WESTERN ASSET GLOBAL HIGH INCOME FUND INC.
Form N-CSR
August 07, 2009

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 811-21337

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

55 Water Street, New York, NY	10041
(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: May 31

Date of reporting period: May 31, 2009

ITEM 1. REPORT TO STOCKHOLDERS.

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

ANNUAL REPORT / MAY 31, 2009

Western Asset Global High Income Fund Inc.

(EHI)

Managed by **WESTERN ASSET**

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

Fund objective

The Fund s primary investment objective is high current income. The Fund s secondary investment objective is total return.

What s inside

Legg Mason Partners Fund Advisor, LLC (LMPFA) is the Fund s investment manager. Western Asset Management Company (Western Asset), Western Asset Management Company Limited (Western Asset Limited) and Western Asset Management Company Pte. Ltd. in Singapore (Western Singapore) are the Fund s subadvisers. LMPFA, Western Asset, Western Asset Limited and Western Singapore are wholly-owned subsidiaries of Legg Mason, Inc.

Letter from the chairman

Dear Shareholder,

The U.S. economy weakened significantly during the twelve-month reporting period ended May 31, 2009. Looking back, U.S. gross domestic product (GDP)i growth was 2.8% during the second quarter of 2008. Contributing to the economy s expansion were rising exports that were buoyed by a weakening U.S. dollar. In addition, consumer spending increased, aided by the government s tax rebate program. However, the dollar s rally and the end of the rebate program, combined with other strains on the economy, caused GDP to take a step backward during the second half of 2008. According to the U.S. Department of Commerce, third and fourth quarter 2008 GDP contracted 0.5% and 6.3%, respectively, the latter being the worst quarterly reading since 1982. Economic weakness continued in early 2009, as first quarter 2009 GDP declined 5.5%. This marked the first time in thirty-four years that the U.S. economy posted three consecutive quarters of negative GDP growth.

It may seem like ancient history, but when the reporting period began, speculation remained as to whether the U.S. would experience a recession. This ended in December 2008, when the National Bureau of Economic Research (NBER) which has the final say on when one begins and ends announced that a recession had begun in December 2007, making the current recession the lengthiest since the Great Depression. Contributing to the economy s troubles has been the accelerating weakness in the labor market. Since December 2007, approximately six million jobs have been shed and we have experienced seventeen consecutive months of job losses, matching the record that occurred during the 1981-82 recession. In addition, the unemployment rate continued to move steadily higher, rising from 8.9% in April to 9.4% in May 2009, to reach its highest rate since 1983.

Another strain on the economy, the housing market, may finally be getting closer to reaching a bottom. After plunging late last year, new single-family home starts have been fairly stable in recent months and, while home prices continued to fall, the pace of the decline has moderated somewhat. Other economic news also seemed to be less negative. Inflation remained low, May retail sales (excluding gasoline) were modestly higher and consumer

Letter from the chairman ***continued***

sentiment rose a fourth straight month in June, albeit from a very low level. In addition, while 345,000 jobs were lost in May, it was substantially less than April s 504,000 decline and the smallest monthly loss since September 2008.

Ongoing issues related to the housing and subprime mortgage markets and seizing credit markets prompted the Federal Reserve Board (Fed)ii to take aggressive and, in some cases, unprecedented actions. Looking back, after reducing the federal funds rateiii from 5.25% in August 2007 to 2.00% in April 2008, the Fed then left rates on hold for several months due to growing inflationary pressures as a result of soaring oil and commodity prices, coupled with the sagging U.S. dollar. However, as inflation receded along with oil prices and the global financial crisis escalated, the Fed cut rates twice in October 2008 to 1.00%. Then, in December 2008, it reduced the federal funds rate to a range of 0 to 1/4 percent a historic low and has maintained this stance thus far in 2009. In conjunction with the June meeting, the Fed stated that it will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

In addition to the interest rate cuts, the Fed took several actions to improve liquidity in the credit markets. In September 2008, it announced an $85 billion rescue plan for ailing AIG and pumped $70 billion into the financial system as Lehman Brothers bankruptcy and mounting troubles at other financial firms roiled the markets. More recently, the Fed has taken additional measures to thaw the frozen credit markets, including the purchase of debt issued by Fannie Mae and Freddie Mac, as well as introducing the Term Asset-Backed Securities Loan Facility (TALF). In March 2009, the Fed continued to pursue aggressive measures as it announced its intentions to:

- Purchase up to an additional $750 billion of agency mortgage-backed securities, bringing its total purchases of these securities to up to $1.25 trillion in 2009.
- Increase its purchases of agency debt this year by up to $100 billion to a total of up to $200 billion.
- Buy up to $300 billion of longer-term Treasury securities over the next six months.

