

Western Asset Mortgage Defined Opportunity Fund Inc.
Form N-CSRS
August 26, 2011

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

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-22369

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

620 Eight Avenue, New York, NY
(Address of principal executive offices)

10018
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

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

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

Date of fiscal year end: December 31

Date of reporting period: June 30, 2011

ITEM 1. REPORT TO STOCKHOLDERS.

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

June 30, 2011

Semi-Annual Report

Western Asset Mortgage Defined Opportunity Fund Inc.

(DMO)

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

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Fund objectives

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

What's inside

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Letter from the chairman

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Dear Shareholder,

We are pleased to provide the semi-annual report of Western Asset Mortgage Defined Opportunity Fund Inc. for the six-month reporting period ended June 30, 2011. 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.leggmason.com/cef. 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,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

July 29, 2011

Investment commentary

Economic review

Although the U.S. economy continued to grow over the six months ended June 30, 2011, the pace of the expansion was disappointing, which resulted in a significant shift in investor sentiment. During the first half of the period, there were expectations of a strengthening economy and generally robust investor risk appetite. However, as the reporting period progressed, weakening economic data triggered a flight to quality as investor risk aversion increased. Despite giving back a portion of their previous gains in late May and June, investors who took on additional risk in their portfolios during the reporting period were generally rewarded.

U.S. gross domestic product (GDP) growth, as reported by the U.S. Department of Commerce, has been less robust than previously realized during most other periods exiting a severe recession. Revised GDP growth was 2.3% during the fourth quarter of 2010 and 3.0% for calendar 2010 as a whole. The Commerce Department then reported that first and second quarter 2011 GDP growth were 0.4% and 1.3%, respectively. This moderation in growth during the first half of the year was due to a variety of factors, including less robust export activity, a decline in government spending and a deceleration in consumer spending given higher oil and food prices.

Turning to the job market, while there was some improvement in the first half of the reporting period, unemployment again moved higher from April through June. After being 9.0% or higher since April 2009, the unemployment rate fell to 8.9% in February and 8.8% in March 2011. The job market then weakened, as unemployment rose to 9.0% in April, 9.1% in May and 9.2% in June. As of the end of the reporting period, approximately 14.1 million Americans looking for work had yet to find a job, and roughly 44% of these individuals have been out of work for more than six months. In June 2011, the Federal Reserve Board (Fed) projected that unemployment would moderate, but that it would remain elevated and between 7.8% and 8.2% at the end of 2012.

The long-ailing housing market continued to show signs of strain during the reporting period. Looking back, sales increased in the spring of 2010 largely due to the government's \$8,000 tax credit for first-time home buyers. This proved to be only a temporary boost, as sales subsequently weakened after the tax credit expired at the end of April. Existing-home sales did rebound somewhat toward the end of 2010 and in January 2011, as mortgage rates remained relatively low. However, according to the National Association of Realtors (NAR), existing-home sales then declined a sharp 8.9% in February. After a 3.5% increase in March, existing-home sales fell 1.8%, 4.0% and 0.8% in April, May and June, respectively. At the end of June, the inventory of unsold homes was a 9.5 month supply at the current sales level, versus a 9.1 month supply in May. Existing-home prices were relatively stagnant versus a year ago, with the NAR reporting that the median existing-home price for all housing types was \$184,300 in June 2011, up 0.8% from June 2010.

Even the manufacturing sector, one of the stalwarts of the economy in recent years, softened toward the end of the reporting period. Based on the Institute for Supply Management's PMI, the manufacturing sector grew twenty-three consecutive months since it began expanding in August 2009 (a reading below 50 indicates a contraction,

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Investment commentary (cont d)

whereas a reading above 50 indicates an expansion). In January 2011, the manufacturing sector expanded at its fastest pace since May 2004, with a reading of 60.8 versus 58.5 for the previous month. Manufacturing activity remained strong during the next three months and was 60.4 in April. However, it then declined to 53.5 in May, the lowest reading in the past twelve months. This was attributed, in part, to supply disruptions triggered by the March earthquake and tsunami in Japan. Manufacturing activity then moved modestly higher in June to 55.3, although only twelve of the eighteen industries tracked by the Institute for Supply Management expanded during the month.

Financial market overview

While stocks and lower-quality bonds generated solid results during the reporting period, there were several periods of heightened volatility and periodic sell-offs. These were triggered by a variety of factors, including concerns regarding the global economy, geopolitical unrest, the natural disasters in Japan and the ongoing European sovereign debt crisis. During those periods, investors tended to favor the relative safety of U.S. Treasury securities. However, these setbacks proved to be only temporary and risk aversion was generally replaced with solid demand for riskier assets.

The Fed took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. In November 2010, prior to the beginning of the reporting period, the Fed announced a second round of quantitative easing (often referred to as QE2) to help stimulate the economy, entailing the purchase of \$600 billion of long-term U.S. Treasury securities by the end of the second quarter of 2011. Also, as has been the case since December 2008, the Fed kept the federal funds rate at a historically low range between 0 and 1/4 percent.

Despite these efforts, at its meeting in June 2011, the Fed said, "Information received since the Federal Open Market Committee met in April indicates that the economic recovery is continuing at a moderate pace, though somewhat more slowly than the Committee had expected. . . . To promote the ongoing economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee decided today to keep the target range for the federal funds rate at 0 to 1/4 percent. The Committee continues to anticipate that economic conditions including low rates of resource utilization and a subdued outlook for inflation over the medium run are likely to warrant exceptionally low levels for the federal funds rate for an extended period.

