

Western Asset Mortgage Defined Opportunity Fund Inc.

Form N-CSRS

August 24, 2015

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**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 Eighth Avenue, 49<sup>th</sup> Floor, New York, NY 10018**

**(Address of principal executive offices) (Zip code)**

**Robert I. Frenkel, Esq.**

**Legg Mason & Co., LLC**

**100 First Stamford Place**

**Stamford, CT 06902**

**(Name and address of agent for service)**

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

**Date of fiscal year end: December 31**

**Date of reporting period: June 30, 2015**

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ITEM 1. REPORT TO STOCKHOLDERS.

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

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Semi-Annual Report

June 30, 2015

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.

The Fund seeks to achieve its investment objectives by investing primarily in a diverse portfolio of mortgage-backed securities, consisting primarily of non-agency residential mortgage-backed securities and commercial mortgage-backed securities.

## Letter from the chairman

### 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, 2015. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

I am pleased to introduce myself as the new Chairman, President and Chief Executive Officer of the Fund, succeeding Kenneth D. Fuller. I am honored to have been appointed to my new role. During my 27 year career with Legg Mason, I have seen the investment management industry evolve and expand. Throughout these changes, maintaining an unwavering focus on our shareholders and their needs has remained paramount.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, [www.lmcef.com](http://www.lmcef.com). Here you can gain immediate access to market and investment information, including:

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

## Edgar Filing: Western Asset Mortgage Defined Opportunity Fund Inc. - Form N-CSRS

A host of educational resources.  
We look forward to helping you meet your financial goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

August 3, 2015

II Western Asset Mortgage Defined Opportunity Fund Inc.

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# Investment commentary

## **Economic review**

After a tepid start, the pace of U.S. economic activity improved during the six months ended June 30, 2015 (the reporting period). Looking back, the U.S. Department of Commerce's revised figures showed that fourth quarter 2014 U.S. gross domestic product (GDP) growth was 2.1%. First quarter 2015 GDP growth then moderated to 0.6%. This was attributed to a number of factors, including a deceleration in personal consumption expenditures (PCE), along with negative contributions from exports, nonresidential fixed investment, and state and local government spending. However, the economy then gained some traction, as the U.S. Department of Commerce's initial estimate for second quarter 2015 GDP growth released after the reporting period ended was 2.3%. The upturn was driven by an increase in exports, an acceleration in PCE, a deceleration in imports and increased state and local government spending.

Activity in the U.S. manufacturing sector initially moderated and then strengthened during the reporting period. Based on the Institute for Supply Management's Purchasing Managers' Index (PMI), U.S. manufacturing expanded during all six months of the reporting period (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion).

The labor market was a tailwind for the economy during the reporting period. When the period began, unemployment was 5.7%, as reported by the U.S. Department of Labor. By June 2015, unemployment was 5.3%, its lowest level since April 2008.

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# **Investment commentary (cont d)**

## **Market review**

### **Q. How did the Federal Reserve Board ( Fed<sup>iii</sup> ) respond to the economic environment?**

**A.** The Fed took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As it has since December 2008, the Fed maintained the federal funds rate<sup>iv</sup> at a historically low range between zero and 0.25%. However, in October 2014 the Fed ended its asset purchase program that was announced in December 2012. In December 2014, the Fed said that it can be patient in beginning to normalize the stance of monetary policy. At its meeting that ended on April 29, 2015, the Fed said, economic growth slowed during the winter months, in part reflecting transitory factors. Finally, at its meeting that ended on July 29, 2015, after the reporting period ended, the Fed said,

The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run.

### **Q. Did Treasury yields trend higher or lower during the six months ended June 30, 2015?**

**A.** Short-term Treasury yields edged lower, whereas long-term Treasury yields increased during the reporting period. When the reporting period began, the yield on the two-year Treasury note was 0.67%. It peaked at 0.75% on June 10, 2015, and fell as low as 0.44% on January 15, 2015, before ending the period at 0.64%. The yield on the ten-year Treasury note began the period at 2.17% and its peak of 2.50% occurred on June 10, 2015. The yield on the ten-year Treasury note was as low as 1.68% in late January/early February 2015 and concluded the reporting period at 2.35%.

