

WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.

Form N-Q

October 30, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-7686

Western Asset Emerging Markets Income Fund II Inc.  
(Exact name of registrant as specified in charter)

55 Water Street, New York, NY  
(Address of principal executive offices)

10041  
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

300 First Stamford Place

Stamford, CT 06902  
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-800-451-2010

Date of fiscal year end: May 31

Date of reporting period: August 31, 2008

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ITEM 1. SCHEDULE OF INVESTMENTS

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**WESTERN ASSET**

**EMERGING MARKETS INCOME**





FORM N-Q

AUGUST 31, 2008

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## Western Asset Emerging Markets Income Fund II Inc.

Schedule of Investments (unaudited)

August 31, 2008

Face Amount	Security	Value
<b>SOVEREIGN BONDS 43.6%</b>		
<b>Argentina 3.5%</b>		
	Republic of Argentina:	
2,000,000 DEM	10.250% due 2/6/03 (a)	\$ 444,186
1,000,000 DEM	9.000% due 9/19/03 (a)	208,037
3,000,000 DEM	7.000% due 3/18/04 (a)	640,978
3,875,000 DEM	8.500% due 2/23/05 (a)	842,455
5,400,000 DEM	11.250% due 4/10/06 (a)	1,184,122
1,000,000 DEM	11.750% due 5/20/11 (a)	217,408
8,800,000 DEM	12.000% due 9/19/16 (a)	1,847,216
4,401,000	Bonds, 7.000% due 9/12/13	3,153,561
	GDP Linked Securities:	
3,200,000 EUR	1.262% due 12/15/35 (b)	387,090
2,705,000	1.318% due 12/15/35 (b)	270,500
17,572,503 ARS	1.383% due 12/15/35 (b)	517,471
	Medium-Term Notes:	
6,000,000,000 ITL	7.000% due 3/18/04 (a)	1,342,234
3,000,000,000 ITL	5.002% due 7/13/05 (a)	644,613
1,000,000,000 ITL	7.625% due 8/11/07 (a)	211,085
625,000 DEM	8.000% due 10/30/09 (a)	128,266
	<b>Total Argentina</b>	<b>12,039,222</b>
<b>Brazil 8.3%</b>		
	Brazil Nota do Tesouro Nacional:	
1,000 BRL	10.000% due 1/1/10	579
32,817,000 BRL	10.000% due 7/1/10	18,725,752
7,616,000 BRL	10.000% due 1/1/12	4,189,954
5,770,000 BRL	6.000% due 5/15/17	5,581,305
1,000	Federative Republic of Brazil, Collective Action Securities, Notes, 8.000% due 1/15/18	1,118
	<b>Total Brazil</b>	<b>28,498,708</b>
<b>Colombia 2.8%</b>		
	Republic of Colombia:	
1,632,000	7.375% due 1/27/17	1,799,280
7,161,000	7.375% due 9/18/37	7,866,358
	<b>Total Colombia</b>	<b>9,665,638</b>
<b>Ecuador 1.3%</b>		
4,840,000	Republic of Ecuador, 10.000% due 8/15/30 (c)	4,307,600
<b>Egypt 0.6%</b>		
11,070,000 EGP	Arab Republic of Egypt, 8.750% due 7/18/12 (c)	1,905,070
<b>Gabon 0.6%</b>		
1,843,000	Gabonese Republic, 8.200% due 12/12/17 (c)	1,889,075
<b>Indonesia 2.1%</b>		
	Republic of Indonesia:	



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18,741,000,000 IDR	10.250% due 7/15/22	1,767,831
21,153,000,000 IDR	11.000% due 9/15/25	2,074,157
17,914,000,000 IDR	10.250% due 7/15/27	1,641,508
21,312,000,000 IDR	9.750% due 5/15/37	1,827,778
	<b>Total Indonesia</b>	<b>7,311,274</b>
<b>Mexico 5.0%</b>		
	United Mexican States, Medium-Term Notes:	
8,525,000	8.000% due 9/24/22	10,293,937
2,395,000	8.300% due 8/15/31	3,011,713