In June, the Fed also announced that it would complete QE2 on schedule at the end of June. However, given ongoing strains in the economy, it made no overtures toward reversing any of its accommodative policies and the Fed said it would maintain its existing policy of reinvesting principal payments from its securities holdings rather than seeking to reduce the size of its balance sheet.

Fixed income market review

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While volatility was elevated at times, the U.S. spread sectors (non-Treasuries) produced positive results during the reporting period. As was the case for much of 2010, the spread sectors generally outperformed equal-duration Treasuries during the first four months of the reporting period. A combination of positive economic growth, benign core inflation, rising corporate

profits and overall robust investor demand supported the spread sectors from January through April 2011. Investor sentiment then began to shift in May, as optimism about the economic expansion waned and investor risk appetite started to be replaced with increased risk aversion. While the U.S. spread sectors generally posted positive results in May, they underperformed equal-duration Treasuries. Risk aversion then increased in June given a host of disappointing economic data and a further escalation of the European sovereign debt crisis. Against this backdrop, the spread sectors generated relatively poor results during most of June as investors fled the spread sectors in favor of Treasury securities.

Both short- and long-term Treasury yields fluctuated during the six months ended June 30, 2011. When the period began, two- and ten-year Treasury yields were 0.61% and 3.30%, respectively. Yields initially moved higher given expectations for stronger growth in 2011 and the potential for rising inflation. On February 14, 2011, two-year Treasury yields peaked at 0.87%, while ten-year Treasuries peaked at 3.75% on February 8, 2011. Treasury yields then declined as investor risk aversion increased given the uprising in Libya and, later, due to the tragic events in Japan. Yields briefly moved higher toward the end of March, but then generally declined from April through June given disappointing economic data and periodic flights to quality. In late June, two- and ten-year Treasury yields bottomed at 0.35% and 2.88%, respectively, and ended the period at 0.45% and 3.18%, respectively. For the six months ended June 30, 2011, the Barclays Capital U.S. Aggregate Indexvi returned 2.72%.

While fundamentals remained challenged, commercial mortgage-backed securities (CMBS) generated solid returns during the reporting period. Over the first four months of the period, CMBS, as measured by the Barclays Capital CMBS Indexvii, outperformed equal-duration Treasuries given overall strong demand from investors seeking incremental yield. While the CMBS market took a step backward during May and June given increased risk aversion, the asset class returned 3.71% over the six months ended June 30, 2011. Residential mortgage-backed securities, as measured by the Barclays Capital U.S. Mortgage-Backed Securities Indexviii, also generated positive results, but modestly lagged the CMBS market during the reporting period, returning 2.87%.

Performance review

For the six months ended June 30, 2011, Western Asset Mortgage Defined Opportunity Fund Inc. returned 2.96% based on its net asset value (NAV)ix and 2.18% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Indexx, returned -2.44% over the same time frame. The Lipper U.S. Mortgage Closed-End Funds Category Averagexi returned 3.85% for the same period. 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 \$0.84 per share, which may have included a return of capital. The performance table shows the Fund's six-month total return based on its NAV and market price as of June 30, 2011. **Past performance is no guarantee of future results.**

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Investment commentary (continued)

Performance Snapshot as of June 30, 2011 (unaudited)

Price Per Share	6-Month Total Return*
\$21.78 (NAV)	2.96%
\$21.24 (Market Price)	2.18%

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

* **Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.**

Looking for additional information?

The Fund is traded under the symbol **DMO** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XDMOX** on most financial websites. *Barron's* and the *Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as www.leggmason.com/cef.

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.

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

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

July 29, 2011

RISKS: *The Fund's investments are subject to liquidity risk, credit risk, inflation risk and interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund's fixed-income holdings. The Fund may invest in lower-rated high-yield bonds which are subject to greater credit risk (risk of default) than higher-rated obligations. Mortgage-backed securities are subject to additional risks, including prepayment risk, which can limit the potential gains in a declining interest rate environment. The Fund may invest in securities backed by subprime or distressed mortgages which involve a higher degree of risk and chance of loss. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss. The Fund may make significant investments in derivative instruments. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. The Fund is not guaranteed by the U.S. government, the U.S. Treasury or any government agency.*

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

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

- i 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 (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- iii The Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.
- iv 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.
- v Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- vi The Barclays Capital 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.
- vii The Barclays Capital CMBS Index measures the performance of the commercial mortgage-backed securities market.
- viii The Barclays Capital U.S. Mortgage-Backed Securities Index is an unmanaged index composed of agency mortgage-backed pass-through securities, both fixed-rate and hybrid adjustable rate mortgages, issued by the Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.
- ix Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (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.
- x The BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index tracks the performance of U.S. dollar-denominated investment grade floating-rate asset-backed securities collateralized by home equity loans publicly issued in the U.S. domestic market. Qualifying securities must have an investment grade rating, at least one year remaining to final stated maturity, a floating-rate coupon, and an original deal size for the collateral group of at least \$250 million.
- xi Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended June 30, 2011, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 10 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 direct investments and the exposure to these markets that the Fund receives through its investment in the RLJ Western Asset Public/Private Master Fund, LP as of June 30, 2011 and December 31, 2010. This bar graph does not include derivatives. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

Spread duration (unaudited)

Economic Exposure June 30, 2011

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

ABS	Asset-Backed Securities
DMO	Western Asset Mortgage Defined Opportunity Fund Inc.
MBS	Mortgage-Backed Securities
MLFR	BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset-Backed Securities Index

Effective duration (unaudited)

Interest Rate Exposure June 30, 2011

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.

