

WESTERN ASSET EMERGING MARKETS INCOME FUND INC.
Form N-CSRS
May 07, 2007

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 811-7066

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

125 Broad Street, New York, NY
(Address of principal executive offices)

10004
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

300 First Stamford Place, 4th Floor

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

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

Date of fiscal year August 31
end:

Date of reporting period: February 28, 2007

ITEM 1. REPORT TO STOCKHOLDERS.

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

**Western Asset
Emerging Markets
Income Fund Inc.**

**SEMI-ANNUAL
REPORT**

FEBRUARY 28, 2007

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

**Western Asset
Emerging Markets
Income Fund Inc.**

Semi-Annual Report February 28, 2007

What's Inside	Letter from the Chairman	I
	Fund at a Glance	1
	Schedule of Investments	2
	Statement of Assets and Liabilities	7
	Statement of Operations	8
	Statements of Changes in Net Assets	9
	Statement of Cash Flows	10
Fund Objective	Financial Highlights	11
The Fund's primary investment objective is to seek high current income. As a secondary objective, the Fund seeks capital appreciation.	Notes to Financial Statements	12
	Additional Shareholder Information	21
	Dividend Reinvestment and Cash Purchase Plan	22

Letter from the Chairman

Dear Shareholder,

U.S. economic growth was mixed during the six-month reporting period. Gross domestic product (GDP) increased a sharp 5.6% in the first quarter of 2006, its highest reading since the third quarter of 2003. In the second quarter of 2006, GDP growth was 2.6% and it further moderated to 2.0% in the third quarter. The economy then strengthened somewhat in the fourth quarter due, in part, to increased consumer spending. Over this time, GDP growth was 2.5%.

After increasing the federal funds rateⁱⁱ to 5.25% in June its 17th consecutive rate hike the Federal Reserve Board (Fedⁱⁱ) paused from raising rates at its next five meetings and again in March 2007 after the reporting period ended. In its statement accompanying the March 2007 meeting, the Fed stated, Recent indicators have been mixed and the adjustment in the housing sector is ongoing. Nevertheless, the economy seems likely to continue to expand at a moderate pace over coming quarters. ...the Committee s predominant policy concern remains the risk that inflation will fail to moderate as expected.

R. JAY GERKEN, CFA
Chairman, President and
Chief Executive Officer

During the reporting period, short- and long-term Treasury yields experienced periods of volatility. After peaking in late June 2006 with two- and 10-year Treasuries hitting 5.29% and 5.25%, respectively rates fell sharply as the Fed paused from its tightening cycle. Yields then moved higher during much of the reporting period on the back of strong employment data and expectations that the Fed would not be lowering short-term interest rates in the near future. However, yields then fell sharply at the end of February as economic data weakened and the stock market experienced its largest one day decline in more than five years. Overall, during the six months ended February 28, 2007, two-year Treasury yields moved from 4.79% to 4.65%. Over the same period, 10-year Treasury yields fell

Western Asset Emerging Markets Income Fund Inc. I

from 4.74% to 4.56%. Looking at the six-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index^v returned 3.66%.

Strong demand from investors seeking incremental returns, solid corporate profits and low default rates helped high yield bonds generate solid returns during the reporting period. During the six-month period ended February 28, 2007, the Citigroup High Yield Market Index^v returned 8.29%.

Despite some periods of weakness, emerging markets debt generated positive results, as the JPMorgan Emerging Markets Bond Index Global (EMBI Globalⁱ) returned 5.88%. An expanding global economy, solid domestic spending and a pause in U.S. interest rate hikes supported many emerging market countries.

Performance Review

For the six months ended February 28, 2007, the Western Asset Emerging Markets Income Fund Inc. returned 5.33% based on its net asset value (NAVⁱⁱ) and 4.08% based on its New York Stock Exchange (NYSE) market price per share. In comparison, the Fund's unmanaged benchmark, the EMBI Global, returned 5.88%, for the same time frame. The Lipper Emerging Markets Debt Closed-End Funds Category Average^{viii} increased 6.47%. Please note that Lipper performance returns are based on each fund's NAV per share.

During this six-month period, the Fund made distributions to shareholders totaling \$1.25 per share. The performance table shows the Fund's six-month total return based on its NAV and market price as of February 28, 2007. **Past performance is no guarantee of future results.**

Performance Snapshot as of February 28, 2007 (unaudited)

Price Per Share	Six-Month Total Return
\$15.22 (NAV)	5.33%
\$14.68 (Market Price)	4.08%

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.