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

**A.** The spread sectors generally posted positive, albeit small gains, during the reporting period. Performance fluctuated with investor sentiment given the uncertainties regarding future Fed monetary policy, along with concerns over global growth and geopolitical issues. The broad U.S. bond market, as measured by the Barclays U.S. Aggregate Index<sup>v</sup>, declined 0.10% during the six months ended June 30, 2015.

### **Q. How did the commercial mortgage-backed securities ( CMBS ) and residential mortgage-backed securities ( RMBS ) perform during the reporting period?**

**A.** Both CMBS and RMBS generated modest gains during the six months ended June 30, 2015. Demand was solid overall as investors looked to generate incremental yield in the low interest rate environment. Over the six-month reporting period, CMBS, as measured by the Barclays CMBS Index<sup>vi</sup>, gained 0.72%. The overall agency mortgage-backed securities market, as measured by the Barclays U.S. Mortgage-Backed Securities Index<sup>vii</sup>, returned 0.31%. Elsewhere, RMBS, as measured by the BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index<sup>viii</sup>, returned 0.67%.

## **Performance review**

For the six months ended June 30, 2015, Western Asset Mortgage Defined Opportunity Fund Inc. returned 5.31% based on its net asset value ( NAV<sup>x</sup> ) and 5.00% based on its New York Stock Exchange ( NYSE )



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market price per share. The Fund's unmanaged benchmark, the BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index, returned 0.67% for the same period. The Lipper U.S. Mortgage Closed-End Funds Category Average<sup>x</sup> returned 2.46% 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 \$1.07 per share. As of June 30, 2015, the Fund estimates that all of the distributions were sourced from net investment income.\* The performance table shows the Fund's six-month total return based on its NAV and market price as of June 30, 2015. **Past performance is no guarantee of future results.**

### Performance Snapshot as of June 30, 2015 (unaudited)

	6-Month Total Return**
Price Per Share	
\$24.98 (NAV)	5.31%
\$23.96 (Market Price)	5.00%

**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 **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.lmcef.com](http://www.lmcef.com).

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Thank you for your investment in Western Asset Mortgage Defined Opportunity Fund Inc. As always, we appreciate that you have

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

Western Asset Mortgage Defined Opportunity Fund Inc.

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## Investment commentary (continued)

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

August 3, 2015

***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.

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- <sup>i</sup> Gross domestic product ( GDP ) is the market value of all final goods and services produced within a country in a given period of time.
- <sup>ii</sup> The 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 U.S. manufacturing sector.
- <sup>iii</sup> 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.
- <sup>iv</sup> The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- <sup>v</sup> The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- <sup>vi</sup> The Barclays CMBS Index measures the performance of the commercial mortgage-backed securities market.
- <sup>vii</sup> The Barclays 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.
- <sup>viii</sup> 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.
- <sup>ix</sup> Net asset value ( NAV ) is calculated by subtracting total liabilities, including liabilities associated with financial leverage (if any), from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- <sup>x</sup> Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended June 30, 2015, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 10 funds in the Fund's Lipper category.

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**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 June 30, 2015 and December 31, 2014. This bar graph 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.

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### Spread duration (unaudited)

Economic exposure June 30, 2015

#### Total Spread Duration

DMO 4.50 years

Benchmark 4.12 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.

ABS	Asset-Backed Securities
Benchmark	BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index
DMO	Western Asset Mortgage Defined Opportunity Fund Inc.
EM	Emerging Markets
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities

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### Effective duration (unaudited)

Interest rate exposure June 30, 2015

Total Effective Duration

DMO 4.14 years

Benchmark 0.05 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.