DMO	Western Asset Mortgage Defined Opportunity Fund Inc.
MBS	Mortgage-Backed Securities
MLFR	BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset-Backed Securities Index

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Schedule of investments (unaudited)

June 30, 2011

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Commercial Mortgage-Backed Securities				
2.7%				
Air 2 US, Notes	8.027%	10/1/19	\$ 253,104	\$ 253,104(a)
Bayview Commercial Asset Trust, 2004-3 A1	0.556%	1/25/35	868,113	755,588(a)(b)
Bayview Commercial Asset Trust, 2007-1 B1	0.856%	3/25/37	1,312,182	196,827(a)(b)
CVS Corp.	9.350%	1/10/23	80,000	87,303(a)
Extended Stay America Trust, 2010-ESHA				
XB1, IO	1.368%	1/5/16	41,000,000	714,495(a)(b)
Federal Home Loan Mortgage Corp. (FHLMC), K007 X1, IO	1.413%	4/25/20	9,899,533	741,254(b)
Federal Home Loan Mortgage Corp. (FHLMC), K007 X1, IO	1.685%	8/25/20	8,131,669	737,446(b)
Federal Home Loan Mortgage Corp. (FHLMC), K008 X1, IO	1.842%	6/25/20	2,483,643	248,969(b)
GS Mortgage Securities Corp., IO	2.370%	2/10/21	8,790,441	390,295(a)(b)(c)
GS Mortgage Securities Corp., IO	1.342%	3/10/44	24,336,784	1,445,534(a)(b)
GS Mortgage Securities Corp., 2010-C1 X, IO	1.711%	8/10/43	16,989,425	1,596,060(a)(b)
Morgan Stanley Capital I, 1999-LIFE E	7.054%	4/15/33	56,976	56,869(b)
Total Commercial Mortgage-Backed Securities (Cost	\$6,976,852)			7,223,744
Residential Mortgage-Backed Securities				
62.1%				
ABFS Mortgage Loan Trust, 2002-3 M1	5.902%	9/15/33	1,498,750	1,202,097
Accredited Mortgage Loan Trust, 2003-3 A1	4.460%	1/25/34	2,021,616	1,670,808(d)
American Home Mortgage Assets, 2005-2 2A1A	3.440%	1/25/36	1,347,926	657,435(b)
American Home Mortgage Investment Trust, 2005-1 6A	2.396%	6/25/45	187,409	149,551(b)
American Home Mortgage Investment Trust, 2005-SD1 1A1	0.636%	9/25/35	578,068	315,588(a)(b)
American Home Mortgage Investment Trust, 2007-2 2A	0.986%	3/25/47	4,684,567	546,759(b)
American Home Mortgage Investment Trust, 2007-A 4A	0.636%	7/25/46	642,430	198,367(a)(b)
ARM Trust, 2005-05 1A1	2.682%	9/25/35	456,299	310,954(b)
ARM Trust, 2005-07 2A21	2.721%	10/25/35	1,040,000	737,156(b)
ARM Trust, 2005-10 1A21	2.942%	1/25/36	651,239	473,461(b)
ARM Trust, 2005-12 5A1	0.436%	3/25/36	576,548	288,784(b)
ARM Trust, 2007-1 1A1	2.991%	3/25/37	864,540	440,149(b)
Banc of America Funding Corp., 2004-B 6A1	3.221%	12/20/34	1,137,736	573,458(b)
Banc of America Funding Corp., 2004-C 3A1	3.185%	12/20/34	1,309,234	1,081,216(b)

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Banc of America Funding Corp., 2006-5 4A5	6.000%	9/25/36	3,600,000	3,615,721(d)
Banc of America Funding Corp., 2006-D 6A1	5.387%	5/20/36	2,831,812	1,768,920(b)(d)
Banc of America Funding Corp., 2006-F 1A1	2.836%	7/20/36	1,385,376	1,166,471(b)(d)
Banc of America Funding Corp., 2006-H 3A1	6.023%	9/20/46	445,609	389,960(b)
Banc of America Funding Corp., 2007-A 2A1	0.346%	2/20/47	634,261	477,195(b)
Banc of America Funding Corp., 2007-E CA9	5.821%	7/20/47	4,854,909	1,048,177(b)

See Notes to Financial Statements.