Special Shareholder Notices

Effective November 30, 2006, Western Asset Management Company Limited (Western Asset Limited) became an additional subadviser to the Fund, under an additional sub-advisory agreement between Western Asset Management Company (Western Asset) and Western Asset Limited. Western Asset and Western Asset Limited are wholly-owned subsidiaries of Legg Mason, Inc. Western Asset Limited provides certain advisory services to the Fund relating to currency transactions and investments in non-dollar denominated securities. Western Asset Limited has offices at 10 Exchange Place, London, England. Western Asset Limited acts as an investment adviser to institutional accounts, such as corporate pension plans, mutual funds, and endowment funds.

On December 21, 2006, the Fund announced that Board of Directors approved a management recommendation to change the then current, non-fundamental investment policy that limited investment in non-dollar-denominated securities to no more than 15% of total assets. Effective January 2, 2007, this investment restriction was removed. Management requested this change to allow the Fund greater flexibility in its investment policies by permitting unrestricted investment in non-dollar-denominated securities.^{ix}

Prior to October 9, 2006, the Fund was known as Salomon Brothers Emerging Markets Income Fund Inc.

Information About Your Fund

As you may be aware, several issues in the mutual fund industry (not directly affecting closed-end investment companies, such as this Fund) have come under the scrutiny of federal and state regulators. Affiliates of the Fund's manager have, in recent years, received requests for information from various government regulators regarding market timing, late trading, fees, and other mutual fund issues in connection with various investigations. The regulators appear to be examining, among other things, the open-end funds' response to market timing and shareholder exchange activity, including compliance with prospectus disclosure related to these subjects. The Fund is not in a position to predict the outcome of these requests and investigations, or whether these may affect the Fund.

Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to Financial Statements included in this report.

Looking for Additional Information?

The Fund is traded under the symbol EMD and its closing market price is available in most newspapers under the

NYSE listings. The daily NAV is available on-line under the symbol XEMDX 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/InvestorServices.

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 6:00 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. We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA
Chairman, President and Chief Executive Officer
March 29, 2007

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.

RISKS: The Fund may invest in high-yield and foreign securities, including emerging markets, which involve risks beyond those inherent solely in higher-rated and domestic investments. High yield bonds involve greater credit and liquidity risks than investment grade bonds. Investing in foreign securities is subject to certain risks not associated with domestic investing, such as currency fluctuations, and changes in political and economic conditions. These risks are magnified in emerging or developing markets. Derivatives, such as options and futures, can be illiquid and harder to value, especially in declining markets. A small investment in certain derivatives may have a potentially large impact on the Fund's performance.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- i Gross domestic product is the market value of goods and services produced by labor and property in a given country.
- ii The federal funds rate is the interest rate that banks with excess reserves at a Federal Reserve district bank charge other banks that need overnight loans.
- iii The Federal Reserve Board 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 Lehman Brothers U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- v The Citigroup High Yield Market Index is a broad-based unmanaged index of high yield securities.
- vi The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds, and local market instruments. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d'Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand,

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Turkey and Venezuela.

- vii NAV is calculated by subtracting total liabilities 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 at the Fund's market price as determined by supply of and demand for the Fund's shares.
- viii Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the six-month period ended February 28, 2007, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 13 funds in the Fund's Lipper category, and excluding sales charges.
- ix Investing in non-dollar denominated securities involves risks, including the risk that the Fund may be limited in its ability to hedge the value of its non-dollar-denominated investments against currency fluctuations. As a result, a decline in the value of currencies against the dollar will result in a corresponding decline in the dollar value of the Fund's assets. These declines will, in turn, affect the Fund's income and net asset value.

IV Western Asset Emerging Markets Income Fund Inc.

Fund at a Glance (unaudited)

Investment Breakdown

Schedule of Investments (February 28, 2007) (unaudited)

WESTERN ASSET EMERGING MARKETS INCOME FUND INC.