The U.S. Department of the Treasury has also taken an active role in attempting to stabilize the financial system, as it orchestrated the government s takeover of mortgage giants Fannie Mae and Freddie Mac in September 2008. In October, the Treasury s $700 billion Troubled Asset Relief Program (TARP) was approved by Congress and signed into law by former President Bush. Then, in March 2009, Treasury Secretary Geithner introduced the Public-Private Partnership Investment Program (PPIP), which is intended to facilitate the purchase of troubled mortgage assets from bank balance sheets. President Obama has also made reviving the economy a priority in his administration, the cornerstone thus far being the $787 billion stimulus package that was signed into law in February 2009.

During the twelve-month reporting period ended May 31, 2009, both short- and long-term Treasury yields experienced periods of extreme volatility. While earlier in 2008 investors were focused on the subprime segment of the mortgage-backed market, these concerns broadened to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This unrest triggered several flights to quality, causing Treasury yields to move lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower). This was particularly true toward the end of 2008, as the turmoil in the financial markets and sharply falling stock prices caused investors to flee securities that were perceived to be risky, even high-quality corporate bonds and high-grade municipal bonds. On several occasions, the yield available from short-term Treasuries fell to nearly zero, as investors were essentially willing to forgo any return potential in order to access the relative safety of government-backed securities. During the twelve months ended May 31, 2009, two-year Treasury yields fell from 2.66% to 0.92%. Over the same time frame, ten-year Treasury yields moved from 4.06% to 3.47%. For the twelve-month period ended May 31, 2009, the Barclays Capital U.S. Aggregate Index[iv] returned 5.36%

Periods of increased investor risk aversion caused the high-yield bond market to produce poor results over the twelve months ended May 31, 2009. While the asset class posted strong returns during the second half of the reporting period, it was not enough to overcome earlier flights to quality. In particular, seizing credit markets, coupled with fears of a global recession and rising corporate bond default rates, sent high-yield bond prices sharply lower in October and November 2008. All told, over the twelve months ended May 31, 2009, the Citigroup High Yield Market Index[v] returned -9.24%.

Fears of a global recession, falling commodity prices and seizing credit markets sent emerging market debt prices lower during the twelve-month reporting period. While the asset class rallied on several occasions, it was not enough to offset its sharp loss in October 2008, as the JPMorgan Emerging Markets Bond Index Global (EMBI Global)[vi] returned -14.89% for the month. Over the twelve months ended May 31, 2009, the EMBI Global returned -1.03%.

Letter from the chairman ***continued***

Special shareholder notice

The Board of Directors of the Fund has approved Western Asset Management Company Pte. Ltd. in Singapore (Western Singapore) as a subadviser to the Fund under an additional subadvisory agreement between Western Asset Management Company (Western Asset) and Western Singapore. Western Asset will supervise Western Singapore s provision of services to the Fund. The appointment was effective as of February 3, 2009.

Western Singapore was established in 2000 and has offices at 1 George Street #23-01, Singapore 049145. The Western Singapore office is responsible, generally, for managing Asian (excluding Japan) fixed-income mandates, including the related portions of Western Asset s broader portfolios, as well as servicing these relationships. It undertakes all investment-related activities including investment management, research and analysis, securities settlement and client services.

While Western Asset will remain ultimately responsible for investment decisions relating to the Fund s portfolio, Western Singapore will provide certain subadvisory services to the Fund relating to currency transactions and investments in non-U.S. dollar-denominated securities and related foreign currency instruments. The Fund s current management fee remains unchanged. Western Asset and Western Singapore are wholly-owned subsidiaries of Legg Mason, Inc.

A special note regarding increased market volatility

Dramatically higher volatility in the financial markets has been very challenging for many investors. Market movements have been rapid sometimes in reaction to economic news, and sometimes creating the news. In the midst of this evolving market environment, we at Legg Mason want to do everything we can to help you reach your financial goals. Now, as always, we remain committed to providing you with excellent service and a full spectrum of investment choices. Rest assured, we will continue to work hard to ensure that our investment managers make every effort to deliver strong long-term results.

We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our enhanced website, www.leggmason.com/cef. Here you can gain immediate access to many special features to help guide you through difficult times, including:

- Fund prices and performance,

- Market insights and commentaries from our portfolio managers, and

- A host of educational resources.

During periods of market unrest, it is especially important to work closely with your financial advisor and remember that reaching one s investment goals unfolds over time and through multiple market cycles. Time and again, history has shown that, over the long run, the markets have eventually recovered and grown.

Information about your fund

Please read on for a more detailed look at prevailing economic and market conditions during the Fund s reporting period and to learn how those conditions have affected Fund performance.

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

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

June 26, 2009

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 (GDP) is the market value of all final goods and services produced within a country in a given period of time.

ii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

iii The 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.

iv The Barclays Capital (formerly 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.

Fund overview

Q. What is the Fund s investment strategy?

A. The Fund s primary investment objective is high current income and its secondary objective is total return. Under normal market conditions, the Fund invests in a global portfolio of securities consisting of below investment grade fixed-income securities, emerging market fixed-income securities and investment grade fixed-income securities. We have broad discretion to allocate the Fund s assets among the following segments of the global market for below investment and investment grade fixed-income securities: corporate bonds, loans, preferred stock, mortgage- and asset-backed securities and sovereign debt, and derivative instruments of the foregoing securities.

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 managers, 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.

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

A. The global fixed-income market experienced periods of extreme volatility during the fiscal year, as changing perceptions regarding the economy, inflation, deflation and central banks monetary policy caused bond prices to fluctuate.

Beginning in mid-June 2008, seizing credit markets triggered an extreme flight to quality. Investor risk aversion further intensified from September through November given the severe disruptions in the global financial markets, with the bankruptcy of Lehman Brothers being at the epicenter of the turmoil. Given this highly unsettled environment, investors were drawn to the relative safety of short-term Treasuries, while riskier portions of the market performed poorly.

Conditions in the global fixed-income markets started to slowly improve in December 2008. The government s many initiatives to stabilize the financial system began to bear fruit as the frozen credit markets showed signs of thawing. Liquidity also improved, as did investor confidence. This, coupled with tentative signs that the global economy was nearing a bottom, served to increase investor risk appetite. As a result, demand for spread sectors (non-Treasuries) rose, in particular, lifting the prices of investment grade and high-yield corporate bonds, as well as emerging market debt.

Fund overview *continued*

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

A. We proactively managed the Fund s portfolio during the reporting period. In late 2008, we slowly began increasing our exposure to investment grade corporate bonds. The spreads on these securities relative to Treasuries had moved to historically wide levels and priced in corporate default rates that we felt were overly pessimistic. This positioning produced positive results, as these securities performed poorly in the fall of 2008, but then rallied during the second half of the reporting period.

We reduced the Fund s exposure to emerging market debt due to uncertainties regarding this sector s ability to weather the economic crisis. We also felt these were unattractively valued given the weak global economic environment. This stance was not rewarded as emerging market debt rallied sharply as the fiscal year progressed, as a result of increased optimism that the global economy was bottoming.

We also increased the Fund s allocation to U.S. Treasury Inflation-Protected Securities (TIPS)i. We felt this was appropriate given our expectations that inflation would become an issue in the future given the government s massive stimulus program. Our TIPS position did not materially impact the Fund s performance during the reporting period.

During the fiscal year, we employed short positions in Treasury futures to manage the Fund s yield curveii exposure in both the U.S. and abroad. Although we thought interest rates would stabilize during the reporting period, this was not the case as rates were volatile and ultimately moved lower.

Performance review

For the twelve months ended May 31, 2009, Western Asset Global High Income Fund Inc. returned -15.05% based on its net asset value (NAV)iii and -17.37% based on its New York Stock Exchange (NYSE) market price per share. The Fund s unmanaged benchmarks, the Barclays Capital U.S. Aggregate Indexiv, the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Indexv and the JPMorgan Emerging Markets Bond Index Global (EMBI Global)vi, returned 5.36%, -7.06% and -1.03%, respectively, over the same time frame. The Lipper Global Income Closed-End Funds Category Averagevii returned -7.40% for the same period. 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 $1.02 per share. The performance table on the next page shows the Fund s twelve-month total return based on its NAV and market price as of May 31, 2009. **Past performance is no guarantee of future results.**

PERFORMANCE SNAPSHOT as of May 31, 2009

PRICE PER SHARE	12-MONTH TOTAL RETURN*
$10.23 (NAV)	-15.05%
$8.83 (Market Price)	-17.37%

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 in additional shares in accordance with the Fund s Dividend Reinvestment Plan.**

Q. What were the leading contributors to performance?

A. Our overweight allocation to agency mortgage-backed securities was beneficial to performance during the fiscal year as the Federal Reserve Board (Fed)viii supported the agency market through its direct purchases of these securities. As discussed, we increased our exposure to investment grade corporate bonds as we felt their valuations had become attractive. Despite periods of extreme volatility, our exposure to the Consumer Cyclicals[1] and Communications[2] sectors positively contributed to the Fund s performance.

Actively managing the Fund s currency exposure in developed countries was rewarded during the fiscal year. In particular, we were underweight the pound and the euro when these currencies sold off. We then adjusted our positioning by overweighting these currencies and benefited when they rallied later in the reporting period.

Q. What were the leading detractors from performance?

A. Overall, the Fund s high-yield bond allocation detracted from performance during the fiscal year. We utilized credit default swaps, a type of financial derivative, to increase our high-yield exposure. While high-yield bond prices rallied during the second half of the reporting period, it was not enough to overcome their extremely poor performance during the financial crisis in the fall of 2008. Our security selection within the high-yield sector, specifically, **Charter Communications Inc.**, **General Motors Corp.** and **Ford Motor Credit Co.**, also detracted from performance.

The Fund s allocation to emerging market Industrials also detracted from results. In addition, our overweight in **Gazprom**, the world s largest gas company based in Russia, was a detractor, as it performed poorly given the deteriorating Russian economy.

1 Consumer Cyclicals consists of the following industries: Automotive, Entertainment, Gaming, Home Construction, Lodging, Retailers, Restaurants, Textiles and other consumer services.

2 Communications consists of the following industries: Media Cable, Media Non-cable and Telecommunications.

Fund overview ***continued***

As discussed earlier, while our short Treasury futures positions met their desired goal of helping to manage the Fund s durationix and yield curve exposure, they detracted from performance as risk aversion drove U.S. Treasury yields down to historically low levels.

Elsewhere, the Fund s exposure to local currency-denominated debt dragged down our results. In particular, our exposure to Brazil hurt the Fund s performance as the financial crisis led to a flight to quality to the U.S. dollar and many local currencies sold off as they were perceived to be riskier.

Looking for additional information?

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

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Standard Time, for the Fund s current NAV, market price and other information.

Thank you for your investment in Western Asset Global High Income 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

June 16, 2009

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: An investment in the Fund is subject to investment risk, including the possible loss of the entire principal amount that you invest. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses and have a potentially large impact on Fund performance. 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. High-yield bonds involve greater credit and liquidity risks than investment grade bonds. Leverage may magnify gains and increase losses in the Fund s portfolio.

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

i U.S. Treasury Inflation-Protected Securities (TIPS) are inflation-indexed securities issued by the U.S. Treasury in five-year, ten-year and twenty-year maturities. The principal is adjusted to the Consumer Price Index, the commonly used measure of inflation. The coupon rate is constant, but generates a different amount of interest when multiplied by the inflation-adjusted principal.

ii The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.

iii Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund s market price as determined by supply of and demand for the Fund s shares.

iv The Barclays Capital (formerly 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 Barclays Capital (formerly Lehman Brothers) U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays Capital U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

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.

vii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended May 31, 2009, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 16 funds in the Fund s Lipper category.

viii 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.

ix 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.

Fund at a glance (unaudited)

INVESTMENT BREAKDOWN (%) As a percent of total investments

Schedule of investments

May 31, 2009

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

FACE AMOUNT	SECURITY	VALUE
CORPORATE BONDS & NOTES 50.1%		
CONSUMER DISCRETIONARY 6.9%		
	Auto Components 0.3%	
1,660,000	Allison Transmission Inc., Senior Notes, 11.250% due 11/1/15(a)(b)	$ 1,128,800
	Keystone Automotive Operations Inc., Senior Subordinated Notes,	
790,000	9.750% due 11/1/13	264,650
	Visteon Corp., Senior Notes:	
484,000	8.250% due 8/1/10(c)	26,620
1,249,000	12.250% due 12/31/16(a)(c)	68,695
	Total Auto Components	*1,488,765*
	Automobiles 0.1%	
	General Motors Corp.:	
570,000	Notes, 7.200% due 1/15/11(c)	52,725