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
Banc of America Mortgage Securities Inc., 2005-E 2A7	2.867%	6/25/35	\$ 700,000	\$ 563,072(b)
Bayview Financial Acquisition Trust, 2005-B M1	0.636%	4/28/39	3,490,000	2,661,523(b)(d)
Bayview Financial Acquisition Trust, 2007-A 2A	0.536%	5/28/37	2,806,986	1,671,710(b)(d)
Bayview Financial Asset Trust, 2007-SR1A M2	1.086%	3/25/37	4,313,277	2,674,231(a)(b)
Bayview Financial Asset Trust, 2007-SR1A M3	1.336%	3/25/37	2,989,155	1,584,252(a)(b)
Bear Stearns Adjustable Rate Mortgage Trust, 2004-1 23A1	5.465%	4/25/34	516,574	506,548(b)
Bear Stearns Alt-A Trust, 2005-2 2A4	2.739%	4/25/35	298,088	235,312(b)
Bear Stearns Alt-A Trust, 2005-3 4A3	2.553%	3/25/35	638,373	480,447(b)
Bear Stearns Alt-A Trust, 2005-4 24A1	5.231%	5/25/35	820,652	718,088(b)
Bear Stearns Alt-A Trust, 2005-9 25A1	5.466%	11/25/35	749,130	550,882(b)
Bear Stearns Alt-A Trust, 2006-2 23A1	2.897%	3/25/36	2,770,950	1,424,122(b)
Bear Stearns ARM Trust, 2005-1 2A1	2.769%	3/25/35	806,889	630,745(b)
Bear Stearns ARM Trust, 2005-6 1A1	2.916%	8/25/35	244,945	182,400(b)
Bear Stearns Asset Backed Securities Trust, 2003-SD2 1A	3.982%	6/25/43	111,433	106,506(b)
Bear Stearns Asset Backed Securities Trust, 2005-CL1 A1	0.686%	9/25/34	267,565	208,508(b)
Chase Mortgage Finance Corp., 2005-A2 1A5	2.794%	1/25/36	4,000,000	3,071,528(b)(d)
Chase Mortgage Finance Corp., 2006-S3 2A1	5.500%	11/25/21	1,072,686	1,006,322(d)
Chevy Chase Mortgage Funding Corp., 2006-2A A1	0.316%	4/25/47	400,369	250,327(a)(b)
Citigroup Mortgage Loan Trust Inc., 2005-10 1A1A	2.995%	12/25/35	588,626	311,807(b)
Citigroup Mortgage Loan Trust Inc., 2006-AR5 2A1A	2.675%	7/25/36	1,152,828	529,989(b)
Citigroup Mortgage Loan Trust Inc., 2007-6 1A1A	2.344%	5/25/37	820,936	395,377(b)
Citigroup Mortgage Loan Trust Inc., 2007-AR8 1A1A	5.295%	8/25/47	825,854	591,305(b)
Countrywide Alternative Loan Trust, 2005-14 3A1	3.068%	5/25/35	719,506	379,614(b)
Countrywide Alternative Loan Trust, 2005-3CB 1A6, IO	6.964%	3/25/35	1,840,094	282,517(b)
Countrywide Alternative Loan Trust, 2005-7CB 1A3, IO	6.414%	4/25/35	5,563,583	727,933(b)
Countrywide Alternative Loan Trust, 2005-J08 2A1	5.000%	6/25/20	402,011	391,923
Countrywide Alternative Loan Trust, 2005-J10 1A1	0.686%	10/25/35	525,453	365,217(b)
Countrywide Alternative Loan Trust, 2006-HY10 1A1	5.301%	5/25/36	1,507,168	881,833(b)
Countrywide Alternative Loan Trust, 2006-J8 A5	6.000%	2/25/37	278,240	192,639
Countrywide Alternative Loan Trust, 2007-3T1 2A1	6.000%	3/25/27	2,270,225	1,807,192
Countrywide Home Loans, 2005-11 6A1	0.486%	3/25/35	168,755	108,908(b)
Countrywide Home Loans, 2005-18 A7	19.014%	10/25/35	110,401	114,720(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2004-23 A	2.520%	11/25/34	539,074	340,893(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-02 2A1	0.506%	3/25/35	224,381	149,240(b)

See Notes to Financial Statements.

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Schedule of investments (unaudited) (cont d)

June 30, 2011

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-07 2A1	0.496%	3/25/35	\$ 542,694	\$ 328,012(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-09 1A1	0.486%	5/25/35	285,950	196,926(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-HY10 1A1	3.382%	2/20/36	498,587	303,246(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-HYB6 1A1	2.619%	10/20/35	1,681,759	999,523(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-J2 3A10	48.556%	8/25/35	140,226	250,678(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-R1 1AF1	0.546%	3/25/35	1,326,263	1,138,623(a)(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-R2 2A3	8.000%	6/25/35	269,161	285,388(a)
Countrywide Home Loans Mortgage Pass-Through Trust, 2006-3 2A1	0.436%	3/25/36	1,007,878	649,283(b)
Credit Suisse First Boston Mortgage Securities Corp., 2005-10 03A3	5.500%	11/25/35	1,266,325	947,731
Credit Suisse First Boston Mortgage Securities Corp., 2005-10 12A1	5.250%	11/25/20	446,557	426,149
Credit Suisse Mortgage Capital Certificates, 2006-8 2A1	5.500%	10/25/21	3,335,643	2,796,313(d)
Credit Suisse Mortgage Capital Certificates, 2009-5R 2A3	6.029%	7/26/49	4,000,000	2,812,862(a)(b)(d)
Credit-Based Asset Servicing & Securitization, 2005-CB4 M1	0.606%	8/25/35	2,000,000	1,488,820(b)(d)
Credit-Based Asset Servicing & Securitization LLC, 2004-CB2 M1	0.966%	7/25/33	777,640	573,758(b)
Deutsche ALT-A Securities Inc. Mortgage Loan Trust, 2005-AR2 3A1	2.694%	10/25/35	2,277,523	1,233,904(b)
Deutsche ALT-A Securities Inc. Mortgage Loan Trust, 2006-AR1 2A1	2.971%	2/25/36	371,424	215,499(b)
Deutsche ALT-A Securities Inc. Mortgage Loan Trust, 2007-1 2A1	0.286%	8/25/37	901,070	587,229(b)
Deutsche Mortgage Securities Inc., 2005-WF1 1A3	5.225%	6/26/35	2,200,000	2,118,431(a)(b)(d)
Downey Savings & Loan Association Mortgage Loan Trust, 2005-AR2 2A1A	0.396%	3/19/45	784,101	537,256(b)
First Horizon Alternative Mortgage Securities, 2005-AA6 3A1	2.370%	8/25/35	1,919,748	1,416,709(b)(d)
First Horizon Alternative Mortgage Securities, 2006-FA6 2A1	6.250%	11/25/36	358,825	260,791
First Horizon Alternative Mortgage Securities, 2006-FA8 1A8	0.556%	2/25/37	784,071	445,089(b)

See Notes to Financial Statements.