ABS	Asset-Backed Securities
Benchmark	BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index
DMO	Western Asset Mortgage Defined Opportunity Fund Inc.
EM	Emerging Markets
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities

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

June 30, 2015

**Western Asset Mortgage Defined Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<b>Residential Mortgage-Backed Securities 99.1%</b>				
ABFS Mortgage Loan Trust, 2002-3 M1	5.902%	9/15/33	1,259,513	\$ 1,014,558
Accredited Mortgage Loan Trust, 2003-3 A1	5.210%	1/25/34	1,174,525	1,146,901
Adjustable Rate Mortgage Trust, 2005-05 1A1	2.523%	9/25/35	319,068	248,838 (a)(b)
Adjustable Rate Mortgage Trust, 2005-07 2A21	2.641%	10/25/35	1,040,000	954,596 (a)(b)
Adjustable Rate Mortgage Trust, 2005-10 1A21	2.656%	1/25/36	382,786	332,748 (a)(b)
Adjustable Rate Mortgage Trust, 2005-12 5A1	0.437%	3/25/36	416,552	259,371 (a)(b)
AFC Home Equity Loan Trust, 2003-3 1A	0.937%	10/25/30	1,919,949	1,732,808 (a)(c)
American Home Mortgage Assets, 2005-2 2A1A	2.749%	1/25/36	1,491,973	1,017,156 (a)(b)
American Home Mortgage Assets, 2006-4 1A12	0.397%	10/25/46	2,651,768	1,852,777 (a)(b)
American Home Mortgage Investment Trust, 2005-1 6A	2.423%	6/25/45	114,261	112,541 (a)(b)
American Home Mortgage Investment Trust, 2005-SD1 1A1	0.637%	9/25/35	313,032	242,936 (a)(b)(c)
American Home Mortgage Investment Trust, 2007-2 11A1	0.417%	3/25/47	1,313,319	795,582 (a)(b)
American Home Mortgage Investment Trust, 2007-2 2A	0.987%	3/25/47	13,178,913	1,638,264 (a)
American Home Mortgage Investment Trust, 2007-A 4A	1.081%	7/25/46	2,364,035	859,797 (a)(b)(c)
Amerquest Mortgage Securities Inc., 2002-4 M3	5.437%	2/25/33	1,950,388	1,643,144 (a)
Amerquest Mortgage Securities Inc., 2002-D M1	3.935%	2/25/33	2,220,000	1,876,915 (a)
Argent Securities Inc., 2005-W5 A2D	0.507%	1/25/36	4,373,250	3,401,256 (a)
Argent Securities Inc., 2006-M2 A2B	0.297%	9/25/36	3,705,347	1,500,628 (a)
Argent Securities Inc., 2006-M2 A2C	0.337%	9/25/36	2,557,313	1,041,156 (a)
Argent Securities Inc., 2006-M2 A2D	0.427%	9/25/36	674,951	277,798 (a)
Argent Securities Inc., 2006-M3 A2C	0.347%	10/25/36	4,154,434	1,813,062 (a)
Asset-Backed Funding Certificates, 2005-HE1 M2	0.847%	3/25/35	2,730,567	2,180,344 (a)
Banc of America Alternative Loan Trust, 2005-9 1CB5, IO	4.913%	10/25/35	6,362,495	899,256 (a)
Banc of America Funding Corp., 2004-B 6A1	2.222%	12/20/34	561,105	398,318 (a)(b)
Banc of America Funding Corp., 2004-C 3A1	2.861%	12/20/34	829,217	772,175 (a)(b)
Banc of America Funding Corp., 2006-D 2A1	2.870%	5/20/36	148,653	110,086 (a)(b)
Banc of America Funding Corp., 2006-D 6A1	5.052%	5/20/36	1,566,184	1,277,153 (a)(b)
Banc of America Funding Corp., 2006-F 1A1	2.702%	7/20/36	725,768	712,943 (a)(b)
Banc of America Funding Corp., 2006-H 3A1	2.828%	9/20/46	159,976	129,393 (a)(b)
Banc of America Funding Corp., 2014-R5 1A2	1.829%	9/26/45	3,750,000	2,277,871 (a)(b)(c)
Banc of America Funding Corp., 2015-R4 4A3	21.172%	1/1/30	6,208,747	3,713,712 (a)(c)
Bayview Financial Acquisition Trust, 2007-A 2A	0.536%	5/28/37	1,653,650	1,290,193 (a)(b)
Bayview Financial Asset Trust, 2007-SR1A M1	0.987%	3/25/37	4,036,092	3,550,550 (a)(c)
Bayview Financial Asset Trust, 2007-SR1A M2	1.087%	3/25/37	4,913,782	4,201,775 (a)(c)
Bayview Financial Asset Trust, 2007-SR1A M3	1.337%	3/25/37	2,226,257	1,788,353 (a)(c)
Bayview Financial Asset Trust, 2007-SR1A M4	1.687%	3/25/37	480,487	362,384 (a)(c)
BCAP LLC Trust, 2009-RR4 8A2	2.776%	9/26/35	2,438,994	1,946,344 (a)(b)(c)
BCAP LLC Trust, 2010-RR06 4A13	2.793%	9/26/35	2,000,580	1,570,904 (a)(b)(c)