*See Notes to Schedule of Investments.*

## Western Asset Emerging Markets Income Fund II Inc.

## Schedule of Investments (unaudited) (continued)

August 31, 2008

Face Amount	Security	Value
<b>Mexico 5.0% (continued)</b>		
4,030,000	6.050% due 1/11/40	\$ 3,933,280
	<b>Total Mexico</b>	17,238,930
<b>Panama 4.4%</b>		
2,225,000	Republic of Panama:	
11,793,000	9.375% due 4/1/29	2,953,688
	6.700% due 1/26/36	12,105,514
	<b>Total Panama</b>	15,059,202
<b>Peru 0.4%</b>		
169,000	Republic of Peru:	
1,073,000	8.750% due 11/21/33	219,278
	Bonds, 6.550% due 3/14/37	1,102,507
	<b>Total Peru</b>	1,321,785
<b>Russia 0.7%</b>		
1,350,000	Russian Federation, 12.750% due 6/24/28 (c)	2,373,006
<b>Turkey 7.7%</b>		
3,519,000	Republic of Turkey:	
22,449,000	11.875% due 1/15/30	5,335,684
	Notes, 6.875% due 3/17/36	21,017,876
	<b>Total Turkey</b>	26,353,560
<b>Venezuela 6.2%</b>		
7,751,000	Bolivarian Republic of Venezuela:	
5,713,000	8.500% due 10/8/14	7,227,807
716,000	5.750% due 2/26/16	4,427,575
	7.650% due 4/21/25	547,740
	Collective Action Securities:	
6,395,000	9.375% due 1/13/34	5,579,638
3,500,000	Notes, 10.750% due 9/19/13	3,596,250
	<b>Total Venezuela</b>	21,379,010
	<b>TOTAL SOVEREIGN BONDS</b>	
	(Cost \$148,572,805)	149,342,080
<b>COLLATERALIZED SENIOR LOANS 0.5%</b>		
<b>United States 0.5%</b>		
212,617	Ashmore Energy International:	
1,741,526	Synthetic Revolving Credit Facility, 5.496% due 3/30/12 (b)	195,076
	Term Loan, 5.696% due 3/30/14 (b)	1,597,850
	<b>TOTAL COLLATERALIZED SENIOR LOANS</b>	
	(Cost \$1,844,331)	1,792,926
<b>CORPORATE BONDS &amp; NOTES 42.4%</b>		
<b>Brazil 5.2%</b>		
2,136,000	Globo Comunicacoes e Participacoes SA, Bonds, 7.250% due 4/26/22 (c)	2,125,320
930,000	GTL Trade Finance Inc.:	
	7.250% due 10/20/17 (c)	941,994

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1,784,000	7.250% due 10/20/17 (c)	1,799,277
1,620,000	Odebrecht Finance Ltd., 7.500% due 10/18/17 (c)	1,624,050
	Vale Overseas Ltd., Notes:	
2,045,000	8.250% due 1/17/34	2,319,760
9,083,000	6.875% due 11/21/36	8,923,902
	<b>Total Brazil</b>	<b>17,734,303</b>