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
First Horizon Mortgage Pass-Through Trust, 2005-AR4 2A1	2.876%	10/25/35	\$ 1,123,292	\$ 949,531(b)
Greenpoint Mortgage Funding Trust, 2005-AR4 A1	0.446%	10/25/45	895,406	561,270(b)
Greenpoint Mortgage Funding Trust, 2006-AR3 4A1	0.396%	4/25/36	1,900,081	1,084,735(b)
Greenpoint Mortgage Funding Trust, 2006-AR5 A1A	0.266%	10/25/46	151,517	142,341(b)
GSMPS Mortgage Loan Trust, 2004-4 2A1	4.004%	6/25/34	400,857	379,589(a)(b)
GSMPS Mortgage Loan Trust, 2005-LT1 A1	0.416%	2/25/35	439,318	384,403(a)(b)(c)
GSMPS Mortgage Loan Trust, 2005-RP1 1A3	8.000%	1/25/35	233,744	235,283(a)
GSMPS Mortgage Loan Trust, 2005-RP1 1A4	8.500%	1/25/35	111,911	109,885(a)
GSMPS Mortgage Loan Trust, 2006-RP1 1A2	7.500%	1/25/36	846,654	808,236(a)
GSR Mortgage Loan Trust, 2005-3F 1A15	23.152%	3/25/35	249,098	266,851(b)
GSR Mortgage Loan Trust, 2005-AR3 3A1	2.763%	5/25/35	491,981	357,467(b)
GSR Mortgage Loan Trust, 2005-AR4 2A1	2.782%	7/25/35	721,921	540,141(b)
GSR Mortgage Loan Trust, 2005-AR5 1A1	2.849%	10/25/35	360,523	269,322(b)
GSR Mortgage Loan Trust, 2006-10F 4A2, IO	6.464%	1/25/37	2,794,895	456,205(b)
Harborview Mortgage Loan Trust, 2006-02	2.822%	2/25/36	96,920	59,056(b)
HSI Asset Loan Obligation Trust, 2007-AR1 4A1	5.375%	1/25/37	693,300	437,234(b)
IMPAC Secured Assets Corp., 2006-1 1A2B	0.386%	5/25/36	266,361	116,026(b)
IMPAC Secured Assets Corp., 2007-1 A2	0.346%	3/25/37	1,200,000	597,141(b)
Indymac Inda Mortgage Loan Trust, 2005-AR2 1A1	2.528%	1/25/36	268,126	237,278(b)
Indymac Inda Mortgage Loan Trust, 2007-AR3 1A1	5.580%	7/25/37	321,926	262,894(b)
Indymac Inda Mortgage Loan Trust, 2007-AR7 1A1	5.837%	11/25/37	61,983	50,117(b)
Indymac Index Mortgage Loan Trust, 2004-AR13 1A1	2.729%	1/25/35	205,643	149,670(b)
Indymac Index Mortgage Loan Trust, 2005-AR15 A2	4.970%	9/25/35	242,021	197,858(b)
Indymac Index Mortgage Loan Trust, 2006-AR04 A1A	0.396%	5/25/46	639,908	403,184(b)
Indymac Index Mortgage Loan Trust, 2006-AR07 3A1	2.843%	5/25/36	955,053	542,657(b)
Indymac Index Mortgage Loan Trust, 2006-AR07 5A1	4.799%	3/25/36	835,437	417,563(b)
Indymac Index Mortgage Loan Trust, 2006-AR09 3A3	5.244%	6/25/36	1,430,966	1,145,523(b)(d)
Indymac Index Mortgage Loan Trust, 2006-AR11 1A1	2.755%	6/25/36	864,372	474,271(b)
Indymac Index Mortgage Loan Trust, 2006-AR25 4A3	4.407%	9/25/36	2,969,952	1,025,634(b)
Indymac Index Mortgage Loan Trust, 2007-AR05 2A1	4.961%	5/25/37	4,321,519	2,373,659(b)(d)
Indymac Index Mortgage Loan Trust, 2007-AR15 2A1	5.179%	8/25/37	615,754	377,261(b)
Jefferies & Co., 2009-R3 2A2	3.161%	11/26/34	4,040,045	2,767,431(a)(b)(c)
Jefferies & Co., 2009-R6 6A2	2.814%	10/26/35	2,981,788	2,161,796(a)(b)(c)
JPMorgan Alternative Loan Trust, 2006-A4 A7	6.300%	9/25/36	1,150,000	544,095(b)
JPMorgan Alternative Loan Trust, 2007-A1 3A1	6.038%	3/25/37	1,169,156	701,959(b)
JPMorgan Mortgage Trust, 2005-S3 1A1	6.500%	1/25/36	2,019,152	1,573,652(d)
JPMorgan Mortgage Trust, 2006-S2 2A1	5.000%	7/25/36	278,681	266,943
JPMorgan Mortgage Trust, 2006-S2 2A2	5.875%	7/25/36	403,524	393,180
JPMorgan Mortgage Trust, 2007-S2 3A2	6.000%	6/25/37	453,531	408,253

See Notes to Financial Statements.