See Notes to Financial Statements.

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### Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Residential Mortgage-Backed Securities continued</b>				
BCAP LLC Trust, 2010-RR6 1212	5.500%	2/26/35	2,154,171	\$ 2,155,974 <sup>(c)</sup>
Bear Stearns Alt-A Trust, 2005-2 2A4	2.521%	4/25/35	191,906	184,086 <sup>(a)(b)</sup>
Bear Stearns Alt-A Trust, 2005-3 4A3	2.424%	4/25/35	376,030	364,761 <sup>(a)(b)</sup>
Bear Stearns Alt-A Trust, 2005-9 25A1	2.465%	11/25/35	496,257	391,555 <sup>(a)(b)</sup>
Bear Stearns Alt-A Trust, 2006-2 23A1	2.646%	3/25/36	1,784,317	1,381,099 <sup>(a)(b)</sup>
Bear Stearns Asset Backed Securities I Trust, 2004-BO1 M9B	4.187%	10/25/34	449,187	424,356 <sup>(a)</sup>
Bear Stearns Asset-Backed Securities I Trust, 2005-CL1 A1	0.634%	9/25/34	137,848	127,845 <sup>(a)</sup>
Bear Stearns Asset-Backed Securities Trust, 2003-SD2 1A	3.714%	6/25/43	80,225	79,246 <sup>(a)</sup>
Bear Stearns Mortgage Funding Trust, 2007-AR5 2A1	0.367%	6/25/37	2,191,370	1,878,228 <sup>(a)(b)</sup>
Centex Home Equity Loan Trust, 2004-D MV1	0.807%	9/25/34	1,354,017	1,230,208 <sup>(a)</sup>
Chase Mortgage Finance Corp., 2006-S3 2A1	5.500%	11/25/21	287,013	240,930 <sup>(b)</sup>
Chaseflex Trust, 2005-2 3A3, IO	5.313%	6/25/35	14,548,099	2,283,040 <sup>(a)</sup>
Chevy Chase Mortgage Funding Corp., 2006-2A A1	0.317%	4/25/47	257,911	200,699 <sup>(a)(b)(c)</sup>
Citicorp Mortgage Securities Inc., 2007-8 B1	5.944%	9/25/37	4,498,052	2,299,548 <sup>(a)(b)</sup>
Citigroup Mortgage Loan Trust Inc., 2003-HE4 A	0.597%	12/25/33	2,267	2,272 <sup>(a)(c)</sup>
Citigroup Mortgage Loan Trust Inc., 2004-HYB3 1A	2.634%	9/25/34	176,263	176,052 <sup>(a)(b)</sup>
Citigroup Mortgage Loan Trust Inc., 2004-UST1 A2	1.466%	8/25/34	85,524	83,867 <sup>(a)(b)</sup>
Citigroup Mortgage Loan Trust Inc., 2005-05	2.027%	8/25/35	288,126	237,422 <sup>(a)(b)</sup>
Citigroup Mortgage Loan Trust Inc., 2005-10 1A1A	2.714%	12/25/35	347,681	307,018 <sup>(a)(b)</sup>
Citigroup Mortgage Loan Trust Inc., 2006-AR5 2A1A	2.748%	7/25/36	508,624	332,313 <sup>(a)(b)</sup>