Face Amount	Security	Value
SOVEREIGN BONDS 61.7%		
Argentina 4.4%		
500,000DEM	Republic of Argentina: 7.000% due 3/18/04 (a)	\$ 117,536
1,000,000EUR	9.000% due 4/26/06 (a)	446,529
550,000EUR	9.000% due 7/6/10 (a)	241,953
33,750	5.475% due 8/3/12 (b)	32,007
950,000DEM	11.750% due 11/13/26 (a)	212,072
638,400ARS	Bonds, 2.000% due 1/3/10 (b)	427,152
650,276ARS	Discount Bonds, 5.830% due 12/31/33 (b)	280,000
	GDP Linked Securities:	
10,662,020ARS	0.624% due 12/15/35 (b)	383,465
490,000	0.649% due 12/15/35 (b)	65,096
600,000EUR	0.662% due 12/15/35 (b)	100,023
	Medium-Term Notes:	
500,000,000ITL	7.000% due 3/18/04 (a)	115,304
1,000,000EUR	10.000% due 2/22/07 (a)	459,760
	Total Argentina	2,880,897
Brazil 13.6%		
3,113,000	Federative Republic of Brazil: 11.000% due 8/17/40 (c)	4,158,968
	Collective Action Securities:	
755,000	8.750% due 2/4/25	953,187
3,391,000	Notes, 8.000% due 1/15/18 (c)	3,797,920
	Total Brazil	8,910,075
Colombia 3.3%		
175,000	Republic of Colombia: 8.125% due 5/21/24	202,563
1,832,000	7.375% due 9/18/37 (c)	1,959,782
	Total Colombia	2,162,345
Ecuador 1.1%		
877,000	Republic of Ecuador, 10.000% due 8/15/30 (d)	749,835
El Salvador 0.8%		
92,000	Republic of El Salvador: 7.750% due 1/24/23 (d)	106,030
323,000	8.250% due 4/10/32 (d)	392,445
	Total El Salvador	498,475

See Notes to Financial Statements.

Schedule of Investments (February 28, 2007) (unaudited) (continued)

Face Amount	Security	Value
Indonesia 0.6%		
300,000	Republic of Indonesia, 8.500% due 10/12/35 (d)	\$ 367,860
Malaysia 2.0%		
633,000	Federation of Malaysia, 8.750% due 6/1/09	683,198
408,000	Penerbangan Malaysia Berhad: 5.625% due 3/15/16 (d)	418,822
190,000	Series REGS, 5.625% due 3/15/16 (d)	194,790
	Total Malaysia	1,296,810
Mexico 10.7%		
325,000	United Mexican States: 11.375% due 9/15/16	465,563
4,970,000	Medium-Term Notes: 5.625% due 1/15/17 (c)	4,992,365
917,000	6.750% due 9/27/34	1,001,593
471,000	Series A, 6.625% due 3/3/15	505,736
	Total Mexico	6,965,257
Panama 2.6%		
5,000	Republic of Panama: 9.625% due 2/8/11	5,700
934,000	9.375% due 4/1/29	1,250,393
407,000	6.700% due 1/26/36	425,315
	Total Panama	1,681,408
Peru 1.9%		
1,262,400	Republic of Peru, FLIRB, 5.000% due 3/7/17 (b)	1,259,244
Philippines 1.2%		
484,000	Republic of the Philippines: 10.625% due 3/16/25 (e)	689,688
95,000	7.750% due 1/14/31	107,169
	Total Philippines	796,857
Russia 6.8%		
750,000	Russian Federation: 11.000% due 7/24/18 (d)	1,084,687
455,000	12.750% due 6/24/28 (d)	826,963
2,208,000	5.000% due 3/31/30 (d)	2,503,320
	Total Russia	4,414,970
South Africa 1.0%		
605,000	Republic of South Africa, 6.500% due 6/2/14	641,300
Turkey 4.0%		
605,000	Republic of Turkey: 11.500% due 1/23/12	735,077
126,000	11.000% due 1/14/13	153,721

See Notes to Financial Statements.

Schedule of Investments (February 28, 2007) (unaudited) (continued)