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8 Western Asset Mortgage Defined Opportunity Fund Inc. 2011 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

June 30, 2011

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
JPMorgan Mortgage Trust, 2007-S2 3A3	6.500%	6/25/37	\$ 133,432	\$ 122,086
JPMorgan Mortgage Trust, 2007-S3 2A3	6.000%	8/25/22	165,406	155,925
Lehman Mortgage Trust, 2006-3 2A1	0.546%	7/25/36	6,976,711	3,190,555(b)(d)
Lehman Mortgage Trust, 2006-3 2A2, IO	6.954%	7/25/36	7,876,615	1,484,587(b)
Lehman XS Trust, 2005-9N 1A1	0.456%	2/25/36	2,260,226	1,340,629(b)
Lehman XS Trust, 2006-14N 3A2	0.306%	8/25/36	530,293	255,810(b)
Lehman XS Trust, 2006-19 A4	0.356%	12/25/36	865,036	452,233(b)
MASTR Adjustable Rate Mortgages Trust, 2004-12 5A1	3.610%	10/25/34	306,690	256,264(b)
MASTR Adjustable Rate Mortgages Trust, 2004-13 3A7	2.836%	11/21/34	600,000	575,691(b)(d)
MASTR Adjustable Rate Mortgages Trust, 2004-15 1A1	3.523%	12/25/34	149,607	118,479(b)
MASTR Adjustable Rate Mortgages Trust, 2006-2 4A1	4.983%	2/25/36	282,181	262,712(b)
MASTR Adjustable Rate Mortgages Trust, 2006-OA1 1A1	0.396%	4/25/46	588,290	331,040(b)
MASTR Alternative Loans Trust, 2006-2 2A4, IO	6.964%	3/25/36	2,645,817	560,696(b)
MASTR Asset-Backed Securities Trust, 2005-AB1 A5A	5.712%	11/25/35	3,360,000	1,404,149
MASTR Reperforming Loan Trust, 2005-2 1A3	7.500%	5/25/35	25,060	25,013(a)
MASTR Reperforming Loan Trust, 2006-2 1A1	5.371%	5/25/36	2,874,343	2,568,241(a)(b)(d)
Merrill Lynch Mortgage Investors Trust, 2005-A2 A5	2.622%	2/25/35	650,000	574,041(b)(d)
Merrill Lynch Mortgage Investors Trust, 2006-A1 2A1	5.765%	3/25/36	165,854	108,298(b)
Morgan Stanley Mortgage Loan Trust, 2004-6AR 2A2	2.894%	8/25/34	730,908	605,246(b)
Morgan Stanley Mortgage Loan Trust, 2005-5AR 4A1	5.376%	9/25/35	87,138	64,217(b)
Morgan Stanley Mortgage Loan Trust, 2006-1AR 1A1	0.466%	2/25/36	2,478,553	1,466,271(b)
Morgan Stanley Mortgage Loan Trust, 2006-1AR 1AX, IO	3.801%	2/25/36	22,544,536	2,085,370(b)(c)
Morgan Stanley Mortgage Loan Trust, 2006-8AR 1A2	0.256%	6/25/36	478,189	212,838(b)
Morgan Stanley Mortgage Loan Trust, 2007-15AR 4A1	5.326%	11/25/37	2,923,507	1,944,572(b)(d)
Nomura Asset Acceptance Corp., 2004-R1 A1	6.500%	3/25/34	225,717	230,269(a)(d)
Option One Mortgage Loan Trust, 2001-4 A	0.786%	1/25/32	18,926	16,974(b)
Prime Mortgage Trust, 2006-DR1 2A1	5.500%	5/25/35	1,776,939	1,536,185(a)(d)
RAAC Series, 2006-RP3 A	0.456%	5/25/36	1,281,789	818,344(a)(b)

See Notes to Financial Statements.

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
RAAC Series, 2007-RP2 A	0.536%	2/25/46	\$ 622,829	\$ 403,454(a)(b)
RAAC Series, 2007-RP3 A	0.566%	10/25/46	1,890,798	1,188,728(a)(b)
RAAC Series, 2007-SP3 A1	1.386%	9/25/47	908,722	744,399(b)
Renaissance Home Equity Loan Trust, 2002-3 A	0.946%	12/25/32	1,629,564	1,168,128(b)(d)
Renaissance Home Equity Loan Trust, 2006-2 AV3	0.426%	8/25/36	800,000	429,557(b)
Residential Accredit Loans Inc., 2006-QA1 A11	3.387%	1/25/36	1,264,227	707,537(b)
Residential Accredit Loans Inc., 2006-QA1 A31	6.154%	1/25/36	3,866,823	2,318,313(b)(d)
Residential Accredit Loans Inc., 2006-QA4 A	0.366%	5/25/36	829,319	392,040(b)
Residential Accredit Loans Inc., 2007-QA2 A1	0.316%	2/25/37	962,430	529,538(b)
Residential Asset Mortgage Products Inc., 2004-SL3 A4	8.500%	12/25/31	179,655	188,912
Residential Asset Mortgage Products Inc., 2005-SL2 A5	8.000%	10/25/31	458,031	478,426
Residential Asset Securitization Trust, 2005-A05 A1	0.486%	5/25/35	946,230	814,612(b)
Residential Asset Securitization Trust, 2005-A05 A2, IO	5.014%	5/25/35	3,121,331	277,312(b)
Residential Asset Securitization Trust, 2005-A13 1A3	0.656%	10/25/35	418,954	312,272(b)
Residential Asset Securitization Trust, 2005-A13 1A4, IO	4.844%	10/25/35	418,954	48,280(b)
Residential Asset Securitization Trust, 2006-A1 1A6	0.686%	4/25/36	2,953,144	1,849,398(b)(d)
Residential Asset Securitization Trust, 2006-A1 1A7, IO	5.300%	4/25/36	2,953,144	433,600(b)
Residential Asset Securitization Trust, 2007-A2 1A1	6.000%	4/25/37	841,508	668,420
Residential Funding Mortgage Securities I, 2006-SA2 4A1	5.897%	8/25/36	1,220,740	1,084,960(b)
Residential Funding Securities LLC, 2003-RP2 A1	0.636%	6/25/33	83,602	77,148(a)(b)
Structured ARM Loan Trust, 2004-07 A3	0.676%	6/25/34	275,612	220,791(b)
Structured ARM Loan Trust, 2004-16 1A2	2.656%	11/25/34	926,620	730,855(b)
Structured ARM Loan Trust, 2004-18 1A2	2.715%	12/25/34	1,001,567	753,381(b)
Structured ARM Loan Trust, 2005-01 1A1	2.599%	2/25/35	2,122,106	1,476,975(b)(d)
Structured ARM Loan Trust, 2005-04 1A1	2.659%	3/25/35	419,341	290,584(b)
Structured ARM Loan Trust, 2005-04 3A1	2.597%	3/25/35	165,633	146,074(b)
Structured ARM Loan Trust, 2005-04 5A	5.427%	3/25/35	932,807	842,537(b)
Structured ARM Loan Trust, 2005-07 1A3	2.620%	4/25/35	216,164	154,999(b)
Structured ARM Loan Trust, 2005-12 3A1	2.545%	6/25/35	265,744	210,237(b)
Structured ARM Loan Trust, 2005-15 1A1	2.579%	7/25/35	575,581	425,674(b)