Citigroup Mortgage Loan Trust Inc., 2007-06 1A1A	2.212%	3/25/37	501,314	374,281 <sup>(a)(b)</sup>
Citigroup Mortgage Loan Trust Inc., 2007-AR8 1A1A	2.234%	8/25/47	527,005	459,102 <sup>(a)(b)</sup>
Citigroup Mortgage Loan Trust Inc., 2014-6 3A3	3.501%	11/25/35	3,795,004	2,304,706 <sup>(a)(b)(c)</sup>
Connecticut Avenue Securities, 2013-C01 M2	5.437%	10/25/23	1,260,000	1,371,194 <sup>(a)(b)</sup>
Connecticut Avenue Securities, 2014-C03 1M2	3.187%	7/25/24	3,750,000	3,485,874 <sup>(a)(b)</sup>
Countrywide Alternative Loan Trust, 2003-20CB M	5.585%	10/25/33	3,006,962	2,235,081 <sup>(a)</sup>
Countrywide Alternative Loan Trust, 2005-03CB 1A6, IO	6.963%	3/25/35	682,359	102,332 <sup>(a)</sup>
Countrywide Alternative Loan Trust, 2005-07CB 1A3, IO	6.413%	4/25/35	1,513,767	96,983 <sup>(a)</sup>
Countrywide Alternative Loan Trust, 2005-11CB 3A3, IO	4.813%	6/25/35	3,993,902	481,738 <sup>(a)</sup>
Countrywide Alternative Loan Trust, 2005-14 3A1	2.305%	5/25/35	409,169	295,755 <sup>(a)(b)</sup>
Countrywide Alternative Loan Trust, 2005-36 4A1	2.425%	8/25/35	1,023,742	935,277 <sup>(a)(b)</sup>
Countrywide Alternative Loan Trust, 2005-50CB 1A1	5.500%	11/25/35	562,115	545,112 <sup>(b)</sup>
Countrywide Alternative Loan Trust, 2005-J10 1A1	0.687%	10/25/35	231,014	182,584 <sup>(a)(b)</sup>
Countrywide Alternative Loan Trust, 2006-39CB 1A7, IO	5.213%	1/25/37	20,495,724	3,396,141 <sup>(a)</sup>
Countrywide Alternative Loan Trust, 2006-HY10 1A1	2.087%	5/25/36	762,427	606,145 <sup>(a)(b)</sup>
Countrywide Alternative Loan Trust, 2006-J8 A5	6.000%	2/25/37	163,639	128,514 <sup>(b)</sup>
Countrywide Alternative Loan Trust, 2007-23CB A4, IO	6.313%	9/25/37	11,097,087	3,074,609 <sup>(a)</sup>
Countrywide Alternative Loan Trust, 2007-3T1 2A1	6.000%	3/25/27	506,131	497,865 <sup>(b)</sup>

See Notes to Financial Statements.



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## Schedule of investments (unaudited) (continued)

June 30, 2015

**Western Asset Mortgage Defined Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<b>Residential Mortgage-Backed Securities</b> continued				
Countrywide Asset-Backed Certificates, 2006-S3 A2	6.085%	6/25/21	53,545	\$