

Western Asset Mortgage Defined Opportunity Fund Inc.
Form N-CSR
February 25, 2015

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, 49th Floor, New York, NY 10018

(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2014

ITEM 1. REPORT TO STOCKHOLDERS.

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

Annual Report

December 31, 2014

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.

Letter from the chairman

Dear Shareholder,

We are pleased to provide the annual report of Western Asset Mortgage Defined Opportunity Fund Inc. for the twelve-month reporting period ended December 31, 2014. Please read on for a detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

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

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

Kenneth D. Fuller

Chairman, President and Chief Executive Officer

January 30, 2015

II Western Asset Mortgage Defined Opportunity Fund Inc.

Investment commentary

Economic review

Despite weakness in early 2014, the U.S. economy expanded at a solid pace during the twelve months ended December 31, 2014 (the reporting period). The U.S. Department of Commerce reported that in the first quarter of 2014, U.S. gross domestic product (GDP) contracted 2.1%. This was the first negative GDP report in three years and partially attributed to severe winter weather. Thankfully, this setback was very brief, as second quarter GDP growth was 4.6%. The rebound in GDP growth was driven by several factors, including an acceleration in personal consumption expenditures (PCE), increased private inventory investment and exports, as well as an upturn in state and local government spending. The economy then gained further momentum as third quarter GDP growth was 5.0%, its strongest reading since the third quarter of 2003. This was driven by contributions from PCE, exports, nonresidential fixed investment and government spending. After the reporting period ended, the U.S. Department of Commerce's initial estimate showed that fourth quarter 2014 GDP growth was 2.6%. Moderating growth was due to several factors, including an upturn in imports, a downturn in federal government spending and decelerations in nonresidential fixed investment and in exports.

The U.S. manufacturing sector was another tailwind for the economy. Based on figures for the Institute for Supply Management's Purchasing Managers' Index (PMI), U.S. manufacturing expanded during all twelve months of the reporting period (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). After a reading of 56.5 in December 2013, the PMI fell to 51.3 in January 2014, but generally rose over the next several months, reaching a high of 59.0 in August, its best reading since March 2011. While the PMI dipped to 56.6 in September, it rose back to 59.0 in October. Manufacturing activity then moderated over the last two months of the year and the PMI was 55.5 in December. However, for 2014 as a whole the PMI averaged 55.8, the best annual reading since 2010.

The improving U.S. job market was another factor supporting the overall economy during the reporting period. When the period began, unemployment, as reported by the U.S. Department of Labor, was 6.6%. Unemployment generally declined throughout the reporting period and reached a low of 5.6% in December 2014, the lowest level since June 2008.

The Federal Reserve Board (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 kept the federal funds rate^{iv} at a historically low range between zero and 0.25%. The Fed also ended its asset purchase program that was announced in December 2012. At that time, the Fed said it would continue purchasing \$40 billion per month of agency mortgage-backed securities (MBS), as well as \$45 billion per month of longer-term Treasuries. Following the meeting that concluded on December 18, 2013, the Fed announced that it would begin reducing its monthly asset purchases, saying "Beginning in January 2014, the Committee will add to its holdings of agency MBS at a pace of \$35 billion per month rather than \$40 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$40 billion per month rather than \$45 billion per month. At each of the Fed's next six meetings (January, March, April, June, July and September 2014), it announced further

Investment commentary (continued)

\$10 billion tapering of its asset purchases. At its meeting that ended on October 29, 2014, the Fed announced that its asset purchase program had concluded. During its last meeting of the year that concluded on December 17, 2014, the Fed said that “Based on its current assessment, the Committee judges that it can be patient to maintain the 0 to $\frac{1}{4}$ percent target range for the federal funds rate for a considerable time.” Finally, at its meeting that ended on January 28, 2015, after the reporting period ended, the Fed said “Based on its current assessment, the Committee judges that it can be patient in beginning to normalize the stance of monetary policy.”

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

Sincerely,

Kenneth D. Fuller

Chairman, President

and Chief Executive Officer

January 30, 2015

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results.

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 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.

ⁱⁱⁱ 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.

^{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.

Fund overview

Q. What is the Fund's investment strategy?

A. 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 (MBS), consisting primarily of non-agency residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS).

The Fund also may invest, to a lesser degree, in other permitted investments, including cash and cash equivalents; Treasury securities; non-mortgage related asset-backed securities (ABS) backed by various asset classes including, but not limited to, small balance commercial mortgages, aircrafts, automobiles, credit cards, equipment, manufactured housing, franchises, recreational vehicles and student loans; and investment grade and below investment grade fixed income securities including bonds, debentures, notes, commercial paper and other similar types of debt instruments including hybrid securities. The Fund also may invest in any newly developed mortgage related derivatives that may hereafter become available for mortgage investing.

The Fund may invest in derivative instruments, such as options contracts, futures contracts, options on futures contracts, indexed securities, credit linked notes, credit default swaps and other swap agreements for investment, hedging and risk management purposes with certain limitations. Notwithstanding the foregoing, the Fund may invest without limitation in Treasury futures, Eurodollar futures, interest rate swaps, swaptions or similar instruments and combinations thereof.

The Fund is not limited in its ability to invest in below investment grade or illiquid securities. Below investment grade securities are securities rated below the Baa or BBB categories at the time of purchase by one or more nationally recognized statistical rating organizations or unrated securities that we determine to be of comparable quality.

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio management personnel, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. The individuals responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are S. Kenneth Leech, Greg E. Handler and Anup Agarwal.

Q. What were the overall market conditions during the Fund's reporting period?

A. The U.S. spread sectors (non-Treasuries) generated positive results and largely outperformed equal-duration¹ Treasuries over the twelve months ended December 31, 2014. Risk aversion was prevalent at times given mixed economic data, questions surrounding the outlook for global growth, changing monetary policy by the Federal Reserve Board (Fed), and numerous geopolitical issues. However, these factors

Fund overview (continued)

were largely overshadowed by solid demand from investors looking to generate incremental yield in the low interest rate environment.