See Notes to Financial Statements.

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10 Western Asset Mortgage Defined Opportunity Fund Inc. 2011 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

June 30, 2011

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
Structured ARM Loan Trust, 2005-22 1A4	2.542%	12/25/35	\$ 2,235,399	\$ 885,926(b)
Structured ARM Loan Trust, 2006-1 5A2	2.936%	2/25/36	550,000	333,819(b)
Structured ARM Loan Trust, 2006-4 4A1	5.505%	5/25/36	869,317	683,484(b)
Structured ARM Loan Trust, 2006-8 3A5	5.204%	9/25/36	2,470,000	1,513,220(b)
Structured ARM Loan Trust, 2007-5 2A2	5.324%	6/25/37	1,300,000	687,990(b)
Structured ARM Loan Trust, 2007-7 1A1	0.486%	8/25/37	2,792,045	1,896,132(b)
Structured Asset Investment Loan Trust, 2003-BC10 A4	1.186%	10/25/33	860,000	723,260(b)
Structured Asset Mortgage Investments Inc., 2006-AR5 4A1	0.406%	5/25/46	930,322	415,715(b)
Structured Asset Securities Corp., 1999-RF1 A	7.368%	10/15/28	1,366,389	1,325,682(a)(b)
Structured Asset Securities Corp., 2003-37A 3A7	2.523%	12/25/33	1,014,272	868,641(b)(d)
Structured Asset Securities Corp., 2004-NP1 A	0.586%	9/25/33	441,046	391,415(a)(b)(d)
Structured Asset Securities Corp., 2005-2XS 1A5B	4.650%	2/25/35	3,039,113	3,045,533(d)
Structured Asset Securities Corp., 2005-4XS 3A4	4.790%	3/25/35	2,710,000	2,691,053(d)
Structured Asset Securities Corp., 2005-5 2A2	5.500%	4/25/35	500,000	470,534
Structured Asset Securities Corp., 2005-RF1 A	0.536%	3/25/35	151,549	128,274(a)(b)
Structured Asset Securities Corp., 2005-RF2 A	0.536%	4/25/35	143,536	118,447(a)(b)
Structured Asset Securities Corp., 2006-GEL3 A2	0.416%	7/25/36	2,420,000	1,780,995(a)(b)(d)
Structured Asset Securities Corp., 2006-RF3 1A1	6.000%	10/25/36	206,439	204,721(a)
Structured Asset Securities Corp., 2006-RF4 2A1	6.000%	10/25/36	181,518	169,007(a)
Thornburg Mortgage Securities Trust, 2007-4 2A1	6.158%	9/25/37	1,430,979	1,395,580(b)(d)
Truman Capital Mortgage Loan Trust, 2006-1 A	0.446%	3/25/36	453,620	331,639(a)(b)
Wachovia Mortgage Loan Trust LLC, 2005-B 2A2	3.065%	10/20/35	392,978	372,698(b)
Wachovia Mortgage Loan Trust LLC, 2005-B 2A3	3.065%	10/20/35	1,450,000	1,165,608(b)
Wachovia Mortgage Loan Trust LLC, 2006-ALT1 A1	0.266%	1/25/37	465,076	253,988(b)
Wachovia Mortgage Loan Trust LLC, 2006-ALT1 A2	0.366%	1/25/37	1,095,789	603,112(b)
WaMu Alternative Mortgage Pass-Through Certificates, 2006-5 1A1	0.786%	7/25/36	311,632	163,070(b)
WaMu Alternative Mortgage Pass-Through Certificates, 2007-3 A9, IO	6.474%	4/25/37	9,353,016	1,683,081(b)
WaMu Mortgage Pass-Through Certificates, 2004-AR10 A3	0.738%	7/25/44	185,161	138,707(b)
WaMu Mortgage Pass-Through Certificates, 2005-07 1A6	48.006%	9/25/35	127,821	202,802(b)
WaMu Mortgage Pass-Through Certificates, 2005-09 5A4	34.571%	11/25/35	237,181	295,854(b)
WaMu Mortgage Pass-Through Certificates, 2005-10 2A3	1.086%	11/25/35	452,371	285,382(b)
WaMu Mortgage Pass-Through Certificates, 2005-AR05 A5	2.571%	5/25/35	1,030,000	923,340(b)

See Notes to Financial Statements.

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities				
continued				
WaMu Mortgage Pass-Through Certificates, 2005-AR05 A6	2.571%	5/25/35	\$ 550,000	\$ 442,454(b)
WaMu Mortgage Pass-Through Certificates, 2005-AR13 A1C3	0.676%	10/25/45	752,111	466,709(b)
WaMu Mortgage Pass-Through Certificates, 2005-AR14 1A1	2.665%	12/25/35	252,605	242,688(b)
WaMu Mortgage Pass-Through Certificates, 2006-AR08 3A2	5.881%	8/25/36	290,000	244,256(b)
WaMu Mortgage Pass-Through Certificates, 2006-AR10 1A2	5.836%	9/25/36	162,283	135,599(b)
WaMu Mortgage Pass-Through Certificates, 2006-AR10 A1	0.286%	12/25/36	989,950	533,178(b)
WaMu Mortgage Pass-Through Certificates, 2006-AR16 2A2	5.531%	12/25/36	800,000	621,176(b)
WaMu Mortgage Pass-Through Certificates, 2007-HY3 1A1	5.327%	3/25/37	1,722,873	1,139,040(b)
WaMu Mortgage Pass-Through Certificates, 2007-HY3 4A1	2.725%	3/25/37	315,899	269,031(b)
WaMu Mortgage Pass-Through Certificates, 2007-HY6 1A1	5.272%	6/25/37	4,823,558	3,502,639(b)(d)
WaMu Mortgage Pass-Through Certificates, 2007-HY7 1A1	3.006%	7/25/37	298,777	193,927(b)
WaMu Mortgage Pass-Through Certificates, 2007-HY7 3A1	5.571%	7/25/37	619,433	468,348(b)
WaMu Mortgage Pass-Through Certificates, 2007-OA2 1A	0.978%	3/25/47	402,247	252,292(b)
WaMu Mortgage Pass-Through Certificates, 2007-OA2 2A	2.702%	3/25/47	409,950	259,367(b)
WaMu Mortgage Pass-Through Certificates, 2007-OA6 1A	1.088%	7/25/47	2,866,494	1,856,109(b)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR18 1A3A	2.579%	1/25/36	440,000	352,573(b)
Wells Fargo Mortgage Backed Securities Trust, 2006-AR8 3A2	2.770%	4/25/36	100,000	71,963(b)
Wells Fargo Mortgage Backed Securities Trust, 2007-8 1A14	38.665%	7/25/37	461,649	743,551(b)
Wells Fargo Mortgage Backed Securities Trust, 2007-8 2A6	6.000%	7/25/37	350,000	299,490
Total Residential Mortgage-Backed Securities (Cost	\$161,930,559)			167,828,646
Asset-Backed Securities 3.9%				
Access Group Inc., 2001 1A2	0.427%	5/25/29	1,942,372	1,803,693(b)(d)
Associates Manufactured Housing Pass-Through Certificates, 1997-1 B1	7.600%	6/15/28	476,735	505,529(b)(e)

See Notes to Financial Statements.

12 Western Asset Mortgage Defined Opportunity Fund Inc. 2011 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

June 30, 2011

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Asset-Backed Securities continued				
Greenpoint Manufactured Housing, 1999-2 A2	3.109%	3/18/29	\$ 425,000	\$ 354,875(b)
Greenpoint Manufactured Housing, 1999-3 1A7	7.270%	6/15/29	440,000	396,250
Greenpoint Manufactured Housing, 1999-3 2A2	3.696%	6/19/29	250,000	208,750(b)
Greenpoint Manufactured Housing, 1999-4 A2	3.695%	2/20/30	200,000	167,000(b)
Greenpoint Manufactured Housing, 2000-4 A3	2.253%	8/21/31	1,175,000	987,000(b)
Greenpoint Manufactured Housing, 2000-6 A3	2.195%	11/22/31	325,000	269,329(b)
Greenpoint Manufactured Housing, 2000-7 A2	3.686%	11/17/31	750,000	633,750(b)
Greenpoint Manufactured Housing, 2001-2 IA2	3.690%	2/20/32	100,000	81,423(b)
Greenpoint Manufactured Housing, 2001-2 IIA2	3.689%	3/13/32	150,000	118,278(b)
Mid-State Trust, 2005-1 M2	7.079%	1/15/40	1,693,417	1,643,016
Origen Manufactured Housing, 2006-A A2	3.697%	10/15/37	2,100,000	1,407,000(b)
Origen Manufactured Housing, 2007-A A2	3.697%	4/15/37	3,100,000	2,015,000(b)
Total Asset-Backed Securities (Cost \$10,342,841)				10,590,893
PPIP Limited Partnership 30.5%				
RLJ Western Asset Public/Private Master Fund, LP				
(Cost \$80,774,896)	N/A	N/A	N/A	82,400,860(c)(e)(f)
Total Investments before Short-Term Investments (Cost \$260,025,148)				268,044,143
Short-Term Investment 0.8%				
Repurchase Agreements 0.8%				
State Street Bank & Trust Co. repurchase agreement dated 6/30/11; Proceeds at maturity \$2,131,001 (Fully collateralized by U.S. Treasury Notes, 1.000% due 4/30/12; Market Value \$2,177,924) (Cost \$2,131,000)	0.010%	7/1/11	2,131,000	2,131,000
Total Investments 100.0% (Cost \$262,156,148#)				\$ 270,175,143

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- (a) 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.
 - (b) Variable rate security. Interest rate disclosed is as of the most recent information available.
 - (c) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).
 - (d) All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.
 - (e) Illiquid security.
 - (f) Investment through RLJ Western Asset Public/Private Collector Fund, LP.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

ARM	Adjustable Rate Mortgage
IO	Interest Only

See Notes to Financial Statements.

Statement of assets and liabilities (unaudited)

June 30, 2011

Assets:

Investments, at value (Cost	\$181,381,252)	\$ 187,774,283
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