	Face Amount	Security	Value
Turkey 4.0% (continued)			
	919,000	11.875% due 1/15/30 (e)	\$ 1,403,772
	80,000	Collective Action Securities, Notes, 9.500% due 1/15/14	92,900
	235,000	Notes, 6.875% due 3/17/36	222,369
		Total Turkey	2,607,839
Uruguay 1.3%			
	188,066	Oriental Republic of Uruguay, Bonds, 7.625% due 3/21/36	204,945
	562,724	Republic of Uruguay, Benchmark Bonds, 7.875% due 1/15/33 (f)	628,141
		Total Uruguay	833,086
Venezuela 6.4%			
	75,000	Bolivarian Republic of Venezuela: 5.375% due 8/7/10 (d)	73,181
	1,053,000	8.500% due 10/8/14	1,167,777
	1,011,000	5.750% due 2/26/16	944,779
	217,000	7.650% due 4/21/25	230,997
	335,000	Collective Action Securities: 9.375% due 1/13/34 (e)	435,500
	1,100,000	Notes, 10.750% due 9/19/13	1,338,425
		Total Venezuela	4,190,659
		TOTAL SOVEREIGN BONDS	
		(Cost \$36,733,916)	40,256,917
CORPORATE BONDS & NOTES 28.8%			
Brazil 4.3%			
	281,000	Vale Overseas Ltd., Notes: 6.250% due 1/23/17	290,262
	471,000	8.250% due 1/17/34	578,687
	1,830,000	6.875% due 11/21/36 (c)	1,933,863
		Total Brazil	2,802,812
Chile 1.4%	861,000	Enersis SA, Notes, 7.375% due 1/15/14	943,298
India 0.2%	114,000	ICICI Bank Ltd., Bonds, 6.375% due 4/30/22 (b)(d)	116,145
Kazakhstan 1.0%	340,000	ATF Capital BV, 9.250% due 2/21/14 (d)	339,150
	320,000	TuranAlem Finance BV, 8.250% due 1/22/37 (d)	325,200
		Total Kazakhstan	664,350
Malaysia 0.2%	146,000	Sarawak International Inc., Senior Bonds, 5.500% due 8/3/15	146,014
Mexico 6.1%			
	40,000	Axtel SA de CV: 11.000% due 12/15/13	44,800

See Notes to Financial Statements.

Schedule of Investments (February 28, 2007) (unaudited) (continued)

	Face Amount	Security	Value
Mexico	6.1% (continued)		
	200,000	Senior Notes, 7.625% due 2/1/17 (d)	\$ 201,000
	160,000	Banco Mercantil del Norte SA, Subordinated Bonds, 6.135% due 10/13/16 (b)(d)	163,095
		Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Notes:	
	100,000	9.375% due 5/1/12	107,750
	20,000	12.500% due 6/15/12	21,675
		Pemex Project Funding Master Trust:	
	68,000	6.125% due 8/15/08	68,578
	800,000	9.125% due 10/13/10	894,000
	1,100,000	8.000% due 11/15/11	1,211,100
	858,000	Bonds, 6.625% due 6/15/35	889,103
	47,000	Senior Notes, 5.970% due 12/3/12 (b)(d)	47,411
	4,000,000MXN	Telefonos de Mexico SA de CV, Senior Notes, 8.944% due 1/31/16	360,385
		Total Mexico	4,008,897
Panama	0.4%		
	261,000	MMG Fiduciary Trust Corp., 6.750% due 2/1/16 (d)	265,553
Russia	11.1%		
	1,880,000	Gaz Capital SA, Notes, 8.625% due 4/28/34 (d)	2,409,220
		Gazprom:	
		Bonds:	
	39,330,000RUB	Series A7, 0.260% due 10/29/09 (c)	1,508,134
	13,110,000RUB	Series A8, 0.268% due 10/27/11	501,707
	170,000	Loan Participation Notes, 6.212% due 11/22/16 (d)	170,340
	17,410,000RUB	Gazprom OAO, Series A6, 0.266% due 8/6/09	672,110
	1,230,000	Russian Agricultural Bank, Notes, 7.175% due 5/16/13 (d)	1,289,963
	470,000	TNK-BP Finance SA, 7.500% due 7/18/16 (d)	498,200
	150,000	UBS Luxembourg SA for OJSC Vimpel Communications, Loan Participation Notes, 8.250% due 5/23/16 (d)	160,125
		Total Russia	7,209,799
Thailand	1.1%		
	670,000	True Move Co., Ltd., 10.750% due 12/16/13 (d)	686,750
Venezuela	3.0%		
	1,930,000	Petrozuata Finance Inc., 8.220% due 4/1/17 (d)	1,934,825
		TOTAL CORPORATE BONDS & NOTES	
		(Cost \$18,092,652)	18,778,443
Warrants			
WARRANT	0.1%		
	1,500	Bolivarian Republic of Venezuela, Oil-linked payment obligations,, Expires 4/15/20 (Cost \$46,500)	54,375
		TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS	
		(Cost \$54,873,068)	59,089,735

See Notes to Financial Statements.

Schedule of Investments (February 28, 2007) (unaudited) (continued)

Face Amount	Security	Value
SHORT-TERM INVESTMENTS 9.4%		
Credit Linked Notes 0.9%		
600,000	UBS AG Jersey Branch, Medium-Term Notes, 7.684% due 4/12/07 (Cost \$602,160)	\$ 602,160
Sovereign Bonds 4.9%		
2,975,000EGP	Egypt Treasury Bills: Zero coupon bond to yield 9.646% due 4/17/07	516,042
14,800,000EGP	Zero coupon bond to yield 9.543% due 10/30/07	2,444,948
1,500,000EGP	Zero coupon bond to yield 9.491% due 11/6/07	247,456
	Total Sovereign Bonds (Cost \$3,189,168)	3,208,446
U.S. Government Agency 0.1%		
100,000	Federal National Mortgage Association (FNMA), Discount Notes, 5.197% due 6/25/07 (g) (h) (Cost \$98,389)	98,362
Repurchase Agreement 3.5%		
2,252,000	Nomura Securities International Inc. repurchase agreement dated 2/28/07, 5.300% due 3/1/07; Proceeds at maturity \$2,252,332; (Fully collateralized by U.S. Government Agency Obligation, 4.875% due 2/9/10; Market value \$2,297,734) (Cost \$2,252,000) (c)	2,252,000
	TOTAL SHORT-TERM INVESTMENTS (Cost \$6,141,717)	6,160,968
	TOTAL INVESTMENTS 100.0% (Cost \$61,014,785#) \$	65,250,703

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

- (a) Security is currently in default.
- (b) Variable rate security. Interest rate disclosed is that which is in effect at February 28, 2007.
- (c) All or a portion of this security is segregated for open futures contracts and reverse repurchase agreements.
- (d) 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.
- (e) All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.
- (f) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (g) Rate shown represents yield-to-maturity.
- (h) All or a portion of this security is held at the broker as collateral for open futures contracts.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

ARS	Argentine Peso
DEM	German Mark
EGP	Egyptian Pound
EUR	Euro
FLIRB	Front-Loaded Interest Reduction Bonds
GDP	Gross Domestic Product

ITL	Italian Lira
MXN	Mexican Peso
RUB	Russian Ruble

See Notes to Financial Statements.

6 Western Asset Emerging Markets Income Fund Inc. 2007 Semi-Annual Report

Statement of Assets and Liabilities (February 28, 2007) (unaudited)

ASSETS:

Investments, at value (Cost \$61,014,785)	\$	65,250,703
Foreign currency, at value (Cost \$18,009)		18,059
Cash		437
Receivable for securities sold		3,324,855
Interest receivable		934,466
Receivable from broker variation margin on open futures contracts		24,736
Prepaid expenses		526
Total Assets		69,553,782

LIABILITIES:

Payable for securities purchased		3,156,875
Payable for open reverse repurchase agreements		2,084,374
Investment management fee payable		51,265
Directors fees payable		13,510
Interest payable		3,688
Accrued expenses		94,234
Total Liabilities		5,403,946
Total Net Assets	\$	64,149,836

NET ASSETS:

Par value (\$0.001 par value; 4,214,736 shares issued and outstanding; 100,000,000 shares authorized)	\$	4,215
Paid-in capital in excess of par value		58,592,498
Undistributed net investment income		394,087
Accumulated net realized gain on investments, futures contracts and foreign currency transactions		1,031,803
Net unrealized appreciation on investments, futures contracts and foreign currencies		4,127,233
Total Net Assets	\$	64,149,836

Shares Outstanding	4,214,736
Net Asset Value	\$ 15.22

See Notes to Financial Statements.

Statement of Operations (For the six months ended February 28, 2007) (unaudited)

INVESTMENT INCOME:	
Interest	\$ 2,264,894
EXPENSES:	
Investment management fee (Note 2)	337,904
Directors' fees	40,003
Interest expense (Note 3)	38,214
Shareholder reports	36,918
Audit and tax	24,874
Commitment fees (Note 4)	22,217
Legal fees	20,300
Transfer agent fees	9,431
Stock exchange listing fees	8,950
Custody fees	4,778
Insurance	920
Miscellaneous expenses	3,992
Total Expenses	548,501
Net Investment Income	1,716,393
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FUTURES CONTRACTS AND FOREIGN CURRENCY TRANSACTIONS (NOTES 1 AND 3):	
Net Realized Gain (Loss) From:	
Investment transactions	1,416,962
Futures contracts	(94,547)
Foreign currency transactions	7,306
Net Realized Gain	1,329,721
Change in Net Unrealized Appreciation/Depreciation From:	
Investments	371,833
Futures contracts	(19,718)
Foreign currencies	256
Change in Net Unrealized Appreciation/Depreciation	352,371
Net Gain on Investments, Futures Contracts and Foreign Currency Transactions	1,682,092
Increase in Net Assets From Operations	\$ 3,398,485

See Notes to Financial Statements.

Statements of Changes in Net Assets

For the six months ended February 28, 2007 (unaudited)
and the year ended August 31, 2006

	2007		2006
OPERATIONS:			
Net investment income	\$ 1,716,393	\$	3,775,516
Net realized gain	1,329,721		7,139,397
Change in net unrealized appreciation/depreciation	352,371		(5,195,478)
Increase in Net Assets From Operations	3,398,485		5,719,435
DISTRIBUTIONS TO SHAREHOLDERS FROM (NOTE 1):			
Net investment income	(1,322,306)		(5,797,958)
Net realized gains	(3,919,903)		(7,584,837)
Decrease in Net Assets From Distributions to Shareholders	(5,242,209)		(13,382,795)
FUND SHARE TRANSACTIONS:			
Reinvestment of distributions (16,939 and 40,375 shares issued, respectively)	254,936		628,866
Increase in Net Assets From Fund Share Transactions	254,936		628,866
Decrease in Net Assets	(1,588,788)		(7,034,494)
NET ASSETS:			
Beginning of period	65,738,624		72,773,118
End of period *	\$ 64,149,836	\$	65,738,624
* Includes undistributed net investment income of:	\$ 394,087		

See Notes to Financial Statements.

Statement of Cash Flows (For the six months ended February 28, 2007) (unaudited)**CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:**

Interest received	\$	2,290,254
Operating expenses paid		(532,948)
Net purchases of short-term investments		(3,720,243)
Realized gain on foreign currency transactions		7,306
Realized loss on futures contracts		(94,547)
Net change in unrealized appreciation/depreciation on futures contracts		(19,718)
Net change in unrealized appreciation/depreciation on foreign currencies		256
Purchases of long-term investments		(17,601,747)
Proceeds from disposition of long-term investments		24,735,778
Change in receivable from broker-variation margin on futures contracts		(24,736)
Change in payable to broker - variation margin on futures contracts		(25,478)
Interest paid		(57,139)
Net Cash Flows Provided By Operating Activities		4,957,038

CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:

Cash distributions paid		(5,242,209)
Deposits with brokers for futures contracts		60,000
Cash paid on reverse repurchase agreements		(35,466)
Proceeds from reinvestment of dividends		254,936
Net Cash Flows Used By Financing Activities		(4,962,739)
Net Decrease in Cash		(5,701)
Cash and Foreign Currency, Beginning of period		24,197
Cash and Foreign Currency, End of period	\$	18,496

RECONCILIATION OF INCREASE IN NET ASSETS FROM OPERATIONS TO NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:

Increase in Net Assets From Operations	\$	3,398,485
Accretion of discount on investments		(55,442)
Amortization of premium on investments		73,364
Decrease in investments, at value		1,131,952
Increase in payable for securities purchased		3,156,875
Decrease in interest receivable		7,438
Increase in receivable for securities sold		(2,663,834)
Increase in receivable from broker-variation margin on futures contracts		(24,736)
Decrease in payable to broker-variation margin on futures contracts		(25,478)
Decrease in prepaid expenses		9,871
Decrease in interest payable		(18,925)
Decrease in accrued expenses		(32,532)
Total Adjustments		1,558,553
Net Cash Flows Provided By Operating Activities	\$	4,957,038

See Notes to Financial Statements.

Financial Highlights

For a share of capital stock outstanding throughout each year ended August 31, unless otherwise noted:

	2007⁽¹⁾	2006	2005	2004⁽²⁾	2003⁽²⁾	2002⁽²⁾
Net Asset Value, Beginning of Period	\$ 15.66	\$ 17.50	\$ 16.16	\$ 15.56	\$ 11.80	\$ 12.91
Income (Loss) From Operations:						
Net investment income	0.41	0.98	1.26	1.35	1.54	1.67
Net realized and unrealized gain (loss)	0.40	0.39	1.77	0.90	3.87	(1.13)
Total Income From Operations	0.81					