Short-term Treasury yields moved higher, whereas longer-term Treasury yields declined during the twelve months ended December 31, 2014. Two-year Treasury yields rose from 0.38% at the beginning of the period to 0.67% at the end of the period. Their peak of 0.73% occurred on December 23, December 24 and December 26, 2014, and they were as low as 0.30% in early February 2014. Ten-year Treasury yields were at a peak of 3.04% when the reporting period began and reached a low of 2.07% on December 16, 2014. They ended the reporting period at 2.17%. All told, the Barclays U.S. Aggregate Indexⁱⁱⁱ returned 5.97% for the twelve months ended December 31, 2014.

As was the case for the overall fixed-income market, agency MBS generated solid results during the reporting period. Agency MBS were supported by declining interest rates and generally solid demand. During the twelve months ended December 31, 2014, the overall agency MBS market, as measured by the Barclays U.S. Mortgage Backed Securities Index^{iv}, returned 6.08%. Elsewhere, RMBS, as measured by the BofA Merrill Lynch U.S. Floating Rate Home Equity Loan Asset Backed Securities Index^v, returned 3.33%. While CMBS also produced positive results during the twelve months ended December 31, 2014, they underperformed the overall fixed-income market, as the Barclays CMBS Index^{vi} gained 4.21%.

Q. How did we respond to these changing market conditions?

A. We made several adjustments to the Fund's portfolio during the reporting period. We reduced our exposure to option adjustable-rate mortgage (ARM) agency MBS and modestly pared our allocation to investment grade corporate bonds. In contrast, we increased our exposures to Alt-A non-agency MBS, government sponsored enterprise (GSE) risk-transfer securities and CMBS.

During the reporting period, Treasury futures were used to manage duration and yield curve^{vii} exposure. Credit default swaps on CMBS indices were used to hedge downside market risk. Elsewhere, we used foreign exchange forwards to hedge our currency exposure to euro-denominated CMBS. Overall, these derivatives did not meaningfully impact performance.

Finally, we actively utilized leverage in the Fund. When the reporting period began, the Fund's leverage as a percentage of gross assets was roughly 34%. At the end of the period, approximately 33% of the Fund's gross assets were levered. The use of leverage was beneficial for the Fund's absolute performance during the period.

Performance review

For the twelve months ended December 31, 2014, Western Asset Mortgage Defined Opportunity Fund Inc. returned 17.55% based on its net asset value (NAVⁱⁱⁱ) and 16.76% 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 Index, returned 3.33% for the same period. The Lipper U.S. Mortgage Closed-End Funds

Category Average^{ix} returned 7.80% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling \$3.09 per share.* The performance table shows the Fund's twelve-month total return based on its NAV and market price as of December 31, 2014. **Past performance is no guarantee of future results.**

Performance Snapshot as of December 31, 2014

Price Per Share	12-Month Total Return**
\$24.75 (NAV)	17.55%
\$23.84 (Market Price)	16.76%

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. 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 at NAV.

Total return assumes the reinvestment of all distributions in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

Q. What were the leading contributors to performance?

A. On an absolute basis, the leading contributor to the Fund's performance during the reporting period was its allocation to non-agency MBS. Non-agency MBS were supported by generally strong investor demand, attractive yields, continued principal paydowns and limited new supply. The Fund's allocations to ABS and CMBS were also additive to performance. Elsewhere, the Fund's investment-grade and high-yield corporate bonds were beneficial for performance.

In terms of the Fund's investment-grade bond holdings, Noble Group and United Airlines were among the best performers. Standout high-yield corporate bond holdings included Cemex, William Lyon Homes and Vedanta Resources PLC.

Q. What were the leading detractors from performance?

A. Select structured securities and GSE risk-transfer securities detracted from absolute performance during the reporting period.

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.

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.

*For the tax character of distributions paid during the fiscal year ended December 31, 2014, please refer to page 42 of this report.

Fund overview (cont d)

Thank you for your investment in Western Asset Mortgage Defined Opportunity Fund Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Western Asset Management Company

January 20, 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.

- i 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.
- 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 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.
- iv 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.
- v 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.
- vi The Barclays CMBS Index measures the performance of the commercial mortgage-backed securities market.
- vii The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- viii 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.
- ix Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended December 31, 2014, 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 investments as of December 31, 2014 and December 31, 2013. This bar graph does not include derivatives, such as futures contracts, forward foreign currency contracts and swap contracts. 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 December 31, 2014

Total Spread Duration

DMO 4.30 years

Benchmark 3.82 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

Effective duration (unaudited)

Interest rate exposure December 31, 2014

Total Effective Duration

DMO 4.24 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

Schedule of investments

December 31, 2014

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities 115.3%				
ABFS Mortgage Loan Trust, 2002-3 M1	5.902%	9/15/33	1,275,658	\$ 1,029,602
Accredited Mortgage Loan Trust, 2003-3 A1	5.210%	1/25/34	1,256,386	1,226,994
AFC Home Equity Loan Trust, 2003-3 1A	0.920%	10/25/30	2,109,051	1,876,275 (a)(b)
American Home Mortgage Assets, 2005-2 2A1A	2.951%	1/25/36	1,762,686	1,231,248 (a)(c)
American Home Mortgage Assets, 2006-4 1A12	0.380%	10/25/46	2,833,656	1,925,183 (a)(c)
American Home Mortgage Investment Trust, 2005-1 6A	2.327%	6/25/45	122,267	119,656 (a)(c)
American Home Mortgage Investment Trust, 2005-SD1 1A1	0.620%	9/25/35	362,233	279,522 (a)(b)(c)
American Home Mortgage Investment Trust, 2007-2 11A1	0.400%	3/25/47	1,350,923	844,905 (a)(c)
American Home Mortgage Investment Trust, 2007-2 2A	0.970%	3/25/47	13,293,270	1,806,655 (a)
American Home Mortgage Investment Trust, 2007-A 4A	1.055%	7/25/46	2,668,731	1,012,031 (a)(b)(c)
Ameriquest Mortgage Securities Inc., 2002-4 M3	5.420%	2/25/33	2,034,344	1,730,895 (a)
Ameriquest Mortgage Securities Inc., 2002-D M1	3.905%	2/25/33	2,220,000	1,690,621 (a)
Argent Securities Inc., 2005-W5 A2D	0.490%	1/25/36	4,524,176	3,545,185 (a)
Argent Securities Inc., 2006-M2 A2B	0.280%	9/25/36	3,777,362	1,481,893 (a)
Argent Securities Inc., 2006-M2 A2C	0.320%	9/25/36	2,607,015	1,027,632 (a)
Argent Securities Inc., 2006-M2 A2D	0.410%	9/25/36	688,069	273,999 (a)
Argent Securities Inc., 2006-M3 A2C	0.330%	10/25/36	4,240,749	1,886,090 (a)
ARM Trust, 2005-05 1A1	2.576%	9/25/35	342,073	272,332 (a)(c)
ARM Trust, 2005-07 2A21	2.575%	10/25/35	1,040,000	948,773 (a)(c)
ARM Trust, 2005-10 1A21	2.627%	1/25/36	433,780	378,194 (a)(c)
ARM Trust, 2005-12 5A1	0.420%	3/25/36	429,963	277,154 (a)(c)
Asset-Backed Funding Certificates, 2005-HE1 M2	0.830%	3/25/35	2,730,567	2,170,369 (a)
Banc of America Alternative Loan Trust, 2005-9 1CB5, IO	4.931%	10/25/35	6,991,566	1,016,032 (a)
Banc of America Funding Corp., 2004-B 6A1	3.728%	12/20/34	612,677	444,383 (a)(c)
Banc of America Funding Corp., 2004-C 3A1	2.872%	12/20/34	899,531	803,098 (a)(c)
Banc of America Funding Corp., 2006-D 2A1	2.820%	5/20/36	150,525	110,503 (a)(c)
Banc of America Funding Corp., 2006-D 6A1	4.828%	5/20/36	1,633,444	1,346,879 (a)(c)
Banc of America Funding Corp., 2006-F 1A1	2.606%	7/20/36	799,284	785,772 (a)(c)
Banc of America Funding Corp., 2006-H 3A1	2.782%	9/20/46	194,503	158,205 (a)(c)
Banc of America Funding Corp., 2014-R5 1A2	1.827%	9/26/45	3,750,000	2,007,750 (a)(b)(c)(d)
Bayview Financial Acquisition Trust, 2007-A 2A	0.520%	5/28/37	1,764,551	1,330,074 (a)(c)
Bayview Financial Asset Trust, 2007-SR1A M1	0.970%	3/25/37	4,333,270	3,750,445 (a)(b)
Bayview Financial Asset Trust, 2007-SR1A M2	1.070%	3/25/37	5,275,584	4,431,491 (a)(b)
Bayview Financial Asset Trust, 2007-SR1A M3	1.320%	3/25/37	2,390,177	1,816,534 (a)(b)
Bayview Financial Asset Trust, 2007-SR1A M4	1.670%	3/25/37	515,866	361,106 (a)(b)
BCAP LLC Trust, 2009-RR4 8A2	2.779%	9/26/35	2,445,453	1,906,060 (a)(b)(c)
BCAP LLC Trust, 2010-RR06 4A13	2.779%	9/26/35	2,004,314	1,544,007 (a)(b)(c)
BCAP LLC Trust, 2010-RR10 2A7	2.817%	12/27/34	5,054,762	4,445,704 (a)(b)(c)

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2014

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
Bear Stearns Alt-A Trust, 2005-2 2A4	2.646%	4/25/35	202,587	\$ 195,782 (a)(c)
Bear Stearns Alt-A Trust, 2005-3 4A3	2.454%	4/25/35	411,009	398,095 (a)(c)
Bear Stearns Alt-A Trust, 2005-9 25A1	2.473%	11/25/35	523,317	420,080 (a)(c)
Bear Stearns Alt-A Trust, 2006-2 23A1	2.655%	3/25/36	1,901,627	1,402,996 (a)(c)
Bear Stearns Asset Backed Securities I Trust, 2004-BO1 M9B	4.170%	10/25/34	407,120	380,517 (a)
Bear Stearns Asset-Backed Securities Trust, 2003-SD2 1A	3.586%	6/25/43	82,752	82,760 (a)
Bear Stearns Asset-Backed Securities Trust, 2005-CL1 A1	0.623%	9/25/34	147,242	139,419 (a)
Bear Stearns Mortgage Funding Trust, 2007-AR5 2A1	0.350%	6/25/37	2,289,585	1,955,960 (a)(c)
Centex Home Equity Loan Trust, 2004-D MV1	0.790%	9/25/34	1,421,962	1,276,465 (a)
Chase Mortgage Finance Corp., 2006-S3 2A1	5.500%	11/25/21	313,585	268,500 (c)
Chaseflex Trust, 2005-2 3A3, IO	5.331%	6/25/35	15,269,465	2,378,929 (a)
Chevy Chase Mortgage Funding Corp., 2006-2A A1	0.300%	4/25/47	268,526	214,008 (a)(b)(c)
Citicorp Mortgage Securities Inc., 2007-8 B1	5.947%	9/25/37	4,787,395	2,575,097 (a)(c)
Citigroup Mortgage Loan Trust Inc., 2003-HE4 A	0.580%	12/25/33	32,034	32,080 (a)(b)
Citigroup Mortgage Loan Trust Inc., 2004-HYB3 1A	2.577%	9/25/34	190,028	191,247 (a)(c)
Citigroup Mortgage Loan Trust Inc., 2004-UST1 A2	1.994%	8/25/34	132,066	129,569 (a)(c)
Citigroup Mortgage Loan Trust Inc., 2005-05	1.776%	8/25/35	294,393	236,007 (a)(c)
Citigroup Mortgage Loan Trust Inc., 2005-10 1A1A	0.548%	12/25/35	364,806	321,335 (a)(c)
Citigroup Mortgage Loan Trust Inc., 2006-AR5 2A1A	2.630%	7/25/36	552,678	360,490 (a)(c)
Citigroup Mortgage Loan Trust Inc., 2007-06 1A1A	2.176%	3/25/37	508,530	378,587 (a)(c)
Citigroup Mortgage Loan Trust Inc., 2007-AR8 1A1A	2.585%	8/25/47	550,950	448,756 (a)(c)
Citigroup Mortgage Loan Trust Inc., 2014-6 3A3	3.479%	11/25/35	3,940,331	2,447,339 (a)(b)(c)
Connecticut Avenue Securities, 2013-C01 M2	5.420%	10/25/23	1,260,000	1,365,827 (a)(c)
Connecticut Avenue Securities, 2014-C03 1M2	3.170%	7/25/24	3,750,000	3,392,158 (a)(c)
Countrywide Alternative Loan Trust, 2003-10CB M	5.736%	5/25/33	2,906,920	2,259,639 (a)(c)
Countrywide Alternative Loan Trust, 2005-03CB 1A6, IO	6.981%	3/25/35	816,423	137,653 (a)
Countrywide Alternative Loan Trust, 2005-07CB 1A3, IO	6.431%	4/25/35	1,965,119	204,311 (a)
Countrywide Alternative Loan Trust, 2005-11CB 3A3, IO	4.831%	6/25/35	4,325,672	540,752 (a)
Countrywide Alternative Loan Trust, 2005-14 3A1	2.244%	5/25/35	448,572	320,551 (a)(c)
Countrywide Alternative Loan Trust, 2005-27 2A1	1.463%	8/25/35	3,343,026	2,719,218 (a)(c)
Countrywide Alternative Loan Trust, 2005-27 2A3	1.673%	8/25/35	2,687,467	2,392,939 (a)(c)
Countrywide Alternative Loan Trust, 2005-36 4A1	2.365%	8/25/35	1,114,442	983,700 (a)(c)
Countrywide Alternative Loan Trust, 2005-50CB 1A1	5.500%	11/25/35	599,405	571,715 (c)
Countrywide Alternative Loan Trust, 2005-J10 1A1	0.670%	10/25/35	258,328	205,187 (a)(c)
Countrywide Alternative Loan Trust, 2006-39CB 1A7, IO	5.231%	1/25/37	21,730,631	3,653,202 (a)
Countrywide Alternative Loan Trust, 2006-HY10 1A1	2.035%	5/25/36	786,397	622,939 (a)(c)
Countrywide Alternative Loan Trust, 2006-J8 A5	6.000%	2/25/37	171,740	136,761 (c)
Countrywide Alternative Loan Trust, 2007-23CB A4, IO	6.331%	9/25/37	12,009,073	2,847,027 (a)

See Notes to Financial Statements.

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
Countrywide Alternative Loan Trust, 2007-3T1 2A1	6.000%	3/25/27	699,106	\$ 678,465 ^(c)
Countrywide Asset-Backed Certificates, 2005-13 3AV4	0.495%	4/25/36	814,320	748,850 ^(a)
Countrywide Asset-Backed Certificates, 2006-S3 A2	6.085%	6/25/21	119,388	119,194 ^(c)
Countrywide Asset-Backed Certificates, 2006-S7 A3	5.712%	11/25/35	597,012	583,630 ^{(a)(c)}
Countrywide Asset-Backed Certificates, 2006-S9 A3	5.728%	8/25/36	228,814	226,029 ^{(a)(c)}
Countrywide Asset-Backed Certificates, 2006-SD2 1A1	0.520%	5/25/46	232,159	222,697 ^{(a)(b)}
Countrywide Asset-Backed Certificates, 2006-SD3 A1	0.500%	7/25/36	1,840,988	1,498,859 ^{(a)(b)}
Countrywide Asset-Backed Certificates, 2007-8 M1	0.440%	11/25/37	6,992,663	1,344,790 ^(a)
Countrywide Asset-Backed Certificates, 2007-SE1 1A1	0.720%	5/25/47	1,156,973	672,459 ^{(a)(b)}
Countrywide Home Equity Loan Trust, 2004-B 1A	0.381%	2/15/29	887,288	791,193 ^{(a)(c)}
Countrywide Home Equity Loan Trust, 2004-E 2A	0.421%	6/15/29	8,287	8,019 ^(a)
Countrywide Home Equity Loan Trust, 2004-L 2A	0.441%	2/15/34	124,926	106,222 ^{(a)(c)}
Countrywide Home Equity Loan Trust, 2005-E 2A	0.381%	11/15/35	205,635	178,394 ^{(a)(c)}
Countrywide Home Loans, 2004-16 1A3A	0.930%	9/25/34	1,439,553	1,316,651 ^{(a)(c)}
Countrywide Home Loans, 2005-11 3A3	2.435%	4/25/35	896,298	681,574 ^{(a)(c)}
Countrywide Home Loans, 2005-11 6A1	0.770%	3/25/35	79,498	71,855 ^{(a)(c)}
Countrywide Home Loans, 2005-18 A7	19.059%	10/25/35	44,941	58,471 ^{(a)(c)}
Countrywide Home Loans, 2005-HYB7 1A1	2.930%	11/20/35	1,078,063	923,893 ^{(a)(c)}
Countrywide Home Loans, 2005-HYB9 1A1	2.319%	2/20/36	308,172	258,473 ^{(a)(c)}
Countrywide Home Loans, 2005-R2 1AF2	0.510%	6/25/35	1,289,810	895,970 ^{(a)(b)}
Countrywide Home Loans, 2006-HYB4 3B	2.540%	6/20/36	1,558,183	1,299,228 ^{(a)(c)}
Countrywide Home Loans Mortgage Pass-Through Trust, 2004-23 A	2.389%	11/25/34	328,981	281,729 ^{(a)(c)}
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-02 2A1	0.490%	3/25/35	145,348	139,786 ^{(a)(c)}
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-07 2A1	0.790%	3/25/35	328,535	304,979 ^{(a)(c)}
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-09 1A1	0.470%	5/25/35	190,282	164,368 ^{(a)(c)}
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-HY10 1A1	2.941%	2/20/36	346,176	293,757 ^{(a)(c)}
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-HYB6 1A1	2.388%	10/20/35	1,255,141	1,001,686 ^{(a)(c)}
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-R1 1AF1	0.530%	3/25/35	693,752	624,260 ^{(a)(b)}
Countrywide Home Loans Mortgage Pass-Through Trust, 2005-R2 2A3	8.000%	6/25/35	153,105	160,679 ^(b)
Countrywide Home Loans Mortgage Pass-Through Trust, 2006-3 2A1	0.420%	3/25/36	696,131	615,803 ^{(a)(c)}

See Notes to Financial Statements.