*See Notes to Schedule of Investments.*

## Western Asset Emerging Markets Income Fund II Inc.

## Schedule of Investments (unaudited) (continued)

August 31, 2008

Face Amount	Security	Value
<b>Chile 0.8%</b>		
2,374,000	Enersis SA, Notes, 7.375% due 1/15/14	\$ 2,527,505
<b>Colombia 0.5%</b>		
560,000	EEB International Ltd.: 8.750% due 10/31/14 (c)	598,500
1,010,000	Senior Bonds, 8.750% due 10/31/14 (c)	1,079,438
	<b>Total Colombia</b>	1,677,938
<b>India 0.2%</b>		
570,000	ICICI Bank Ltd., Subordinated Bonds: 6.375% due 4/30/22 (b)(c)	485,455
340,000	6.375% due 4/30/22 (b)(c)	285,821
	<b>Total India</b>	771,276
<b>Kazakhstan 3.1%</b>		
2,270,000	ATF Capital BV, Senior Notes, 9.250% due 2/21/14 (c)	2,247,300
200,000	HSBK Europe BV: 9.250% due 10/16/13 (c)	192,500
1,720,000	7.250% due 5/3/17 (c)	1,431,900
5,250,000	KazMunaiGaz Finance Sub B.V., Senior Notes, 8.375% due 7/2/13 (c)	5,355,000
1,610,000	TuranAlem Finance BV, Bonds: 8.250% due 1/22/37 (c)	1,143,100
383,000	8.250% due 1/22/37 (c)	271,930
	<b>Total Kazakhstan</b>	10,641,730
<b>Mexico 6.9%</b>		
680,000	America Movil SAB de CV, Senior Notes, 5.625% due 11/15/17	662,522
190,000	Axtel SAB de CV, Senior Notes: 11.000% due 12/15/13	203,775
7,150,000	7.625% due 2/1/17 (c)	6,989,125
1,845,000	7.625% due 2/1/17 (c)	1,798,875
220,000	Kansas City Southern de Mexico, Senior Notes, 9.375% due 5/1/12	231,000
6,720,000	Pemex Project Funding Master Trust: 6.625% due 6/15/35 (c)	6,667,302
7,233,000	Senior Bonds, 6.625% due 6/15/35	7,176,279
	<b>Total Mexico</b>	23,728,878
<b>Russia 15.9%</b>		
4,090,000	Evrax Group SA, Notes: 8.875% due 4/24/13 (c)	3,997,975
1,720,000	9.500% due 4/24/18 (c)	1,655,500
2,660,000	Gaz Capital SA: Medium Term Notes, 7.288% due 8/16/37 (c)	2,293,319
6,050,000	Notes, 8.625% due 4/28/34 (c)(d)	6,307,125
	Gazprom:	

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217,870,000 RUB	Bonds:	
72,620,000 RUB	6.790% due 10/29/09	8,765,840
1,140,000	7.000% due 10/27/11	2,783,380
96,030,000 RUB	Loan Participation Notes, 6.212% due 11/22/16 (c)	1,031,244
	Gazprom OAO, 6.950% due 8/6/09	3,878,139
	LUKOIL International Finance BV:	
680,000	6.356% due 6/7/17 (c)	612,000
4,880,000	6.656% due 6/7/22 (c)	4,172,400
	RSHB Capital, Loan Participation Notes:	
3,140,000	7.125% due 1/14/14 (c)	3,075,002
1,263,000	7.750% due 5/29/18 (c)	1,194,356

*See Notes to Schedule of Investments.*

## Western Asset Emerging Markets Income Fund II Inc.

## Schedule of Investments (unaudited) (continued)

August 31, 2008

Face Amount	Security	Value
<b>Russia 15.9% (continued)</b>		
2,856,000	Russian Agricultural Bank, Loan Participation Notes: 7.175% due 5/16/13 (c)	\$ 2,806,305
2,720,000	6.299% due 5/15/17 (c)	2,422,160
3,340,000	TNK-BP Finance SA: 7.500% due 7/18/16 (c)	2,997,650
2,091,000	6.625% due 3/20/17 (c)	1,735,530
1,200,000	Senior Notes, 7.875% due 3/13/18 (c)	1,077,000
2,180,000	UBS Luxembourg SA for OJSC Vimpel Communications, Loan Participation Notes, 8.250% due 5/23/16 (c)	2,019,225
1,770,000	Vimpel Communications, Loan Participation Notes, 8.375% due 4/30/13 (c)	1,712,305
	<b>Total Russia</b>	<b>54,536,455</b>
<b>Thailand 1.6%</b>		
200,000	True Move Co., Ltd.: 10.750% due 12/16/13 (c)	160,532
4,230,000	10.750% due 12/16/13 (c)	3,384,000
2,590,000	10.375% due 8/1/14 (c)	2,007,250
	<b>Total Thailand</b>	<b>5,551,782</b>
<b>United Kingdom 4.6%</b>		
50,194,000 RUB	HSBC Bank PLC, Credit-Linked Notes (Russian Agricultural Bank), 8.900% due 12/20/10 (b)(c)	2,094,029
209,880,000 RUB	JPMorgan Chase Bank, Credit-Linked Notes (Russian Agricultural Bank), 9.500% due 2/11/11 (b)(c)(e)	8,479,269
5,280,000	Vedanta Resources PLC, Senior Notes, 8.750% due 1/15/14 (c)	5,280,000
	<b>Total United Kingdom</b>	<b>15,853,298</b>
<b>United States 0.1%</b>		
260,000	Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17	276,024
<b>Venezuela 3.5%</b>		
11,203,898	Petrozuata Finance Inc.: 8.220% due 4/1/17 (c)	11,694,069
268,339	8.220% due 4/1/17 (c)	279,743
	<b>Total Venezuela</b>	<b>11,973,812</b>
	<b>TOTAL CORPORATE BONDS &amp; NOTES</b>	
	(Cost \$150,711,591)	145,273,001
<b>Warrants</b>		
<b>WARRANTS 0.1%</b>		
10,000	Bolivarian Republic of Venezuela, Oil-linked payment obligations, Expires 4/15/20 (Cost - \$310,000)	357,500

**TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS**

(Cost \$301,438,727) 296,765,507

**Face Amount**  
**SHORT-TERM INVESTMENTS 12.5%**  
**Sovereign Bonds 9.7%**

	Bank Negara Malaysia Islamic Notes:	
1,135,000 MYR	Zero coupon bond to yield 3.260% due 9/16/08	334,045
14,269,000 MYR	Zero coupon bond to yield 3.480% due 9/23/08	4,196,408
830,000 MYR	Zero coupon bond to yield 3.210% due 9/25/08	244,095
1,580,000 MYR	Zero coupon bond to yield 3.460% due 10/7/08	464,056
586,000 MYR	Zero coupon bond to yield 3.380% due 10/28/08	171,785
5,570,000 MYR	Zero coupon bond to yield 3.330% due 11/27/08	1,627,127

*See Notes to Schedule of Investments.*

## Western Asset Emerging Markets Income Fund II Inc.

## Schedule of Investments (unaudited) (continued)

August 31, 2008

Face Amount	Security	Value
<b>Sovereign Bonds 9.7% (continued)</b>		
4,446,000 MYR	Bank Negara Malaysia Monetary Notes: Zero coupon bond to yield 3.380% due 9/4/08	\$ 1,309,909
790,000 MYR	Zero coupon bond to yield 12.720% due 9/23/08	232,636
2,275,000 MYR	Zero coupon bond to yield 3.440% due 10/7/08	668,194
6,949,000 MYR	Zero coupon bond to yield 3.255% due 10/21/08	2,038,761
2,225,000 MYR	Zero coupon bond to yield 3.424% due 11/13/08	651,119
710,000 MYR	Zero coupon bond to yield 3.410% due 11/25/08	207,448
2,100,000 MYR	Zero coupon bond to yield 3.500% due 2/17/09	608,507
7,171,000 BRL	Brazil Letras Tesouro Nacional, zero coupon bond to yield 10.790% due 1/1/09	4,200,551
72,850,000 EGP	Egypt Treasury Bills: Zero coupon bond to yield 7.080% due 10/28/08	13,406,260
17,050,000 EGP	Zero coupon bond to yield 6.800% due 11/11/08	3,099,294
	<b>Total Sovereign Bonds</b>	
	(Cost \$33,185,834)	33,460,195
<b>Repurchase Agreement 2.8%</b>		
9,485,000	Morgan Stanley tri-party repurchase agreement dated 8/29/08, 2.030% due 9/2/08; Proceeds at maturity - \$9,487,139; (Fully collateralized by U.S. government agency obligations, 5.500% due 11/13/13; Market value - \$9,828,309) (Cost - \$9,485,000)	9,485,000
	<b>TOTAL SHORT-TERM INVESTMENTS</b>	
	(Cost \$42,670,834)	42,945,195
	<b>TOTAL INVESTMENTS 99.1%</b> (Cost \$344,109,561#)	339,710,702
	Other Assets in Excess of Liabilities 0.9%	2,912,941
	<b>TOTAL NET ASSETS 100.0%</b>	\$ 342,623,643

Face amount denominated in U.S. dollars, unless otherwise noted.

