy Corp., Senior Notes	7.000%	3/31/24	3,040,000	2,994,400 (a)(b)
NGPL PipeCo LLC, Senior Notes	7.768%	12/15/37	1,900,000	2,232,500 (a)(b)
Oasis Petroleum Inc., Senior Notes	6.500%	11/1/21	3,238,000	3,270,380 (b)
Oasis Petroleum Inc., Senior Notes	6.875%	1/15/23	1,540,000	1,555,400 (b)
Oasis Petroleum Inc., Senior Notes	6.250%	5/1/26	1,070,000	1,052,613 (a)
Petrobras Global Finance BV, Senior Notes	4.375%	5/20/23	800,000	773,200
Petrobras Global Finance BV, Senior Notes	5.999%	1/27/28	4,320,000	4,108,320
Petrobras Global Finance BV, Senior Notes	5.750%	2/1/29	10,320,000	9,549,612 (b)
Petrobras Global Finance BV, Senior Notes	6.750%	1/27/41	6,620,000	6,243,487
Petroleos de Venezuela SA, Senior Notes	6.000%	5/16/24	620,000	109,430 *(c)(h)
Petroleos Mexicanos, Senior Notes	4.875%	1/24/22	1,000,000	988,500 (b)
Petroleos Mexicanos, Senior Notes	6.500%	3/13/27	2,970,000	2,882,385 (b)
Range Resources Corp., Senior Notes	4.875%	5/15/25	3,255,000	3,027,150 (b)
Rockies Express Pipeline LLC, Senior Notes	7.500%	7/15/38	1,330,000	1,529,500 (a)(b)
Rockies Express Pipeline LLC, Senior Notes	6.875%	4/15/40	1,430,000	1,562,275 (a)(b)
Shelf Drilling Holdings Ltd., Senior Notes	8.250%	2/15/25	2,790,000	2,807,437 (a)(b)
Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Notes	5.875%	4/15/26	2,380,000	2,403,800 (a)(b)

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont d)

October 31, 2018

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels continued</i>				
Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Notes	5.000%	1/15/28	7,910,000	\$ 7,524,387 ^(b)
Transportadora de Gas del Peru SA, Senior Notes	4.250%	4/30/28	1,500,000	1,460,625 ^(a)
Transportadora de Gas del Sur SA, Senior Notes	6.750%	5/2/25	7,530,000	7,097,100 ^{(a)(b)}
Whiting Petroleum Corp., Senior Notes	6.250%	4/1/23	340,000	345,100 ^(b)
Williams Cos. Inc., Senior Notes	3.700%	1/15/23	1,040,000	1,022,002 ^(b)
Williams Cos. Inc., Senior Notes	4.550%	6/24/24	1,280,000	1,290,606 ^(b)
Williams Cos. Inc., Senior Notes	7.500%	1/15/31	780,000	925,951 ^(b)
Williams Cos. Inc., Senior Notes	5.750%	6/24/44	3,900,000	3,926,809 ^(b)
WPX Energy Inc., Senior Notes	8.250%	8/1/23	1,070,000	1,207,763 ^(b)
YPF SA, Senior Notes	6.950%	7/21/27	4,430,000	3,760,848 ^(a)
<i>Total Oil, Gas & Consumable Fuels</i>				<i>128,110,949</i>
Total Energy				133,748,580
Financials 13.6%				
<i>Banks 9.5%</i>				
Bank of America Corp., Junior Subordinated Notes (6.500% to 10/23/24 then 3 mo. USD LIBOR + 4.174%)	6.500%	10/23/24	2,550,000	2,707,335 ^{(b)(i)(j)}
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	3,710,000	4,217,557 ^{(a)(b)}
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	5,780,000	6,180,987 ^(b)
Barclays PLC, Junior Subordinated Notes (8.250% to 12/15/18 then USD 5 year swap rate + 6.705%)	8.250%	12/15/18	800,000	804,716 ^{(b)(i)(j)}
BNP Paribas SA, Junior Subordinated Notes (7.375% to 8/19/25 then USD 5 year Swap Rate + 5.150%)	7.375%	8/19/25	1,820,000	1,872,325 ^{(a)(b)(i)(j)}
CIT Group Inc., Senior Notes	5.000%	8/15/22	1,060,000	1,066,625 ^(b)
CIT Group Inc., Senior Notes	5.000%	8/1/23	3,901,000	3,920,505 ^(b)
Citigroup Inc., Junior Subordinated Notes (6.300% to 5/15/24 then 3 mo. USD LIBOR + 3.423%)	6.300%	5/15/24	2,530,000	2,517,982 ^{(b)(i)(j)}
Credit Agricole SA, Junior Subordinated Notes (8.125% to 12/23/25 then USD 5 year Swap Rate + 6.185%)	8.125%	12/23/25	2,510,000	2,698,481 ^{(a)(b)(i)(j)}
Credit Agricole SA, Junior Subordinated Notes (8.375% to 10/13/19 then 3 mo. USD LIBOR + 6.982%)	8.375%	10/13/19	1,710,000	1,778,400 ^{(a)(b)(i)(j)}
Intesa Sanpaolo SpA, Subordinated Notes	5.017%	6/26/24	3,850,000	3,398,216 ^{(a)(b)}
Intesa Sanpaolo SpA, Subordinated Notes	5.710%	1/15/26	7,670,000	6,819,060 ^{(a)(b)}
JPMorgan Chase & Co., Junior Subordinated Notes (6.000% to 8/1/23 then 3 mo. USD LIBOR + 3.300%)	6.000%	8/1/23	2,390,000	2,407,925 ^{(b)(i)(j)}
JPMorgan Chase & Co., Junior Subordinated Notes (6.100% to 10/1/24 then 3 mo. USD LIBOR + 3.330%)	6.100%	10/1/24	2,410,000	2,452,898 ^{(b)(i)(j)}
NatWest Markets NV, Subordinated Notes	7.750%	5/15/23	650,000	718,921 ^(b)
Royal Bank of Scotland Group PLC, Junior Subordinated Notes (7.648% to 9/30/31 then 3 mo. USD LIBOR + 2.500%)	7.648%	9/30/31	3,530,000	4,421,325 ^{(b)(i)(j)}

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Banks continued</i>				
Royal Bank of Scotland Group PLC, Junior Subordinated Notes (8.625% to 8/15/21 then USD 5 year Swap Rate + 7.598%)	8.625%	8/15/21	1,370,000	\$ 1,443,638 (b)(i)(j)
Santander UK Group Holdings PLC, Junior Subordinated Bonds, (7.375% to 6/24/22 then GBP 5 year Swap Rate + 5.543%)	7.375%	6/24/22	1,640,000 GBP	2,183,364 (b)(c)(i)(j)
Sberbank of Russia Via SB Capital SA, Subordinated Notes (5.500% to 2/26/19 then 5 year Treasury Constant Maturity Rate + 4.023%)	5.500%	2/26/24	3,820,000	3,827,117 (c)(j)
TC Ziraat Bankasi AS, Senior Notes	5.125%	9/29/23	2,530,000	2,154,161 (a)(b)
<i>Total Banks</i>				<i>57,591,538</i>
<i>Capital Markets 0.8%</i>				
Donnelley Financial Solutions Inc., Senior Notes	8.250%	10/15/24	2,080,000	2,152,800 (b)
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	2,320,000	2,712,651 (b)
<i>Total Capital Markets</i>				<i>4,865,451</i>
<i>Consumer Finance 0.4%</i>				
FirstCash Inc., Senior Notes	5.375%	6/1/24	710,000	702,900 (a)(b)
Navient Corp., Senior Notes	6.750%	6/15/26	2,160,000	2,068,200 (b)
<i>Total Consumer Finance</i>				<i>2,771,100</i>
<i>Diversified Financial Services 2.7%</i>				
AerCap Ireland Capital DAC/AerCap Global Aviation Trust, Senior Notes	4.625%	10/30/20	890,000	903,998
AerCap Ireland Capital DAC/AerCap Global Aviation Trust, Senior Notes	4.625%	7/1/22	1,390,000	1,409,193
ASP AMC Merger Sub Inc., Senior Notes	8.000%	5/15/25	4,320,000	3,261,600 (a)(b)
DAE Funding LLC, Senior Notes	5.000%	8/1/24	2,883,000	2,818,132 (a)(b)
Garfunkelux Holdco 3 SA, Senior Secured Notes	7.500%	8/1/22	1,000,000 EUR	1,106,479 (c)
International Lease Finance Corp., Senior Notes	6.250%	5/15/19	310,000	314,986
International Lease Finance Corp., Senior Notes	8.250%	12/15/20	2,160,000	2,343,726 (b)
International Lease Finance Corp., Senior Notes	5.875%	8/15/22	760,000	801,021 (b)
Nationwide Building Society, Junior Subordinated Notes, (6.875% to 6/20/19 then GBP 5 year Swap Rate + 4.880%)	6.875%	6/20/19	1,140,000 GBP	1,482,434 (b)(c)(i)(j)
Travelport Corporate Finance PLC, Senior Secured Notes	6.000%	3/15/26	1,700,000	1,708,500 (a)(b)
<i>Total Diversified Financial Services</i>				<i>16,150,069</i>
<i>Insurance 0.2%</i>				
MetLife Capital Trust IV, Junior Subordinated Notes	7.875%	12/15/37	1,100,000	1,336,500 (a)(b)
Total Financials				82,714,658
<i>Health Care 8.3%</i>				
<i>Health Care Providers & Services 3.8%</i>				
Air Medical Group Holdings Inc., Senior Notes	6.375%	5/15/23	1,740,000	1,572,525 (a)(b)

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October 31, 2018

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Health Care Providers & Services continued</i>				
BioScrip Inc., First Lien Notes (1 mo. USD LIBOR + 7.000%)	8.224%	6/30/22	4,552,000	\$ 4,768,220 (e)(j)(k)
Centene Corp., Senior Notes	5.625%	2/15/21	1,020,000	1,037,850 (b)
Centene Corp., Senior Notes	6.125%	2/15/24	810,000	848,475 (b)
Centene Corp., Senior Notes	4.750%	1/15/25	2,520,000	2,495,329 (b)
DaVita Inc., Senior Notes	5.000%	5/1/25	4,210,000	3,994,237 (b)
HCA Inc., Senior Notes	5.625%	9/1/28	3,040,000	3,017,200 (b)
HCA Inc., Senior Notes	7.500%	11/15/95	2,205,000	2,199,487 (b)
HCA Inc., Senior Secured Notes	5.250%	6/15/26	1,090,000	1,111,800 (b)
RegionalCare Hospital Partners Holdings Inc., Senior Secured Notes	8.250%	5/1/23	1,830,000	1,942,088 (a)(b)
<i>Total Health Care Providers & Services</i>				<i>22,987,211</i>
<i>Pharmaceuticals 4.5%</i>				
Bausch Health Cos. Inc., Senior Notes	7.500%	7/15/21	3,010,000	3,062,675 (a)(b)
Bausch Health Cos. Inc., Senior Notes	5.875%	5/15/23	840,000	804,300 (a)(b)
Bausch Health Cos. Inc., Senior Notes	6.125%	4/15/25	5,510,000	5,081,322 (a)(b)
Bausch Health Cos. Inc., Senior Notes	9.000%	12/15/25	500,000	523,125 (a)(b)
Bausch Health Cos. Inc., Senior Secured Notes	7.000%	3/15/24	740,000	776,771 (a)(b)
Endo Finance LLC/Endo Finco Inc., Senior Notes	5.375%	1/15/23	1,280,000	1,097,600 (a)
Teva Pharmaceutical Finance Co. BV, Senior Notes	3.650%	11/10/21	350,000	335,523
Teva Pharmaceutical Finance Netherlands III BV, Senior Notes	2.200%	7/21/21	16,774,000	15,653,577
<i>Total Pharmaceuticals</i>				<i>27,334,893</i>
Total Health Care				50,322,104
<i>Industrials 7.2%</i>				
<i>Aerospace & Defense 0.3%</i>				
BBA US Holdings Inc., Senior Notes	5.375%	5/1/26	1,920,000	1,903,200 (a)(b)
<i>Air Freight & Logistics 0.4%</i>				
XPO Logistics Inc., Senior Notes	6.500%	6/15/22	754,000	775,678 (a)(b)
XPO Logistics Inc., Senior Notes	6.125%	9/1/23	1,290,000	1,326,055 (a)(b)
<i>Total Air Freight & Logistics</i>				<i>2,101,733</i>
<i>Airlines 0.7%</i>				
Continental Airlines, Inc., Pass-Through Trust	5.983%	4/19/22	3,419,359	3,579,726 (b)(e)
Delta Air Lines, Inc., Pass-Through Trust, Senior Secured Notes	8.021%	8/10/22	699,238	767,862 (b)
<i>Total Airlines</i>				<i>4,347,588</i>
<i>Building Products 1.3%</i>				
Standard Industries Inc., Senior Notes	5.000%	2/15/27	2,840,000	2,598,600 (a)(b)
Standard Industries Inc., Senior Notes	4.750%	1/15/28	5,865,000	5,263,837 (a)(b)
<i>Total Building Products</i>				<i>7,862,437</i>

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Commercial Services & Supplies</i> 0.4%				
United Rentals North America Inc., Senior Notes	5.500%			