Schedule of investments (cont d)

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Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities – continued				
Credit Suisse First Boston Mortgage Securities Corp., 2005-10 03A3	5.500%	11/25/35	733,726	\$ 647,215 (c)
Credit Suisse Mortgage Capital Certificates, 2006-8 2A1	5.500%	10/25/21	1,062,277	1,027,548 (c)
Credit Suisse Mortgage Capital Certificates, 2009-05R 2A3	2.218%	7/26/49	4,000,000	3,171,108 (a)(b)(c)
Credit Suisse Mortgage Capital Certificates, 2009-15R 2A2	5.556%	10/26/36	4,748,792	3,517,497 (a)(b)(c)
Credit-Based Asset Servicing and Securitization LLC, 2003-RP1 M1	1.720%	3/25/33	2,421,590	2,330,115 (a)(b)
Credit-Based Asset Servicing and Securitization LLC, 2006-SL1 A3	0.595%	9/25/36	4,746,395	1,023,966 (a)(b)
Deutsche ALT-A Securities Inc. Mortgage Loan Trust, 2006-AR1 2A1	2.867%	2/25/36	388,547	313,816 (a)(c)
Deutsche ALT-A Securities Inc. Mortgage Loan Trust, 2007-1 2A1	0.270%	8/25/37	520,749	384,517 (a)(c)
Deutsche Mortgage Securities Inc., 2006-PR1 2PO, PO	0.000%	4/15/36	89,292	81,724 (b)(c)
Deutsche Mortgage Securities Inc., 2006-PR1 4AS1, IO	8.870%	4/15/36	508,716	139,252 (a)(b)
Deutsche Mortgage Securities Inc., 2006-PR1 4AS2, IO	15.367%	4/15/36	486,645	226,318 (a)(b)
Deutsche Mortgage Securities Inc., 2006-PR1 5AS1, IO	10.715%	4/15/36	112,793	45,140 (a)(b)
Deutsche Mortgage Securities Inc., 2006-PR1 5AS3, IO	7.272%	4/15/36	416,113	126,287 (a)(b)
Downey Savings & Loan Association Mortgage Loan Trust, 2005-AR1 2A1B	0.484%	3/19/45	1,979,873	1,268,311 (a)(c)
Downey Savings & Loan Association Mortgage Loan Trust, 2005-AR2 2A1A	0.374%	3/19/45	511,093	456,378 (a)(c)
EMC Mortgage Loan Trust, 2002-AA A1	1.110%	5/25/39	148,120	142,344 (a)(b)
EMC Mortgage Loan Trust, 2006-A A1	0.620%	12/25/42	1,135,521	1,080,001 (a)(b)
Federal National Mortgage Association (FNMA), 2012-134, IO	5.981%	12/25/42	6,438,573	1,474,684 (a)(e)
First Horizon Alternative Mortgage Securities, 2005-AA6 3A1	2.200%	8/25/35	1,493,076	1,323,461 (a)(c)
First Horizon Alternative Mortgage Securities, 2006-FA6 2A1, PAC-11	6.250%	11/25/36	214,962	176,261 (c)
First Horizon Alternative Mortgage Securities, 2006-FA8 1A8	0.540%	2/25/37	471,617	273,705 (a)(c)
First Horizon Mortgage Pass-Through Trust, 2005-AR4 2A1	2.564%	10/25/35	875,857	773,007 (a)(c)
First Republic Mortgage Loan Trust, 2000-FRB2 A1	0.661%	11/15/30	283,095	254,707 (a)(c)
Fremont Home Loan Trust, 2006-B 2A2	0.270%	8/25/36	838,268	360,764 (a)
Fremont Home Loan Trust, 2006-B 2A4	0.410%	8/25/36	1,012,962	446,267 (a)
Government National Mortgage Association (GNMA), 2013-010 AI, IO	3.500%	1/20/43	3,898,248	854,094 (e)
Green Tree Mortgage Loan Trust, 2005-HE1 M6	1.520%	12/25/32	1,220,347	1,066,840 (a)(b)
Greenpoint Mortgage Funding Trust, 2006-AR3 4A1	0.380%	4/25/36	4,128,124	3,187,688 (a)(c)
GS Mortgage Securities Corp. II, 2000-1A A	0.866%	3/20/23	103,888	104,070 (a)(b)(c)
GSAA Home Equity Trust, 2005-11 2A2	0.490%	10/25/35	3,725,644	2,746,765 (a)(c)

See Notes to Financial Statements.

Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
GSAA Home Equity Trust, 2005-R1 1A2, IO	4.845%	4/25/35	4,411,412	\$ 467,610 (a)(b)
GSAMP Trust, 2004-SEA2 M2	1.420%	3/25/34	6,200,000	5,658,250 (a)
GSAMP Trust, 2007-FM1 A2C	0.340%	12/25/36	2,120,746	1,127,210 (a)(c)
GSAMP Trust, 2007-FM1 A2D	0.420%	12/25/36	3,502,310	1,898,536 (a)(c)
GSMPS Mortgage Loan Trust, 2001-2 A	7.500%	6/19/32	729,174	773,100 (a)(b)
GSMPS Mortgage Loan Trust, 2004-4 2A1	3.328%	6/25/34	287,935	270,148 (a)(b)
GSMPS Mortgage Loan Trust, 2005-LT1 A1	0.630%	2/25/35	202,551	190,336 (a)(b)(c)
GSMPS Mortgage Loan Trust, 2005-RP1 1A3	8.000%	1/25/35	174,407	185,965 (b)
GSMPS Mortgage Loan Trust, 2005-RP1 1A4	8.500%	1/25/35	116,717	127,103 (b)
GSMPS Mortgage Loan Trust, 2005-RP1 1AF	0.520%	1/25/35	349,845	295,723 (a)(b)(c)
GSMPS Mortgage Loan Trust, 2006-RP1 1A2	7.500%	1/25/36	664,466	672,738 (b)
GSMPS Mortgage Loan Trust, 2006-RP1 1A3	8.000%	1/25/36	120,377	126,072 (b)
GSR Mortgage Loan Trust, 2005-AR4 2A1	2.655%	7/25/35	495,112	445,443 (a)(c)
GSR Mortgage Loan Trust, 2005-AR5 1A1	2.767%	10/25/35	190,123	169,700 (a)(c)
GSR Mortgage Loan Trust, 2006-09F 5A2, IO	6.381%	10/25/36	927,336	160,365 (a)
GSR Mortgage Loan Trust, 2006-10F 4A2, IO	6.481%	1/25/37	1,788,252	421,978 (a)
GSRPM Mortgage Loan Trust, 2007-1 A	0.570%	10/25/46	2,342,578	1,963,872 (a)(b)
HarborView Mortgage Loan Trust, 2005-9 B5	1.166%	6/20/35	2,997,587	2,360,381 (a)
HarborView Mortgage Loan Trust, 2006-02	2.695%	2/25/36	65,640	52,911 (a)(c)
Home Equity Mortgage Trust, 2006-1 A3	0.655%	5/25/36	3,500,000	344,572 (a)
Homestar Mortgage Acceptance Corp., 2004-3 M3	1.770%	7/25/34	683,956	554,985 (a)(c)
Homestar Mortgage Acceptance Corp., 2004-6 M7	2.120%	1/25/35	1,132,859	917,965 (a)(c)
HSI Asset Loan Obligation Trust, 2007-AR1 4A1	4.923%	1/25/37	376,503	320,075 (a)(c)
IMC Home Equity Loan Trust, 1998-1 A5	7.450%	6/20/29	1,315,355	1,339,829
Impac CMB Trust, 2004-8 1A	0.890%	10/25/34	621,002	546,507 (a)(c)
IMPAC Secured Assets Corp., 2007-1 A2	0.330%	3/25/37	769,307	613,162 (a)(c)
Indymac Home Equity Loan Asset-Backed Trust, 2001-A	0.675%	3/25/31	113,585	94,251 (a)
Indymac INDA Mortgage Loan Trust, 2005-AR2 1A1	2.608%	1/25/36	174,237	161,734 (a)(c)
Indymac INDB Mortgage Loan Trust, 2005-1 A1	0.470%	11/25/35	1,978,914	1,197,336 (a)
Indymac Index Mortgage Loan Trust, 2004-AR13 1A1	2.461%	1/25/35	141,602	132,497 (a)(c)
Indymac Index Mortgage Loan Trust, 2004-AR15 1A1	2.735%	2/25/35	210,655	181,634 (a)(c)
Indymac Index Mortgage Loan Trust, 2005-AR15 A2	4.533%	9/25/35	154,159	134,278 (a)(c)
Indymac Index Mortgage Loan Trust, 2006-AR07 5A1	2.631%	5/25/36	604,662	490,651 (a)(c)
Indymac Index Mortgage Loan Trust, 2006-AR09 3A3	4.344%	6/25/36	892,363	852,178 (a)(c)
Indymac Index Mortgage Loan Trust, 2006-AR11 1A1	2.794%	6/25/36	600,823	457,332 (a)(c)
Indymac Index Mortgage Loan Trust, 2006-AR25 4A3	2.588%	9/25/36	2,654,758	1,634,943 (a)(c)
Indymac Index Mortgage Loan Trust, 2007-AR05 2A1	2.662%	5/25/37	2,887,447	2,273,972 (a)(c)
Indymac Index Mortgage Loan Trust, 2007-AR07 2A1	2.057%	6/25/37	329,653	252,943 (a)(c)

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Western Asset Mortgage Defined Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
Indymac Index Mortgage Loan Trust, 2007-AR15 2A1	4.351%	8/25/37	337,850	\$ 286,055 (a)(c)
Irwin Home Equity, 2005-C 1M4	6.750%	4/25/30	608,152	583,366
Jefferies & Co., 2009-R2 5A	3.273%	1/26/36	1,543,006	1,432,734 (a)(b)(c)
Jefferies & Co., 2009-R6 6A2	2.605%	10/26/35	2,981,788	2,559,695 (a)(b)(c)
JPMorgan Alternative Loan Trust, 2006-A4 A7	3.751%	9/25/36	1,044,915	693,475 (a)(c)
JPMorgan Alternative Loan Trust, 2006-S1 3A4	6.180%	3/25/36	1,313,050	854,621 (a)(c)
JPMorgan Alternative Loan Trust, 2007-A1 3A1	2.532%	3/25/37	817,302	642,123 (a)
JPMorgan Mortgage Trust, 2005-A6 3A3	2.649%	9/25/35	1,100,000	1,050,462 (a)(c)
JPMorgan Mortgage Trust, 2005-S3 1A1	6.500%	1/25/36	1,495,164	1,299,617 (c)
JPMorgan Mortgage Trust, 2007-S2 3A2	6.000%	6/25/37	202,936	193,826 (c)
JPMorgan Mortgage Trust, 2007-S2 3A3	6.500%	6/25/37	65,399	64,485 (c)
JPMorgan Reremic, 2014-6 3A2	0.379%	7/27/46	1,729,604	937,316 (a)(b)
Lehman ABS Corp. Home Equity Loan Trust, 2004-2 A	0.610%	6/25/34	140,715	133,291 (a)
Lehman Mortgage Trust, 2006-3 1A7, IO	5.231%	7/25/36	11,282,115	1,961,678 (a)
Lehman Mortgage Trust, 2006-3 2A1	0.530%	7/25/36	4,356,480	1,560,759 (a)
Lehman Mortgage Trust, 2006-3 2A2, IO	6.971%	7/25/36	4,923,389	1,589,836 (a)
Lehman Mortgage Trust, 2006-7 1A3, IO	5.181%	11/25/36	11,217,154	2,113,200 (a)
Lehman Mortgage Trust, 2006-7 3A2, IO	6.981%	11/25/36	8,149,792	2,831,050 (a)
Lehman Mortgage Trust, 2007-1 2A3, IO	6.461%	2/25/37	13,296,658	3,695,886 (a)
Lehman XS Trust, 2005-9N 1A1	0.440%	2/25/36	1,637,124	1,376,848 (a)(c)
Lehman XS Trust, 2006-14N 3A2	0.290%	8/25/36	3,294,159	2,565,777 (a)(c)
Lehman XS Trust, 2006-19 A4	0.340%	12/25/36	1,326,308	909,541 (a)(c)
Lehman XS Trust, 2007-4N 1A2A	0.330%	3/25/47	4,520,746	3,477,358 (a)(c)
Lehman XS Trust, 2007-8H A1	0.300%	6/25/37	96,338	84,105 (a)(c)
MASTR Adjustable Rate Mortgages Trust, 2004-12 5A1	7.053%	10/25/34	234,075	220,024 (a)(c)
MASTR Adjustable Rate Mortgages Trust, 2006-0A1 1A1	0.380%	4/25/46	427,627	325,932 (a)(c)
MASTR Adjustable Rate Mortgages Trust, 2006-2 4A1	2.628%	2/25/36	118,620	116,910 (a)(c)
MASTR Asset-Backed Securities Trust, 2005-AB1 A5A	5.712%	11/25/35	3,360,000	2,103,699
MASTR Asset-Backed Securities Trust, 2006-HE4 A3	0.320%	11/25/36	3,783,111	1,826,089 (a)
MASTR Reperforming Loan Trust, 2005-1 1A2	6.500%	8/25/34	993,044	1,016,730 (b)
MASTR Reperforming Loan Trust, 2005-1 1A3	7.000%	8/25/34	265,739	272,510 (b)
MASTR Reperforming Loan Trust, 2005-1 1A4	7.500%	8/25/34	112,053	115,126 (b)
MASTR Reperforming Loan Trust, 2005-2 1A3	7.500%	5/25/35	16,159	16,969 (b)
MASTR Reperforming Loan Trust, 2006-2 1A1	4.765%	5/25/36	1,946,442	1,848,608 (a)(b)
Merrill Lynch Mortgage Investors Trust, 2005-1 2A2	2.127%	4/25/35	151,433	147,590 (a)(c)
Merrill Lynch Mortgage Investors Trust, 2005-A2 A5	2.472%	2/25/35	528,574	531,198 (a)(c)
Merrill Lynch Mortgage Investors Trust, 2006-A1 2A1	3.094%	3/25/36	1,034,775	713,231 (a)(c)
Morgan Stanley Capital Inc., 2003-NC10 M2	2.870%	10/25/33	609,509	569,922 (a)

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Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities continued				
Morgan Stanley Mortgage Loan Trust, 2004-6AR 2A2	2.622%	8/25/34	566,498	\$ 560,894 (a)(c)
Morgan Stanley Mortgage Loan Trust, 2004-7AR B1	2.402%	9/25/34	607,916	301,488 (a)
Morgan Stanley Mortgage Loan Trust, 2005-5AR 4A1	5.198%	9/25/35	4,023,909	3,132,291 (a)(c)
Morgan Stanley Mortgage Loan Trust, 2006-1AR 1AX, IO	3.496%	2/25/36	6,165,638	604,676 (a)
Morgan Stanley Mortgage Loan Trust, 2006-3AR 1A3	0.430%	3/25/36	1,930,509	1,487,607 (a)(c)
Morgan Stanley Mortgage Loan Trust, 2006-8AR 1A2	0.240%	6/25/36	353,747	190,526 (a)(c)
Morgan Stanley Mortgage Loan Trust, 2007-05AX 2A3	0.400%	2/25/37	1,627,684	979,660 (a)(c)
Morgan Stanley Mortgage Loan Trust, 2007-15AR 4A1	4.710%	11/25/37	1,659,997	1,265,298 (a)(c)
New Century Home Equity Loan Trust, 2004-3 M3	1.235%	11/25/34	1,121,062	971,449 (a)
Nomura Asset Acceptance Corp., 2004-R3 B2	6.766%	2/25/35	571,292	6 (b)
Nomura Resecuritization Trust, 2010-4RA 1A2	2.414%	8/26/34	2,900,000	2,422,625 (a)(b)(c)
Nomura Resecuritization Trust, 2014-5R 1A9	13.307%	6/26/35	1,884,830	1,913,103 (a)(b)(c)
Popular ABS Mortgage Pass-Through Trust, 2004-4 M2	5.626%	9/25/34	1,521,035	1,387,030
Popular ABS Mortgage Pass-Through Trust, 2006-D A3	0.430%	11/25/46	2,450,000	2,145,098 (a)
Prime Mortgage Trust, 2006-DR1 2A1	5.500%	5/25/35	3,443,415	3,468,287 (b)(c)
Provident Bank Home Equity Loan Trust, 2000-2 A1	0.710%	8/25/31	1,637,509	1,421,587 (a)
RAAC, 2007-RP3 A	0.550%	10/25/46	2,157,035	1,921,635 (a)(b)
RAAC Series, 2006-RP3 A	0.440%	5/25/36	738,190	661,420 (a)(b)
RAAC Series, 2007-RP2 A	0.870%	2/25/46	1,186,525	1,086,233 (a)(b)
Renaissance Home Equity Loan Trust, 2004-3 M1	5.157%	11/25/34	1,068,399	993,412
Renaissance Home Equity Loan Trust, 2006-1 AF5	6.166%	5/25/36	640,000	474,896
Renaissance Home Equity Loan Trust, 2006-2 AV3	0.410%	8/25/36	1,545,161	866,382 (a)
Renaissance Home Equity Loan Trust, 2007-1 AF3	5.612%	4/25/37	6,445,744	3,500,639
Renaissance Home Equity Loan Trust, 2007-2 AF1	5.893%	6/25/37	2,651,472	1,447,836
Renaissance Home Equity Loan Trust, 2007-2 AF2	5.675%	6/25/37	456,928	241,148
Renaissance Home Equity Loan Trust, 2007-2 AF5	6.203%	6/25/37	1,965,282	1,131,313
Renaissance Home Equity Loan Trust, 2007-2 AF6	5.879%	6/25/37	3,305,799	1,801,208
Renaissance Home Equity Loan Trust, 2007-3 AF3	7.238%	9/25/37	1,741,392	1,139,078
Residential Accredit Loans Inc., 2005-QA3 CB4	3.308%	3/25/35	3,023,980	2,048,838 (a)(c)
Residential Accredit Loans Inc., 2006-QA01 A11	3.238%	1/25/36	892,541	703,208 (a)(c)
Residential Accredit Loans Inc., 2006-QA01 A31	4.369%	1/25/36	2,172,552	1,678,271 (a)(c)
Residential Accredit Loans Inc., 2006-QA04 A	0.350%	5/25/36	576,787	468,606 (a)(c)
Residential Accredit Loans Inc., 2006-QA10 A2	0.350%	12/25/36	1,070,697	827,526 (a)(c)
Residential Accredit Loans Inc., 2006-QO1 3A1	0.440%	2/25/46	4,067,957	2,547,196 (a)(c)
Residential Accredit Loans Inc., 2006-QO2 A2	0.440%	2/25/46	5,247,588	2,602,827 (a)(c)
Residential Accredit Loans Inc., 2006-QS13 1A2, IO	6.991%	9/25/36	1,181,263	270,030 (a)
Residential Accredit Loans Inc., 2007-QA2 A1	0.300%	2/25/37	582,224	494,743 (a)(c)
Residential Accredit Loans Inc., 2007-QS1 2A1, IO	6.471%	1/25/37	5,509,508	1,118,122 (a)

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Security	Rate	Maturity Date	Face Amount	Value
Residential Mortgage-Backed Securities – continued				
Residential Asset Mortgage Products Inc., 2002-RS4 AII	0.810%	8/25/32	304,407	\$ 283,879 (a)
Residential Asset Mortgage Products Inc., 2004-RZ4 M7	2.670%	12/25/34	275,812	238,279 (a)(c)
Residential Asset Mortgage Products Inc., 2004-SL3 A3	7.500%	12/25/31	1,016,757	1,068,901
Residential Asset Mortgage Products Inc., 2004-SL3 A4	8.500%	12/25/31	131,782	121,236
Residential Asset Mortgage Products Inc., 2005-SL2 A5	8.000%	10/25/31	342,341	347,522
Residential Asset Securities Corp., 2003-KS9 A2B	0.795%	11/25/33	1,109,005	941,590 (a)
Residential Asset Securitization Trust, 2005-A13 1A3	0.640%	10/25/35	264,193	201,931 (a)(c)
Residential Asset Securitization Trust, 2005-A7 A2, IO	7.081%	6/25/35	3,604,536	753,703 (a)
Residential Asset Securitization Trust, 2006-A1 1A6	0.670%	4/25/36	2,643,142	1,721,450 (a)(c)
Residential Asset Securitization Trust, 2006-A1 1A7, IO	5.331%	4/25/36	5,517,894	892,919 (a)
Residential Asset Securitization Trust, 2007-A1 A6, IO	6.887%	3/25/37	6,260,583	1,793,225 (a)
Residential Asset Securitization Trust, 2007-A2 1A1	6.000%	4/25/37	473,876	412,463 (c)
Residential Funding Mortgage Securities I, 2005-SA3 1A	2.723%	8/25/35	4,387,339	3,538,213 (a)(c)
Residential Funding Mortgage Securities I, 2006-SA2 4A1	5.811%	8/25/36	562,845	508,893 (a)(c)
Residential Funding Mortgage Securities II, 2005-HI2 M7	5.810%	5/25/35	674,718	675,831 (c)
Residential Funding Mortgage Securities II Inc., 2004-HS1 AI6	3.640%	3/25/34	76,723	76,837 (a)(c)
Saxon Asset Securities Trust, 2007-3 2A1	0.390%	9/25/47	954,656	928,004 (a)
Structured ARM Loan Trust, 2004-07 A3	0.905%	6/25/34	215,387	202,688 (a)(c)
Structured ARM Loan Trust, 2004-16 1A2	2.462%	11/25/34	746,096	737,556 (a)(c)
Structured ARM Loan Trust, 2004-18 1A2	2.484%	12/25/34	777,233	751,527 (a)(c)
Structured ARM Loan Trust, 2005-04 1A1	2.439%	3/25/35	339,332	306,274 (a)(c)
Structured ARM Loan Trust, 2005-04 5A	4.424%	3/25/35	291,231	266,628 (a)(c)
Structured ARM Loan Trust, 2005-07 1A3	2.467%	4/25/35	177,677	171,164 (a)(c)
Structured ARM Loan Trust, 2005-12 3A1	2.404%	6/25/35	198,112	186,418 (a)(c)
Structured ARM Loan Trust, 2005-20 4A2	5.365%	10/25/35	1,314,951	115,621 (a)
Structured ARM Loan Trust, 2006-4 4A1	4.956%	5/25/36	477,558	363,014 (a)(c)
Structured ARM Loan Trust, 2006-8 3A5	4.333%	9/25/36	2,271,923	1,797,459 (a)(c)
Structured ARM Loan Trust, 2007-5 2A2	2.486%	6/25/37	1,117,754	657,673 (a)(c)
Structured ARM Loan Trust, 2007-7 1A1	0.470%	8/25/37	1,911,718	1,646,781 (a)(c)
Structured Asset Investment Loan Trust, 2004-8 M7	2.945%	9/25/34	104,650	87,641 (a)
Structured Asset Investment Loan Trust, 2004-8 M9	3.920%	9/25/34	318,981	87,879 (a)
Structured Asset Mortgage Investments Inc., 2006-AR5 4A1	0.390%	5/25/46	784,954	448,825 (a)(c)
Structured Asset Securities Corp., 1999-RF1 A	5.969%	10/15/28	853,678	810,861 (a)(b)
Structured Asset Securities Corp., 2004-20 5A1	6.250%	11/25/34		