- (a) Security is currently in default.
- (b) Variable rate security. Interest rate disclosed is that which is in effect at August 31, 2008.
- (c) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (d) All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreement.
- (e) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 2).
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

ARS	-	Argentine Peso
BRL	-	Brazilian Real



DEM	-	German Mark
EGP	-	Egyptian Pound
EUR	-	Euro
GDP	-	Gross Domestic Product
IDR	-	Indonesian Rupiah
ITL	-	Italian Lira
MYR	-	Malaysian Ringgit
OJSC	-	Open Joint Stock Company
RUB	-	Russian Ruble

*See Notes to Schedule of Investments.*

**Notes to Schedule of Investments (unaudited)**

**1. Organization and Significant Accounting Policies**

Western Asset Emerging Markets Income Fund II Inc. (the Fund) was incorporated in Maryland and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is to seek high current income. As a secondary objective, the Fund seeks capital appreciation. In pursuit of these objectives, the Fund under normal conditions invests at least 80% of its net assets, plus any borrowings for investment purposes, in debt securities of government and government related issuers located in emerging market countries (including participations in loans between governments and financial institutions), and of entities organized to restructure the outstanding debt of such issuers, and in debt securities of corporate issuers located in emerging market countries.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

**(a) Repurchase Agreements.** When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market to ensure the adequacy of the collateral. If the seller defaults, and the market value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

**(b) Reverse Repurchase Agreements.** The Fund may enter into a reverse repurchase agreement in which the Fund sells a portfolio security at a specified price with an agreement to purchase the same or substantially the same security from the same counterparty at a fixed or determinable price at a future date. When entering into reverse repurchase agreements, the Fund's custodian delivers to the counterparty liquid assets, the market value of which, at the inception of the transaction, at least equals the repurchase price (including accrued interest). The Fund pays interest on amounts obtained pursuant to reverse repurchase agreements. Reverse repurchase agreements are considered to be borrowings, which may create leverage risk to the Fund.

**(c) Forward Foreign Currency Contracts.** The Fund may enter into a forward foreign currency contract to hedge against foreign currency exchange rate risk on its non-U.S. dollar denominated securities or to facilitate settlement of a foreign currency denominated portfolio transaction. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price with delivery and settlement at a future date. The contract is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When a forward foreign currency contract is closed, through either delivery or offset by entering into another forward foreign currency contract, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it was closed.

The Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

**(d) Foreign Currency Translation.** Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

**(e) Credit Default Swaps.** The Fund may enter into credit default swap ( CDS ) contracts for investment purposes, to manage its credit risk or to add leverage. CDS agreements involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party, typically corporate issuers or sovereign issuers of an emerging country, on a specified obligation. The Fund may use a CDS to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where a Fund has exposure to the sovereign issuer) or to take an active long or short position with respect to the likelihood of a particular issuer's default. As a seller of protection, the Fund generally receives an upfront payment or a fixed rate of income throughout the term of the swap provided that there is no credit event. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will pay to the buyer of the protection an amount up to the notional value of the swap, and in certain instances take delivery of the security. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its total net assets, the Fund would be subject to investment exposure on the notional amount of the swap. As a buyer of protection, the Fund generally receives an amount up to the notional value of the swap if a credit event occurs.

**Notes to Schedule of Investments (unaudited) (continued)**

Entering into a CDS agreement involves, to varying degrees, elements of credit, market and documentation risk. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreement may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreement, and that there will be unfavorable changes in net interest rates.

**(f) Credit and Market Risk.** The Fund invests in high yield and emerging market instruments that are subject to certain credit and market risks. The yields of high yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund's investment in securities rated below investment grade typically involves risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund's investment in non-U.S. dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

**(g) Security Transactions.** Security transactions are accounted for on a trade date basis.

**2. Investment Valuation**

Effective June 1, 2008, the Fund adopted Statement of Financial Accounting Standards No. 157 ( FAS 157 ). FAS 157 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

Debt securities are valued at the mean between the last quoted bid and asked prices provided by an independent pricing service that are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the mean between the last quoted bid and asked prices as of the close of business of that market. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. When prices are not readily available, or are determined not to reflect fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund

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calculates its net asset value, the Fund may value these securities at fair value as determined in accordance with the procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

The following is a summary of the inputs used in valuing the Fund's assets carried at fair value:

	August 31, 2008	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in Securities	\$ 339,710,702		\$ 339,710,702	
Other Financial Instruments*	(71,224)		(71,224)	
Total	\$ 339,639,478		\$ 339,639,478	

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\* Other financial instruments include swaps and forward contracts.

**Notes to Schedule of Investments (unaudited) (continued)**

**3. Investments**

At August 31, 2008, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation