WESTERN ASSET/CLAYMORE INFLATION-LINKED SECURITIES & INCOME FUND
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 811-21403

Western Asset/Claymore Inflation-Linked

Securities & Income Fund

(Exact name of registrant as specified in charter)

385 East Colorado Boulevard, Pasadena, CA 91101

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/CLAYMORE INFLATION-LINKED SECURITIES & INCOME FUND (WIA)

What s inside

Investment objectives

The Fund s primary investment objective is to provide current income. Capital appreciation, when consistent with current income, is a secondary investment objective.

Letter to shareholders

Dear Shareholder,

We thank you for your investment in Western Asset/Claymore Inflation-Linked Securities & Income Fund. As investment adviser for the Fund, we are pleased to submit the Fund s annual shareholder report for the twelve-month reporting period ended December 31, 2014.

For the twelve-month period ended December 31, 2014, the Fund returned 3.68% based on its net asset value (NAV[i]) and 5.20% based on its New York Stock Exchange (NYSE) market price per share. The Fund s unmanaged benchmarks, the Barclays U.S. Government Inflation-Linked 1-10 Year Index[ii] and the Barclays U.S. Government Inflation-Linked All Maturities Index[iii], returned 0.87% and 4.43%, respectively, for the same period. All Fund returns cited whether based on NAV or market price assume the reinvestment of all distributions. Past performance does not guarantee future results. The market price of the Fund s shares fluctuates from time to time, and it may be higher or lower than the Fund s NAV.

The largest contributor to the Fund s absolute performance during the reporting period was our allocation to U.S. Treasury Inflation-Protected Securities (TIPS[iv]), although this was mitigated in part by the use of derivatives to hedge duration and yield curve[v] exposures. Allocations to non-U.S. linkers in countries such as Japan, New Zealand, Sweden, Australia and Canada were also beneficial for results, although mitigated by currency weakness.

The Fund s exposure to select investment-grade corporate bonds in the Banking, Consumer Non-Cyclicals[1] and Communications[2] sectors were additive for performance. Their spreads narrowed during the year as corporate profits were generally solid and investor demand was strong overall as they looked to generate incremental yield in the low interest rate environment.

As of December 31, 2014, the Fund s market price of $11.60 per share represented a discount of 12.19% to its NAV of $13.21 per share. In each month of 2014, the Fund provided its investors with a distribution of $0.032 per share. The most recent distribution represents an annualized distribution rate of 3.59%

[1] Consumer Non-Cyclicals consists of the following industries: Consumer Products, Food/Beverage, Health Care, Pharmaceuticals, Supermarkets and Tobacco.

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

based on the Fund s last closing market price of $11.60 as of December 31, 2014.

The Fund s investment objective is to provide current income. Capital appreciation, when consistent with current income, is a secondary objective. Under normal market conditions, the Fund will invest:

- At least 80% of its total managed assets[vi] in inflation-linked securities
- At least 60% of its total managed assets in U.S. Treasury Inflation Protected Securities (TIPS)
- No more than 40% of its total managed assets in non-U.S. dollar investments, which gives the Fund the flexibility to invest up to 40% of its total managed assets in non-U.S. dollar inflation-linked securities (no more than 20% of its non-U.S. dollar exposure may be unhedged)

Each of the foregoing policies is a non-fundamental policy that may be changed without shareholder approval. The Fund has also adopted the following non-fundamental policy, which, to the extent required by applicable law, may only be changed after notice to shareholders: under normal market conditions, the Fund will invest at least 80% of its total managed assets in inflation-protected securities and non-inflation-protected securities and instruments with the potential to enhance the Fund s income. The Fund will not invest in bonds that are below investment grade quality at the time of purchase. Up to 20% of the Fund s portfolio securities may represent corporate debt securities of investment grade quality at the time of their purchase that are not inflation-linked securities. To the extent permitted by the foregoing policies, the Fund may invest in emerging market debt securities. Reverse repurchase agreements and other forms of leverage will not exceed 38% of the Fund s total managed assets. The Fund currently expects that the average effective duration[vii] of its portfolio will range between zero and fifteen years, although this target duration may change from time to time. The Fund may enter into credit default swap contracts, interest rate swap contracts and total return swap contracts, for investment purposes, to manage its credit risk or to add leverage.

Shareholders have the opportunity to reinvest their dividends from the Fund through the Dividend Reinvestment Plan (DRIP), which is described in detail on page 46 of this report. In general, if shares are trading at a discount to NAV, the DRIP takes advantage of the discount by reinvesting the monthly dividend distribution in common shares of the Fund purchased in the market at a price less than NAV. Conversely, when the market price of the Fund s common shares is at a premium above NAV, the DRIP reinvests participants dividends in newly-issued common shares at NAV, subject to an IRS limitation that the purchase price cannot be more than 5% below the market price per share. The DRIP provides a cost-effective means to accumulate additional shares.

We appreciate your investment and look forward to serving your investment needs in the future. For the most up-to-date information on your investment, please visit the Fund s website at www.guggenheiminvestments.com/wia.

Sincerely,

Western Asset Management Company

January 30, 2015

Letter to shareholders (cont d)

[i] 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.

[ii] The Barclays U.S. Government Inflation-Linked 1-10 Year Index measures the performance of the intermediate U.S. TIPS market.

[iii] The Barclays U.S. Government Inflation-Linked All Maturities Index measures the performance of the U.S. TIPS market. The Index includes TIPS with one or more years remaining maturity with total outstanding issue size of $500 million or more.

[iv] 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.

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

[vi] Total managed assets equals the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage).

[vii] Effective duration measures the expected sensitivity of market price to changes in interest rates, taking into account the effects of structural complexities. (For example, some bonds can be prepaid by the issuer.)

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)[i] 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)[ii], 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)[iii] 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

Investment commentary (cont d)

per month. At each of the Fed s next six meetings (January, March, April, June, July and September 2014), it announced further $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 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,

Western Asset Management Company

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 investment objective is to provide current income. Capital appreciation, when consistent with current income, is a secondary investment objective. Under normal market conditions and at the time of purchase, the Fund will invest at least 80% of its total managed assets[i] in inflation-linked securities and at least 60% of its total managed assets in U.S. Treasury Inflation Protected Securities (TIPS[ii]). The Fund may also invest up to 40% of its total managed assets in non-U.S. dollar investments, which gives the Fund flexibility to invest up to 40% of its total managed assets in non-U.S. dollar inflation-linked securities (no more than 20% of its non-U.S. dollar exposure may be unhedged). The Fund will not invest in bonds that are below investment grade quality at the time of purchase. The Fund currently expects that the average effective duration[iii] of its portfolio will range between zero and fifteen years, although this target duration may change from time to time. There can be no assurance that the Fund will achieve its investment objectives.

At Western Asset Management Company (Western Asset), the Fund s investment adviser, 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.

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-duration[iv] 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[v]), and numerous geopolitical issues. However, these factors 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 Index[vi] returned 5.97% for the twelve months ended December 31, 2014.

Inflation was well contained during the reporting period. For the twelve months ended December 31, 2014, the seasonally unadjusted rate of inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U[vii]) was 0.8%. The CPI-U less food and energy was 1.6% over the same time frame. Despite benign inflation,

Fund overview (cont d)

U.S. Treasury Inflation-Protected Securities (TIPS)[iii] generated a positive return for the twelve months ended December 31, 2014, as the Barclays U.S. TIPS Index[ix] returned 3.64%.

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

A. A number of adjustments were made to the Fund during the reporting period. We increased our exposures to non-U.S. inflation-protected securities (linkers), emerging market sovereigns and mortgage-backed securities. In contrast, we reduced our allocations to U.S. TIPS and investment-grade corporate bonds.

The Fund employed U.S. Treasury futures and options on U.S. Treasury futures, Euro-Dollar futures and options, and Euro-Bund futures and options on Euro-Bund futures during the reporting period to manage its yield curve[x] positioning and duration. The use of these instruments detracted from performance. Interest rate swaps, used to gain inflation-related exposure, did not meaningfully impact performance. Finally currency forwards, which were used to manage our currency exposures, were additive for results.

Leverage was used during the reporting period. We ended the period with leverage as a percentage of gross assets of roughly 26% versus 13% when the period began. The use of leverage detracted from performance over the twelve months ended December 31, 2014.

Performance review

For the twelve months ended December 31, 2014, Western Asset/Claymore Inflation-Linked Securities & Income Fund returned 3.68% based on its net asset value (NAV)[xi] and 5.20% based on its New York Stock Exchange (NYSE) market price per share. The Fund s unmanaged benchmarks, the Barclays U.S. Government Inflation-Linked 1-10 Year Index[xii] and the Barclays U.S. Government Inflation-Linked All Maturities Index[xiii], returned 0.87% and 4.43%, respectively, for the same period. The Barclays World Government Inflation-Linked All Maturities Index[xiv] and the Fund s Custom Benchmark[xv] returned 4.08% and 4.74%, respectively, over the same time frame.

During the twelve-month period, the Fund made distributions to shareholders totaling $0.42 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**
$13.21 (NAV)	3.68%
$11.60 (Market Price)	5.20%

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.

* For the tax character of distributions paid during the fiscal year ended December 31, 2014, please refer to page 36 of this report.

One of the distinguishing features of closed-end funds compared to other investment vehicles is the ability to trade at a premium or discount to net asset value (NAV). Since the Fund is listed on the New York Stock Exchange, the share price may trade above (premium) or below (discount) it s NAV. Whereas the NAV is reflective of the Fund s underlying investments, the share price is reflective of the overall supply and demand in the marketplace. Historically, the majority of closed-end funds have traded at a discount to NAV. In fact, during the fourth quarter of 2014, closed-end funds traded at some of the largest discounts since the financial crisis, with nearly 90% of all such funds trading below NAV. This Fund was no exception to the phenomenon. We believe the Fund s discount may be driven by a number of factors, including the overall closed-end fund market, current distribution rate and muted demand for inflation-linked investment products. While there are actions that may temporarily reduce the discount to NAV, which the Board of Trustees regularly evaluates, we believe that if investor demand for inflation-linked investments increased, that development, among other factors, may help reduce the Fund s share price discount to NAV over time. Western Asset continues to believe the Fund offers investors the opportunity for long-term inflation protection while providing a source of diversification for investors fixed-income portfolios.

Q. What were the leading contributors to performance?

A. The largest contributor to the Fund s absolute performance during the reporting period was our allocation to U.S. TIPS, although this was mitigated in part by the use of derivatives to hedge duration and yield curve exposures. Allocations to non-U.S. linkers in countries such as Japan, New Zealand, Sweden, Australia and Canada were also beneficial for results, although mitigated by currency weakness.

The Fund s exposure to select investment-grade corporate bonds in the Banking, Consumer Non-Cyclical[1] and Communications[2] sectors were additive for performance. Their spreads narrowed during the year as corporate profits were generally solid and investor demand was strong overall as they looked to generate incremental yield in the low interest rate environment.

Q. What were the leading detractors from performance?

A. The largest detractor from the Fund s absolute performance for the period was its allocations to Brazilian inflation linked bonds and currency. In addition, select emerging market holdings within the Fund s investment-grade credit allocation detracted from performance.

Thank you for your investment in Western Asset/Claymore Inflation-Linked Securities & Income Fund. 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

[1] Consumer Non-Cyclicals consists of the following industries: Consumer Products, Food/Beverage, Health Care, Pharmaceuticals, Supermarkets and Tobacco.

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

Fund overview (cont d)

RISKS: Bonds are subject to a variety of risks, including interest rate, credit and inflation risks. As interest rates rise, bond prices fall, reducing the value of a fixed-income investment s price. The Fund is subject to the additional risks associated with inflation protected securities, including liquidity risk, prepayment risk, extension risk and deflation risk. Investments in foreign companies, including emerging markets, involve risks beyond those inherent solely in domestic investments. Leverage may cause a fund to be more volatile than if the fund had not been leveraged, which may increase the risk of investment loss. To the extent that the Fund invests in asset-backed, mortgage-backed or mortgage-related securities, its exposure to prepayment and extension risks may be greater than investments in other fixed-income securities. International investments are subject to currency fluctuations, as well as social, economic and political risks. These risks are magnified in emerging markets.

Portfolio holdings and breakdowns are as of December 31, 2014 and are subject to change and may not be representative of the portfolio managers current or future investments. Please refer to pages 9 through 14 for a list and percentage breakdown of the Fund s holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund s top five sector holdings (as a percentage of net assets) as of December 31, 2014 were: U.S. Treasury Inflation Protected Securities (93.4%), Non-U.S. Treasury Inflation Protected Securities (15.5%), Corporate Bonds & Notes (11.8%), Sovereign Bonds (6.3%) and Collateralized Mortgage Obligations (2.3%). The Fund s portfolio composition is subject to change at any time.

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] Total managed assets equals the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage).

[ii] 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.

[iii] Effective duration measures the expected sensitivity of market price to changes in interest rates, taking into account the effects of structural complexities. (For example, some bonds can be prepaid by the issuer.)

[iv] 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.

[v] 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.

[vi] 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.

[vii] The Consumer Price Index for All Urban Consumers (CPI-U) is a measure of the average change in prices over time of goods and services purchased by households, which covers approximately 87% of the total population and includes, in addition to wage earners and clerical worker households, groups such as professional, managerial and technical workers, the self-employed, short-term workers, the unemployed and retirees and others not in the labor force.

[viii] 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.

[ix] The Barclays U.S. TIPS Index represents an unmanaged market index made up of U.S. Treasury Inflation-Linked Index securities.

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

[xi] 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.

[xii] The Barclays U.S. Government Inflation-Linked 1-10 Year Index measures the performance of the intermediate U.S. TIPS market.

[xiii]

The Barclays U.S. Government Inflation-Linked All Maturities Index measures the performance of the U.S. TIPS market. The Index includes TIPS with one or more years remaining maturity with total outstanding issue size of $500 million or more.

[xiv] The Barclays World Government Inflation-Linked All Maturities Index measures the performance of the major government inflation-linked bond markets.

[xv] The Custom Benchmark is comprised of 90% Barclays U.S. Government Inflation-Linked All Maturities Index and 10% Barclays Capital U.S. Credit Index. The Barclays Capital U.S. Credit Index is an index composed of corporate and non-corporate debt issues that are investment grade (rated Baa3/BBB- or higher).

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 and does not include derivatives such as forward foreign currency contracts, futures contracts, written options 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.

Represents less than 0.1%.

Spread duration (unaudited)

Economic exposure December 31, 2014

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.

Benchmark	Barclays U.S. Government Inflation-Linked All Maturities Index
EM	Emerging Markets
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities
WIA	Western Asset/Claymore Inflation-Linked Securities & Income Fund

Effective duration (unaudited)

Interest rate exposure — December 31, 2014

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.

Benchmark	Barclays U.S. Government Inflation-Linked All Maturities Index
EM	Emerging Markets
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities
WIA	Western Asset/Claymore Inflation-Linked Securities & Income Fund

Schedule of investments

December 31, 2014

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
U.S. Treasury Inflation Protected Securities 93.4%				
U.S. Treasury Bonds, Inflation Indexed	2.375%	1/15/25	5,051,477	$ 5,930,747
U.S. Treasury Bonds, Inflation Indexed	2.000%	1/15/26	490,512	562,096
U.S. Treasury Bonds, Inflation Indexed	1.750%	1/15/28	28,472,013	32,233,422 [(a)]
U.S. Treasury Bonds, Inflation Indexed	3.625%	4/15/28	11,744,880	16,142,786
U.S. Treasury Bonds, Inflation Indexed	2.500%	1/15/29	1,006,433	1,248,841
U.S. Treasury Bonds, Inflation Indexed	3.875%	4/15/29	3,856,601	5,519,761
U.S. Treasury Bonds, Inflation Indexed	2.125%	2/15/41	13,011,600	16,988,270
U.S. Treasury Bonds, Inflation Indexed	0.750%	2/15/42	16,815,862	16,338,981
U.S. Treasury Bonds, Inflation Indexed	0.625%	2/15/43	6,713,200	6,311,455
U.S. Treasury Bonds, Inflation Indexed	1.375%	2/15/44	7,193,081	8,141,108
U.S. Treasury Notes, Inflation Indexed	1.625%	1/15/15	3,730,680	3,724,267
U.S. Treasury Notes, Inflation Indexed	0.500%	4/15/15	60,416,898	59,628,639 [(a)]
U.S. Treasury Notes, Inflation Indexed	2.000%	1/15/16	41,980,623	42,600,509 [(a)]
U.S. Treasury Notes, Inflation Indexed	0.125%	4/15/16	4,023,342	4,011,083
U.S. Treasury Notes, Inflation Indexed	2.500%	7/15/16	670,200	698,632
U.S. Treasury Notes, Inflation Indexed	2.375%	1/15/17	14,730,025	15,453,873 [(a)]
U.S. Treasury Notes, Inflation Indexed	0.125%	4/15/17	4,181,760	4,185,026
U.S. Treasury Notes, Inflation Indexed	2.625%	7/15/17	2,165,354	2,321,327
U.S. Treasury Notes, Inflation Indexed	1.625%	1/15/18	850,080	890,126
U.S. Treasury Notes, Inflation Indexed	0.125%	4/15/18	13,035,422	12,986,539
U.S. Treasury Notes, Inflation Indexed	1.375%	7/15/18	7,388,717	7,739,104
U.S. Treasury Notes, Inflation Indexed	2.125%	1/15/19	3,096,716	3,327,517
U.S. Treasury Notes, Inflation Indexed	1.250%	7/15/20	7,329,802	7,692,854
U.S. Treasury Notes, Inflation Indexed	0.625%	7/15/21	13,812,041	13,985,768
U.S. Treasury Notes, Inflation Indexed	0.125%	1/15/22	25,546,072	24,847,540
U.S. Treasury Notes, Inflation Indexed	0.125%	7/15/22	10,274,072	10,009,997
U.S. Treasury Notes, Inflation Indexed	0.125%	1/15/23	21,808,864	21,088,147
U.S. Treasury Notes, Inflation Indexed	0.375%	7/15/23	4,448,682	4,398,288
U.S. Treasury Notes, Inflation Indexed	0.625%	1/15/24	6,681,956	6,710,668
U.S. Treasury Notes, Inflation Indexed	0.125%	7/15/24	4,130,124	3,977,503
Total U.S. Treasury Inflation Protected Securities (Cost $362,718,816)				**359,694,874**
Asset-Backed Securities 0.0%				
Amresco Residential Securities Mortgage Loan Trust, 1997-3 M1A	0.725%	9/25/27	917	877 [(b)]
EMC Mortgage Loan Trust, 2004-C A1	0.720%	3/25/31	9,033	8,876 [(b)(c)]
Total Asset-Backed Securities (Cost $4,410)				**9,753**

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2014

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations 2.3%				
Banc of America Mortgage Securities Inc., 2003-D	2.622%	5/25/33	29,174	$ 29,112 (b)
Bear Stearns Adjustable Rate Mortgage Trust, 2004-9 24A1	3.384%	11/25/34	74,627	72,767 (b)
Chase Mortgage Finance Corp., 2007-A1 2A3	2.464%	2/25/37	19,712	19,711 (b)
Countrywide Alternative Loan Trust, 2004-J1	6.000%	2/25/34	3,901	3,970
Federal Home Loan Mortgage Corp. (FHLMC), 4013 AI, IO	4.000%	2/15/39	5,079,652	779,545
Federal Home Loan Mortgage Corp. (FHLMC), 4057 UI, IO	3.000%	5/15/27	2,387,081	274,717
Federal Home Loan Mortgage Corp. (FHLMC), 4085, IO	3.000%	6/15/27	7,075,728	814,200
Government National Mortgage Association (GNMA), 2011-142 IO, IO	0.934%	9/16/46	12,352,804	601,137 (b)
Government National Mortgage Association (GNMA), 2012-044 IO, IO	0.870%	3/16/49	5,102,430	256,560 (b)
Government National Mortgage Association (GNMA), 2012-112 IO, IO	0.826%	2/16/53	8,869,144	544,095 (b)
Government National Mortgage Association (GNMA), 2012-114 IO, IO	1.022%	1/16/53	2,465,563	203,912 (b)
Government National Mortgage Association (GNMA), 2012-125 IO, IO	0.861%	2/16/53	4,126,026	284,374 (b)
Government National Mortgage Association (GNMA), 2012-152 IO, IO	0.754%	1/16/54	7,855,833	506,191 (b)
Government National Mortgage Association (GNMA), 2012-89 IO, IO	1.273%	12/16/53	7,911,360	497,854 (b)
Government National Mortgage Association (GNMA), 2013-145 IO, IO	1.123%	9/16/44	3,927,338	286,002 (b)
Government National Mortgage Association (GNMA), 2014-016 IO, IO	1.034%	6/16/55	6,842,967	476,667 (b)
Government National Mortgage Association (GNMA), 2014-047 IA, IO	1.381%	2/16/48	4,300,133	338,588 (b)
Government National Mortgage Association (GNMA), 2014-050 IO, IO	1.037%	9/16/55	4,230,921	308,735 (b)
Government National Mortgage Association (GNMA), 2014-169 IO, IO	1.105%	10/16/56	21,957,214	1,806,282 (b)
GSR Mortgage Loan Trust, 2004-11 1A1	2.536%	9/25/34	181,489	171,430 (b)
JPMorgan Mortgage Trust, 2003-A1 1A1	2.050%	10/25/33	40,620	40,513 (b)
JPMorgan Mortgage Trust, 2004-A1 1A1	1.990%	2/25/34	6,572	6,533 (b)
JPMorgan Mortgage Trust, 2006-A2 5A1	2.430%	11/25/33	7,854	7,923 (b)
Merrill Lynch Mortgage Investors Inc., 2003-H A3	1.936%	1/25/29	4,630	4,563 (b)
Merrill Lynch Mortgage Investors Trust, 2004-A1 2A1	2.408%	2/25/34	19,392	19,474 (b)
Residential Asset Mortgage Products Inc., 2004-SL2 A4	8.500%	10/25/31	12,274	13,769
Residential Asset Mortgage Products Inc., 2004-SL4 A5	7.500%	7/25/32	87,600	84,495
Sequoia Mortgage Trust, 2003-8 A1	0.806%	1/20/34	19,339	18,432 (b)

See Notes to Financial Statements.

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations continued				
WaMu Mortgage Pass-Through Certificates, 2003-AR8 A	2.390%	8/25/33	17,505	$ 17,996 (b)
WaMu Mortgage Pass-Through Certificates, 2007-HY1 1A1	2.184%	2/25/37	202,083	167,856 (b)
Washington Mutual Inc., MSC Pass-Through Certificates, 2004-RA1 2A	7.000%	3/25/34	18,484	19,500
Total Collateralized Mortgage Obligations (Cost $8,485,398)				**8,676,903**
Corporate Bonds & Notes 11.8%				
Consumer Staples 0.9%				
Tobacco 0.9%				
Altria Group Inc., Senior Notes	2.850%	8/9/22	850,000	825,942
Altria Group Inc., Senior Notes	9.950%	11/10/38	1,000,000	1,710,653
Reynolds American Inc., Senior Notes	4.750%	11/1/42	1,000,000	970,551
Total Consumer Staples				**3,507,146**
Energy 1.6%				
Oil, Gas & Consumable Fuels 1.6%				
Ecopetrol SA, Senior Notes	5.875%	9/18/23	1,500,000	1,588,125
Petrobras International Finance Co., Senior Notes	5.375%	1/27/21	1,000,000	926,570
Petrobras International Finance Co., Senior Notes	6.750%	1/27/41	1,123,000	1,021,447
Petroleos Mexicanos, Senior Notes	5.500%	6/27/44	1,277,000	1,302,540
PT Pertamina Persero, Senior Notes	4.300%	5/20/23	1,500,000	1,432,500 (c)
Total Energy				**6,271,182**
Financials 6.4%				
Banks 4.6%				
Bank of America Corp., Senior Notes	4.500%	4/1/15	940,000	948,832
Bank of America Corp., Senior Notes	6.500%	8/1/16	970,000	1,045,006
Bank of America Corp., Senior Notes	4.100%	7/24/23	750,000	789,863
Bank of America Corp., Senior Notes	5.000%	1/21/44	810,000	907,058
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	2,160,000	2,361,798
Citigroup Inc., Senior Notes	6.010%	1/15/15	1,273,000	1,274,812
Citigroup Inc., Subordinated Notes	6.675%	9/13/43	1,500,000	1,939,580
HSBC USA Inc., Senior Notes	2.375%	2/13/15	800,000	801,607
JPMorgan Chase & Co., Junior Subordinated Bonds	5.150%	5/1/23	2,250,000	2,119,500 (b)(d)
JPMorgan Chase & Co., Subordinated Notes	5.625%	8/16/43	1,080,000	1,255,935
Wachovia Capital Trust III, Junior Subordinated Bonds	5.570%	2/12/15	2,700,000	2,606,850 (b)(d)
Wells Fargo & Co., Subordinated Notes	5.375%	11/2/43	1,300,000	1,479,027
Total Banks				*17,529,868*
Capital Markets 0.3%				
Goldman Sachs Group Inc., Senior Notes	6.250%	9/1/17	1,000,000	*1,112,650*

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2014

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Consumer Finance 0.4%				
American Express Co., Subordinated Debentures	6.800%	9/1/66	730,000	$ 764,675 (b)
HSBC Finance Corp., Senior Notes	6.676%	1/15/21	700,000	830,519
Total Consumer Finance				*1,595,194*
Diversified Financial Services 1.1%				
General Electric Capital Corp., Junior Subordinated Bonds	6.250%	12/15/22	2,000,000	2,177,500 (b)(d)
General Electric Capital Corp., Senior Notes	6.875%	1/10/39	1,500,000	2,121,760
Total Diversified Financial Services				*4,299,260*
Total Financials				**24,536,972**
Industrials 0.6%				
Airlines 0.3%				
Air Canada, Pass-Through Trust, Secured Notes	4.125%	5/15/25	952,306	*961,829* (c)
Construction & Engineering 0.3%				
Odebrecht Finance Ltd., Senior Notes	5.250%	6/27/29	1,500,000	*1,311,750* (c)
Total Industrials				**2,273,579**
Materials 0.9%				
Chemicals 0.4%				
Braskem Finance Ltd., Senior Bonds	6.450%	2/3/24	710,000	711,775
Braskem Finance Ltd., Senior Notes	5.750%	4/15/21	790,000	795,925 (c)
Total Chemicals				*1,507,700*
Metals & Mining 0.5%				
Southern Copper Corp., Senior Notes	5.250%	11/8/42	1,000,000	893,346
Vale SA, Senior Notes	5.625%	9/11/42	1,362,000	1,268,580
Total Metals & Mining				*2,161,926*
Total Materials				**3,669,626**
Telecommunication Services 1.1%				
Diversified Telecommunication Services 1.1%				
Bharti Airtel International Netherlands BV, Senior Bonds	5.350%	5/20/24	1,500,000	1,622,880 (c)
Verizon Communications Inc., Senior Notes	6.550%	9/15/43	1,073,000	1,374,673
Verizon Communications Inc., Senior Notes	5.012%	8/21/54	1,076,000	1,113,175 (c)
Total Telecommunication Services				**4,110,728**
Utilities 0.3%				
Electric Utilities 0.3%				
FirstEnergy Corp., Notes	7.375%	11/15/31	1,000,000	**1,210,366**
Total Corporate Bonds & Notes (Cost $43,906,542)				**45,579,599**
Non-U.S. Treasury Inflation Protected Securities 15.5%				
Australia 1.0%				
Australia Government Bond, Senior Bonds	2.500%	9/20/30	3,400,000 AUD	*3,883,065* (e)

See Notes to Financial Statements.

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Brazil 6.3%				
Federative Republic of Brazil, Notes	6.000%	8/15/22	56,243,587 BRL	$ 21,356,561
Federative Republic of Brazil, Notes	6.000%	8/15/50	7,337,972 BRL	2,740,472
Total Brazil				*24,097,033*
Canada 1.2%				
Government of Canada, Bonds	4.250%	12/1/26	3,727,048 CAD	*4,649,250*
Japan 0.6%				
Japanese Government CPI Linked Bond, Senior Bonds	0.100%	9/10/23	284,071,200 JPY	*2,495,287*
Mexico 0.5%				
United Mexican States, Senior Bonds	4.500%	12/4/25	22,135,546 MXN	*1,769,720*
New Zealand 1.0%				
New Zealand Government Bond, Senior Bonds	2.000%	9/20/25	4,760,000 NZD	*3,816,261* (e)
Sweden 0.9%				
Kingdom of Sweden, Bonds	0.250%	6/1/22	26,230,000 SEK	*3,508,815*
United Kingdom 4.0%				
United Kingdom Gilt, Bonds	0.125%	11/22/19	9,232,731 GBP	*15,427,673* (e)
Total Non-U.S. Treasury Inflation Protected Securities (Cost $65,565,302)				**59,647,104**
Sovereign Bonds 6.3%				
Brazil 0.9%				
Federative Republic of Brazil, Notes	10.000%	1/1/17	9,088,000 BRL	*3,256,524*
Mexico 4.3%				
United Mexican States, Bonds	8.000%	6/11/20	22,950,000 MXN	1,750,800
United Mexican States, Bonds	6.500%	6/9/22	195,250,000 MXN	13,875,452
United Mexican States, Medium-Term Notes	6.050%	1/11/40	840,000	1,027,320
Total Mexico				*16,653,572*
South Africa 1.1%				
Republic of South Africa, Senior Notes	5.875%	9/16/25	3,700,000	*4,167,125*
Total Sovereign Bonds (Cost $26,028,329)				**24,077,221**

	Expiration Date	Contracts	
Purchased Options 0.0%			
Eurodollar Mid Curve 1-Year Futures, Call @ $99.13	1/16/15	565	3,531
Eurodollar Mid Curve 1-Year Futures, Call @ $99.25	1/16/15	565	3,531
U.S. Treasury 10-Year Notes Futures, Call @ $132.00	1/23/15	113	1,766
U.S. Treasury 30-Year Bonds Futures, Call @ $148.00	1/23/15	340	69,062
U.S. Treasury 30-Year Bonds Futures, Call @ $150.00	1/23/15	401	25,063
Total Purchased Options (Cost $446,620)			**102,953**
Total Investments before Short-Term Investments (Cost $507,155,417)			**497,788,407**

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2014

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Short-Term Investments 2.3%				
Repurchase Agreements 2.3%				
Bank of America repurchase agreement dated 12/31/14; Proceeds at maturity $1,750,004; (Fully collateralized by U.S. government obligations, 3.750% due 11/15/43; Market value $1,784,999)	0.040%	1/2/15	1,750,000	$ 1,750,000
Barclays Capital Inc. repurchase agreement dated 12/31/14; Proceeds at maturity $7,250,012; (Fully collateralized by U.S. government obligations, 2.125% due 12/31/21; Market value $7,394,810)	0.030%	1/2/15	7,250,000	7,250,000
Total Short-Term Investments (Cost $9,000,000)				**9,000,000**
Total Investments 131.6% (Cost $516,155,417#)				**506,788,407**
Liabilities in Excess of Other Assets (31.6)%				(121,659,470)
Total Net Assets 100.0%				**$ 385,128,937**

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

(a) All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.

(b) Variable rate security. Interest rate disclosed is as of the most recent information available.

(c) 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 Trustees, unless otherwise noted.

(d) Security has no maturity date. The date shown represents the next call date.

(e) Security is exempt from registration under Regulation S of the Securities Act of 1933. Regulation S applies to securities offerings that are made outside of the United States and do not involve direct selling efforts in the United States. This security has been deemed liquid pursuant to guidelines approved by the Board of Trustees, unless otherwise noted.

Aggregate cost for federal income tax purposes is $517,068,768.

Abbreviations used in this schedule:

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
GBP	British Pound
IO	Interest Only
JPY	Japanese Yen
MXN	Mexican Peso
NZD	New Zealand Dollar
SEK	Swedish Krona

See Notes to Financial Statements.

Statement of assets and liabilities

December 31, 2014

Assets:	
Investments, at value (Cost $516,155,417)	$ 506,788,407
Foreign currency, at value (Cost $2,152,378)	2,106,087
Cash	1,022,206
Interest receivable	3,152,113
Unrealized appreciation on forward foreign currency contracts	3,037,794
OTC swaps, at value (premiums received $0)	1,299,121
Deposits with brokers for centrally cleared swap contracts	1,097,138
Deposits with brokers for reverse repurchase agreements	915,000
Deposits with brokers for open futures contracts	391,053
Deposits with brokers for open purchased options contracts	184,905
Foreign currency collateral for open futures contracts, at value (Cost $172,925)	152,468
Receivable from broker variation margin on open futures contracts	32,347
Prepaid expenses	9,940
Total Assets	***520,188,579***
Liabilities:	
Payable for open reverse repurchase agreements (Note 3)	133,146,901
Distributions payable	932,890
Unrealized depreciation on forward foreign currency contracts	522,305
Investment management fee payable	177,188
Interest payable	80,275
Service agent fees payable	66,446
Administration fee payable	19,110
Payable to broker variation margin on centrally cleared swaps	18,217
Accrued expenses	96,310
Total Liabilities	***135,059,642***
Total Net Assets	**$ 385,128,937**
Net Assets:	
Common shares, no par value, unlimited number of shares authorized, 29,152,821 shares issued and outstanding	400,518,209
Overdistributed net investment income	(749,279)
Accumulated net realized loss on investments, futures contracts, written options, swap contracts and foreign currency transactions	(7,595,066)
Net unrealized depreciation on investments, futures contracts, swap contracts and foreign currencies	(7,044,927)
Total Net Assets	**$ 385,128,937**
Shares Outstanding	29,152,821
Net Asset Value	$13.21

See Notes to Financial Statements.

Statement of operations

For the Year Ended December 31, 2014

Investment Income:	
Interest	***$ 12,027,579***
Expenses:	
Investment management fee (Note 2)	1,920,083
Servicing agent fees (Note 2)	720,031
Administration fees (Note 2)	225,000
Interest expense (Note 3)	152,145
Trustees fees	103,659
Transfer agent fees	86,122
Legal fees	77,194
Fund accounting fees	45,155
Custody fees	43,409
Audit and tax fees	38,719
Shareholder reports	33,094
Stock exchange listing fees	30,062
Insurance	8,640
Miscellaneous expenses	1,818
Total Expenses	***3,485,131***
Net Investment Income	**8,542,448**
Realized and Unrealized Gain (Loss) on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):	
Net Realized Gain (Loss) From:	
Investment transactions	(3,088,288)[1]
Futures contracts	(3,199,053)
Written options	2,086,020
Swap contracts	1,023,544
Foreign currency transactions	1,257,547
Net Realized Loss	***(1,920,230)***
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	6,309,512
Futures contracts	(646,364)
Written options	(15,200)
Swap contracts	(443,383)
Foreign currencies	2,330,800
Change in Net Unrealized Appreciation (Depreciation)	***7,535,365***
Net Gain on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign Currency Transactions	**5,615,135**
Increase in Net Assets From Operations	**$ 14,157,583**

[1] Net of foreign capital gains of $890.

See Notes to Financial Statements.

Statements of changes in net assets

For the Years Ended December 31,	2014	2013
Operations:		
Net investment income	$ 8,542,448	$ 2,903,085
Net realized gain (loss)	(1,920,230)	12,311,238
Change in net unrealized appreciation (depreciation)	7,535,365	(50,472,811)
Increase (Decrease) in Net Assets from Operations	***14,157,583***	***(35,258,488)***
Distributions to Shareholders From (Note 1):		
Net investment income	(10,151,561)	(3,311,760)
Net realized gains	(1,976,012)	(7,882,923)
Decrease in Net Assets from Distributions to Shareholders	***(12,127,573)***	***(11,194,683)***
Increase (Decrease) in Net Assets	***2,030,010***	***(46,453,171)***
Net Assets:		
Beginning of year	383,098,927	429,552,098
End of year*	**$ 385,128,937**	**$ 383,098,927**
*Includes(overdistributed) undistributed net investment income, respectively, of:	$(749,279)	$34,112

See Notes to Financial Statements.

Statement of cash flows

For the Year Ended December 31, 2014

Increase (Decrease) in Cash:	
Cash Provided (Used) by Operating Activities:	
Net increase in net assets resulting from operations	$ 14,157,583
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided (used) by operating activities:	
Purchases of portfolio securities	(142,626,236)
Sales of portfolio securities	137,041,540
Net purchases, sales and maturities of short-term investments	(58,692,661)
Net loss on expiration and sale of purchased options	(2,015,510)
Cash paid for purchased options	(369,835)
Net amortization of premium (accretion of discount)	(379,431)
Increase in interest receivable	(12,283)
Decrease in receivable from broker variation margin on open futures contracts	231,061
Decrease in prepaid expenses	4,267
Decrease in deposits with brokers for open futures contracts	1,441,822
Decrease in foreign currency collateral for open futures contracts	20,872
Increase in deposits with brokers for open purchased options contracts	(184,905)
Increase in deposits with brokers for reverse repurchase agreements	(915,000)
Increase in deposits with brokers for centrally cleared swap contracts	(1,097,138)
Increase in investment management fee payable	26,600
Increase in service agent fees payable	9,976
Increase in interest payable	64,483
Increase in accrued expenses	11,993
Decrease in premiums received from written options	(24,715)
Increase in payable to broker variation margin on open centrally cleared swap contracts	18,217
Net realized loss on investments	3,088,288
Change in unrealized appreciation of investments, written options, OTC swap contracts and forward foreign currency transactions	(10,055,934)
Net Cash Used in Operating Activities*	***(60,256,946)***
Cash Flows from Financing Activities:	
Distributions paid on common stock	(11,194,683)
Increase in payable for reverse repurchase agreements	74,237,195
Net Cash Provided by Financing Activities	***63,042,512***
Net Increase in Cash	**2,785,566**
Cash at Beginning of Year	342,727
Cash at End of Year	$ 3,128,293

* Included in operating expenses is cash of $87,662 paid for interest on borrowings.

See Notes to Financial Statements.

Financial highlights

For a share of common stock outstanding throughout each year ended December 31:	2014[1]	2013[1]	2012[1]	2011[1]	2010[1]
Net asset value, beginning of year	$13.14	$14.73	$14.14	$13.15	$12.85
Income (loss) from operations:					
Net investment income	0.29	0.10	0.26	0.52	0.33
Net realized and unrealized gain (loss)	0.20	(1.31)	0.68	0.97	0.42
Total income (loss) from operations	***0.49***	***(1.21)***	***0.94***	***1.49***	***0.75***
Less distributions from:					
Net investment income	(0.35)	(0.11)	(0.35)	(0.50)	(0.36)
Net realized gains	(0.07)	(0.27)			
Return of capital					(0.09)
Total distributions	***(0.42)***	***(0.38)***	***(0.35)***	***(0.50)***	***(0.45)***
Net asset value, end of year	$13.21	$13.14	$14.73	$14.14	$13.15
Market price, end of year	$11.60	$11.42	$13.11	$12.64	$12.82
Total return, based on NAV [2,3]	***3.68%***	***(8.29)%***	***6.72%***	***11.53%***	***5.91%***
Total return, based on Market Price [4]	***5.20%***	***(10.15)%***	***6.54%***	***2.54%***	***7.99%***
Net assets, end of year (000s)	$385,129	$383,099	$429,552	$412,174	$383,244
Ratios to average net assets:					
Gross expenses	0.89%	0.74%	0.70%	0.68%	0.76%
Net expenses[5]	0.89	0.74	0.70	0.68	0.76
Net investment income	2.17	0.72	1.79	3.79	2.52
Portfolio turnover rate	**30%**	**65%**	**73%**	**58%**	**43%**

[1] Per share amounts have been calculated using the average shares method.

[2] Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results.

[3] The total return calculation assumes that distributions are reinvested at NAV. Past performance is no guarantee of future results.

[4] The total return calculation assumes that distributions are reinvested in accordance with the Fund s dividend reinvestment plan. Past performance is no guarantee of future results.

[5] The impact of compensating balance arrangements, if any, was less than 0.01%.

See Notes to Financial Statements.

Notes to financial statements

1. Organization and significant accounting policies

Western Asset/Claymore Inflation-Linked Securities & Income Fund (the Fund) is registered under the Investment Company Act of 1940, as amended (1940 Act), as a diversified, closed-end management investment company. The Fund commenced operations on September 26, 2003.

The Fund s primary investment objective is to provide current income for its shareholders. Capital appreciation, when consistent with current income, is a secondary investment objective.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ. Subsequent events have been evaluated through the date the financial statements were issued.

(a) Investment valuation. The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment s fair value. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. When the Fund holds securities or other assets that are denominated in a foreign currency, the Fund will normally use the currency exchange rates as of 4:00 p.m. (Eastern Time). If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund s Board of Trustees.

The Board of Trustees is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North American Fund Valuation

Committee (the Valuation Committee). The Valuation Committee, pursuant to the policies adopted by the Board of Trustees, is responsible for making fair value determinations, evaluating the effectiveness of the Fund s pricing policies, and reporting to the Board of Trustees. When determining the reliability of third party pricing information for investments owned by the Fund, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer s financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Trustees, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Trustees quarterly.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

GAAP establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are summarized in the three broad levels listed below:

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund s own assumptions in determining the fair value of investments)

The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Notes to financial statements (cont d)

The following is a summary of the inputs used in valuing the Fund s assets and liabilities carried at fair value:

ASSETS

Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Long-term investments :				
U.S. Treasury inflation protected securities		$ 359,694,874		$ 359,694,874
Asset-backed securities		9,753		9,753
Collateralized mortgage obligations		8,676,903		8,676,903
Corporate bonds & notes		45,579,599		45,579,599
Non-U.S. Treasury inflation protected securities		59,647,104		59,647,104
Sovereign bonds		24,077,221		24,077,221
Purchased options	$ 102,953			102,953
Total long-term investments	$ 102,953	$ 497,685,454		$ 497,788,407
Short-term investments		9,000,000		9,000,000
Total investments	**$ 102,953**	**$ 506,685,454**		**$ 506,788,407**
Other financial instruments:				
Futures contracts	$ 968,300			$ 968,300
Forward foreign currency contracts		$ 3,037,794		3,037,794
OTC total return swaps		1,299,121		1,299,121
Total other financial instruments	**$ 968,300**	**$ 4,336,915**		**$ 5,305,215**
Total	**$ 1,071,253**	**$ 511,022,369**		**$ 512,093,622**

LIABILITIES

Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other financial instruments:				
Futures contracts	$ 581,709			$ 581,709
Forward foreign currency contracts		$ 522,305		522,305
Centrally cleared interest rate swaps		1,742,504		1,742,504
Total	**$ 581,709**	**$ 2,264,809**		**$ 2,846,518**

See Schedule of Investments for additional detailed categorizations.

Values include any premiums paid or received with respect to swap contracts.

(b) Repurchase agreements. The Fund may enter into repurchase agreements with institutions that its investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Under the terms of a typical repurchase agreement, the Fund acquires a debt security subject to an obligation of the seller to repurchase, and of the Fund to resell, the security at an agreed-upon price and time, thereby determining the yield during the Fund s holding period. When entering into repurchase agreements, it is the Fund s policy that its custodian or a third party custodian, acting on the Fund s behalf, take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction maturity exceeds one business day, the value of the collateral is marked-to-market and measured against the value of the agreement in an effort to ensure the adequacy of the collateral. If the counterparty defaults, the Fund generally has the right to use the collateral to satisfy the terms of the repurchase transaction. However, if the market value of the collateral declines during the period in which the Fund seeks to assert its rights or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

(c) Reverse repurchase agreements. The Fund may enter into reverse repurchase agreements. Under the terms of a typical reverse repurchase agreement, a fund sells a security subject to an obligation to repurchase the security from the buyer at an agreed-upon time and price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Fund s use of the proceeds of the agreement may be restricted pending a determination by the counterparty, or its trustee or receiver, whether to enforce the Fund s obligation to repurchase the securities. In entering into reverse repurchase agreements, the Fund will maintain cash, U.S. government securities or other liquid debt obligations at least equal in value to its obligations with respect to reverse repurchase agreements or will take other actions permitted by law to cover its obligations. Interest payments made on reverse repurchase agreements are recognized as a component of Interest expense on the Statement of Operations. In periods of increased demand for the security, the Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Fund.

(d) Futures contracts. The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. The daily changes in contract value are recorded as unrealized gains or losses in the Statement of Operations and the Fund recognizes a realized gain or loss when the contract is closed.

Futures contracts involve, to varying degrees, risk of loss in excess of the amounts reflected in the financial statements. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

Notes to financial statements (cont d)

(e) Purchased options. When the Fund purchases an option, an amount equal to the premium paid by the Fund is recorded as an investment on the Statement of Assets and Liabilities, the value of which is marked-to-market to reflect the current market value of the option purchased. If the purchased option expires, the Fund realizes a loss equal to the amount of premium paid. When an instrument is purchased or sold through the exercise of an option, the related premium paid is added to the basis of the instrument acquired or deducted from the proceeds of the instrument sold. The risk associated with purchasing put and call options is limited to the premium paid.

(f) Written options. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the premium received is recorded as a realized gain. When a written call option is exercised, the difference between the premium received plus the option exercise price and the Fund s basis in the underlying security (in the case of a covered written call option), or the cost to purchase the underlying security (in the case of an uncovered written call option), including brokerage commission, is recognized as a realized gain or loss. When a written put option is exercised, the amount of the premium received is subtracted from the cost of the security purchased by the Fund from the exercise of the written put option to form the Fund s basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Fund.

The risk in writing a covered call option is that the Fund may forego the opportunity of profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised. The risk in writing an uncovered call option is that the Fund is exposed to the risk of loss if the market price of the underlying security increases. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(g) Forward foreign currency contracts. The Fund enters into a forward foreign currency contract to hedge against foreign currency exchange rate risk on its non-U.S. dollar denominated securities or to facilitate settlement of a foreign currency denominated portfolio transaction. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price with delivery and settlement at a future date. The contract is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When a forward foreign currency contract is closed, through either delivery or offset by entering into another forward foreign currency contract, the Fund recognizes a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it is closed.

Forward foreign currency contracts involve elements of market risk in excess of the amounts reflected on the Statement of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

(h) Swap agreements. The Fund invests in swaps for the purpose of managing its exposure to interest rate, credit or market risk, or for other purposes. The use of swaps involves risks that are different from those associated with other portfolio transactions. Swap agreements are privately negotiated in the over-the-counter market (OTC Swaps) or may be executed on a registered exchange (Centrally Cleared Swaps). Unlike Centrally Cleared Swaps, the Fund has credit exposure to the counterparties of OTC Swaps.

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). The daily change in valuation of Centrally Cleared Swaps, if any, is recorded as a receivable or payable for variation margin on the Statement of Assets and Liabilities. Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund s custodian in compliance with the terms of the swap contracts. Securities posted as collateral for swap contracts are identified in the Schedule of Investments and restricted cash, if any, is identified on the Statement of Assets and Liabilities. Risks may exceed amounts recorded in the Statement of Assets and Liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts terms, and the possible lack of liquidity with respect to the swap agreements.

OTC swap payments received or made at the beginning of the measurement period are reflected as a premium or deposit, respectively, on the Statement of Assets and Liabilities. These upfront payments are amortized over the life of the swap and are recognized as realized gain or loss in the Statement of Operations. Net periodic payments received or paid by the Fund are recognized as a realized gain or loss in the Statement of Operations.

The Fund s maximum exposure in the event of a defined credit event on a credit default swap to sell protection is the notional amount. As of December 31, 2014, the Fund did not hold any credit default swaps to sell protection.

For average notional amounts of swaps held during the year ended December 31, 2014, see Note 4.

Interest rate swaps

The Fund enters into interest rate swap contracts to manage its exposure to interest rate risk. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional principal amount. The Fund may elect to pay a fixed rate and receive a floating rate, or receive a fixed rate and pay a floating rate, on a notional principal amount. Interest rate swaps are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as an unrealized gain or loss in the Statement of Operations. When a swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the original cost and the settlement amount of the closing transaction.

Notes to financial statements (cont d)

The risks of interest rate swaps include changes in market conditions that will affect the value of the contract or changes in the present value of the future cash flow streams and the possible inability of the counterparty to fulfill its obligations under the agreement. The Fund s maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract s remaining life, to the extent that that amount is positive. This risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund s exposure to the counterparty.

Total return swaps

The Fund enters into total return swaps for investment purposes. Total return swaps are agreements to exchange the return generated by one instrument for the return generated by another instrument. For example, the agreement to pay a predetermined or fixed interest rate in exchange for a market-linked return based on a notional amount. To the extent the total return of a referenced index or instrument exceeds the offsetting interest obligation, the Fund will receive a payment from the counterparty. To the extent it is less, the Fund will make a payment to the counterparty.

(i) Inflation-indexed bonds. Inflation-indexed bonds are fixed-income securities whose principal value or interest rate is periodically adjusted according to the rate of inflation. As the index measuring inflation changes, the principal value or interest rate of inflation-indexed bonds will be adjusted accordingly. Inflation adjustments to the principal amount of inflation-indexed bonds are reflected as an increase or decrease to investment income on the Statement of Operations. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds. For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal.

(j) Foreign currency translation. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

The Fund does not isolate that portion of the results of operations resulting from fluctuations in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, including gains and losses on forward foreign currency contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund s books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the values of assets and liabilities, other than investments in securities, on the date of valuation, resulting from changes in exchange rates.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

(k) Stripped securities. The Fund may invest in Stripped Securities, a term used collectively for components, or strips, of fixed income securities. Stripped securities can be principal only securities (PO), which are debt obligations that have been stripped of unmatured interest coupons, or interest only securities (IO), which are unmatured interest coupons that have been stripped from debt obligations. The market value of Stripped Securities will fluctuate in response to changes in economic conditions, rates of pre-payment, interest rates and the market s perception of the securities. However, fluctuations in response to interest rates may be greater in Stripped Securities than for debt obligations of comparable maturities that pay interest currently. The amount of fluctuation may increase with a longer period of maturity.

The yield to maturity on IO s is sensitive to the rate of principal repayments (including prepayments) on the related underlying debt obligation and principal payments may have a material effect on yield to maturity. If the underlying debt obligation experiences greater than anticipated prepayments of principal, the Fund may not fully recoup its initial investment in IO s.

(l) Cash flow information. The Fund invests in securities and distributes dividends from net investment income and net realized gains, which are paid in cash and may be reinvested at the discretion of shareholders. These activities are reported in the Statement of Changes in Net Assets and additional information on cash receipts and cash payments are presented in the Statement of Cash Flows.

(m) Credit and market risk. The Fund invests in high-yield and emerging market instruments that are subject to certain credit and market risks. The yields of high-yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund s investments in securities rated below investment grade typically involve risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund s investments in non-U.S. dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

Investments in securities that are collateralized by residential real estate mortgages are subject to certain credit and liquidity risks. When market conditions result in an increase in default rates of the underlying mortgages and the foreclosure values of underlying real estate properties are materially below the outstanding amount of these underlying mortgages, collection of the full amount of accrued interest and principal on these investments may be doubtful. Such market conditions may significantly impair the value and liquidity of these investments and may result in a lack of correlation between their credit ratings and values.

Notes to financial statements (cont d)

(n) Foreign investment risks. The Fund s investments in foreign securities may involve risks not present in domestic investments. Since securities may be denominated in foreign currencies, may require settlement in foreign currencies or pay interest or dividends in foreign currencies, changes in the relationship of these foreign currencies to the U.S. dollar can significantly affect the value of the investments and earnings of the Fund. Foreign investments may also subject the Fund to foreign government exchange restrictions, expropriation, taxation or other political, social or economic developments, all of which affect the market and/or credit risk of the investments.

(o) Counterparty risk and credit-risk-related contingent features of derivative instruments. The Fund may invest in certain securities or engage in other transactions, where the Fund is exposed to counterparty credit risk in addition to broader market risks. The Fund may invest in securities of issuers, which may also be considered counterparties as trading partners in other transactions. This may increase the risk of loss in the event of default or bankruptcy by the counterparty or if the counterparty otherwise fails to meet its contractual obligations. The Fund s investment manager attempts to mitigate counterparty risk by (i) periodically assessing the creditworthiness of its trading partners, (ii) monitoring and/or limiting the amount of its net exposure to each individual counterparty based on its assessment and (iii) requiring collateral from the counterparty for certain transactions. Market events and changes in overall economic conditions may impact the assessment of such counterparty risk by the investment manager. In addition, declines in the values of underlying collateral received may expose the Fund to increased risk of loss.

The Fund has entered into master agreements with certain of its derivative counterparties that provide for general obligations, representations, agreements, collateral, events of default or termination and credit related contingent features. The credit related contingent features include, but are not limited to, a percentage decrease in the Fund s net assets or NAV over a specified period of time. If these credit related contingent features were triggered, the derivatives counterparty could terminate the positions and demand payment or require additional collateral.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearinghouse for exchange traded derivatives while collateral terms are contract specific for over-the-counter traded derivatives. Cash collateral that has been pledged to cover obligations of the Fund under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities. Securities pledged as collateral, if any, for the same purpose are noted in the Schedule of Investments.

Absent an event of default by the counterparty or a termination of the agreement, the terms of the master agreements do not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the Fund and the applicable counterparty. The enforceability of the right to offset may vary by jurisdiction.

As of December 31, 2014, the Fund held forward foreign currency contracts with credit related contingent features which had a liability position of $522,305. If a contingent feature in the master agreements would have been triggered, the Fund would have been required to pay this amount to its derivatives counterparties.

(p) Security transactions and investment income. Security transactions are accounted for on a trade date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults or a credit event occurs that impacts the issuer, the Fund may halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default or credit event.

(q) Distributions to shareholders. Distributions from net investment income of the Fund, if any, are declared and paid on a monthly basis. Distributions of net realized gains, if any, are declared at least annually. Pursuant to its Managed Distribution Policy, the Fund intends to make regular monthly distributions to shareholders at a fixed rate per common share, which rate may be adjusted from time to time by the Fund s Board of Trustees. Under the Fund s Managed Distribution Policy, if, for any monthly distribution, the value of the Fund s net investment income and net realized capital gain is less than the amount of the distribution, the difference will be distributed from the Fund s net assets (and may constitute a return of capital). Shareholders will be informed of the tax characteristics of the distributions after the close of the 2014 fiscal year. The Board of Trustees may modify, terminate or suspend the Managed Distribution Policy at any time, including when certain events would make part of the return of capital taxable to shareholders. Any such modification, termination or suspension could have an adverse effect on the market price of the Fund s shares. Distributions to shareholders of the Fund are recorded on the ex-dividend date and are determined in accordance with income tax regulations, which may differ from GAAP.

(r) Compensating balance arrangements. The Fund has an arrangement with its custodian bank whereby a portion of the custodian s fees is paid indirectly by credits earned on the Fund s cash on deposit with the bank.

(s) Federal and other taxes. It is the Fund s policy to comply with the federal income and excise tax requirements of the Internal Revenue Code of 1986 (the Code), as amended, applicable to regulated investment companies. Accordingly, the Fund intends to distribute its taxable income and net realized gains, if any, to shareholders in accordance with timing requirements imposed by the Code. Therefore, no federal or state income tax provision is required in the Fund s financial statements.

Management has analyzed the Fund s tax positions taken on income tax returns for all open tax years and has concluded that as of December 31, 2014, no provision for income tax is required in the Fund s financial statements. The Fund s federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

Under the applicable foreign tax laws, a withholding tax may be imposed on interest, dividends and capital gains at various rates. Realized gains upon disposition of securities

Notes to financial statements (cont d)

issued in or by certain foreign countries are subject to capital gains tax imposed by these countries.

(t) Reclassification. GAAP requires that certain components of net assets be reclassified to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. During the current year, the following reclassifications have been made:

	Overdistributed Net Investment Income	Accumulated Net Realized Loss
(a)	$ 825,722	$ (825,722)

(a) Reclassifications are due to foreign currency transactions treated as ordinary income for tax purposes and book/tax differences in the treatment of swap contracts.

2. Investment management agreement and other transactions with affiliates

The Fund has entered into an Investment Management agreement with Western Asset Management Company (Investment Adviser), which provides for payment of a monthly fee computed at the annual rate of 0.40% of the Fund s average weekly assets. Average weekly assets means the average weekly value of the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage). For purposes of calculating average weekly assets, liabilities associated with any instrument or transactions used by the Investment Adviser to leverage the Fund s portfolio (whether or not such instruments or transactions are covered as described in the prospectus) are not considered a liability.

During periods when the Fund is using leverage, the fee paid to the Investment Adviser for advisory services will be higher than if the Fund did not use leverage because the fee paid will be calculated on the basis of the Fund s average weekly assets, which includes the assets attributable to leverage.

Western Asset Management Company Pte. Ltd. (Western Asset Singapore), Western Asset Management Company Limited (Western Asset London) and Western Asset Management Company Ltd (Western Asset Japan) are the Fund s investment advisers. Western Asset London, Western Asset Singapore and Western Asset Japan provide certain advisory services to the Fund relating to currency transactions and investment in non-U.S. denominated securities. Western Asset London, Western Asset Singapore and Western Asset Japan do not receive any compensation from the Fund.

Guggenheim Funds Distributors, Inc. (Servicing Agent) acts as servicing agent for the Fund. For its services, the Servicing Agent receives an annual fee from the Fund, payable monthly in arrears, which is based on the Fund s average weekly assets in an amount equal to 0.15% of the Fund s average weekly assets.

Under an administrative agreement with the Fund, Legg Mason Partners Fund Advisor, LLC (LMPFA) (Administrator), an affiliate of the Investment Adviser, provides certain administrative and accounting functions for the Fund. The Fund pays the Administrator a monthly fee at an annual rate of 0.04% of the Fund s average weekly assets, subject to an annual minimum fee of $225,000.

3. Investments

During the year ended December 31, 2014, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) and U.S. Government & Agency Obligations were as follows:

	Investments	U.S. Government & Agency Obligations
Purchases	$ 91,019,993	$ 51,606,243
Sales	33,917,644	103,123,896

At December 31, 2014, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

Gross unrealized appreciation	$ 10,040,026
Gross unrealized depreciation	(20,320,387)
Net unrealized depreciation	**$ (10,280,361)**

Transactions in reverse repurchase agreements for the Fund during the year ended December 31, 2014 were as follows:

Average Daily Balance*	Weighted Average Interest Rate*	Maximum Amount Outstanding
$88,135,802	0.17%	$191,658,740

* Averages based on the number of days that Fund had reverse repurchase agreements outstanding.

Interest rates on reverse repurchase agreements ranged from 0.12% to 0.25% during the year ended December 31, 2014. Interest expense incurred on reverse repurchase agreements totaled $152,145.

At December 31, 2014, the Fund had the following open reverse repurchase agreements:

Counterparty	Rate	Effective Date	Maturity Date	Face Amount
Deutsche Bank	0.18%	8/12/2014	1/21/2015	$ 75,461,901
Deutsche Bank	0.21%	8/19/2014	1/21/2015	24,475,000
Morgan Stanley	0.21%	11/21/2014	2/25/2015	33,210,000
				$ 133,146,901

On December 31, 2014, the total market value of underlying collateral (refer to the Schedule of Investments for positions held at the counterparty as collateral for reverse repurchase agreements) for open reverse repurchase agreements was $138,130,259.

During the year ended December 31, 2014, written option transactions for the Fund were as follows:

	Number of Contracts	Premiums
Written options, outstanding as of December 31, 2013	203	$ 24,715
Options written	10,077	3,388,508
Options closed	(8,858)	(2,822,266)
Options exercised	(1,422)	(590,957)
Options expired		
Written options, outstanding as of December 31, 2014		

Notes to financial statements (cont d)

At December 31, 2014, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Appreciation (Depreciation)
Contracts to Buy:					
90-Day Eurodollar	1,245	12/17	$ 303,492,509	$ 303,780,000	$ 287,491
U.S. Treasury Ultra Long-Term Bonds	95	3/15	15,012,004	15,692,813	680,809
					$ 968,300
Contracts to Sell:					
90-Day Eurodollar	1,245	12/18	302,373,479	302,955,188	(581,709)
Net unrealized appreciation on open futures contracts					**$ 386,591**

At December 31, 2014, the Fund had the following open forward foreign currency contracts:

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
BRL	9,289,814	USD	3,594,434	Bank of America N.A.	1/16/15	$ (110,030)
JPY	5,583,485	USD	47,538	Bank of America N.A.	1/16/15	(920)
USD	11,863,723	BRL	29,390,000	Bank of America N.A.	1/16/15	840,183
USD	3,476,210	BRL	8,990,000	Bank of America N.A.	1/16/15	104,260
USD	4,387,048	BRL	11,720,000	Bank of America N.A.	1/16/15	(8,864)
USD	4,877,958	CAD	5,490,000	Bank of America N.A.	1/16/15	153,946
USD	2,920,584	JPY	312,190,000	Bank of America N.A.	1/16/15	314,003
AUD	4,350,000	USD	3,818,126	Citibank, N.A.	1/16/15	(269,630)
SEK	17,580,000	USD	2,293,755	Citibank, N.A.	1/16/15	(38,539)
SEK	10,500,000	USD	1,369,990	Citibank, N.A.	1/16/15	(23,018)
USD	3,814,008	AUD	4,400,000	Citibank, N.A.	1/16/15	224,726
USD	3,913,291	AUD	4,610,000	Citibank, N.A.	1/16/15	152,702
USD	4,549,508	BRL	11,309,167	Citibank, N.A.	1/16/15	307,690
USD	7,442,525	BRL	19,780,000	Citibank, N.A.	1/16/15	23,485
USD	3,796,305	MXN	51,200,000	Citibank, N.A.	1/16/15	328,315
USD	4,394,558	MXN	61,370,000	Citibank, N.A.	1/16/15	237,712
USD	3,878,547	SEK	28,080,000	Citibank, N.A.	1/16/15	276,358
CAD	4,651,817	USD	4,071,612	Citibank, N.A.	2/13/15	(71,304)
USD	4,054,065	CAD	4,651,817	Credit Suisse First Boston Inc.	2/13/15	53,756
USD	1,639,691	BRL	4,383,549	Citibank, N.A.	3/13/15	20,658
Total						**$ 2,515,489**

Abbreviations used in this table:

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
JPY	Japanese Yen
MXN	Mexican Peso
SEK	Swedish Krona
USD	United States Dollar

At December 31, 2014, the Fund had the following open swap contracts:

CENTRALLY CLEARED INTEREST RATE SWAPS

Swap Counterparty	Notional Amount	Termination Date	Payments Made by the Fund	Payments Received by the Fund	Upfront Premiums Paid (Received)	Unrealized Depreciation
RBS Greenwich	$ 13,010,000	2/15/40	3.383% semi-annually	3-Month LIBOR	$ (12,259)	$ (1,742,504)

OTC TOTAL RETURN SWAPS

Swap Counterparty	Notional Amount	Termination Date	Periodic Payments Made by the Fund	Periodic Payments Received by the Fund	Upfront Premiums Paid (Received)	Unrealized Appreciation
Deutsche Bank AG	$ 64,120,000	10/6/16	CPURNSA*	1.61%*		$ 1,299,121

Percentage shown is an annual percentage rate.

Periodic payments made/received by the Fund are based on the total return of the referenced entity.

* One time payment at termination date.

At December 31, 2014, the Fund held collateral received from Deutsche Bank AG in the amount of $1,316,094 on OTC total return swap contracts valued at $1,299,121. Net exposure to the counterparty was $(16,973). Net exposure represents the net receivable (payable) that would be due from/to the counterparty in the event of default.

4. Derivative instruments and hedging activities

Below is a table, grouped by derivative type, that provides information about the fair value and the location of derivatives within the Statement of Assets and Liabilities at December 31, 2014.

ASSET DERIVATIVES[1]

	Interest Rate Risk	Foreign Exchange Risk	Total
Purchased options[2]	$ 102,953		$ 102,953
Futures contracts[3]	968,300		968,300
OTC swap contracts[4]	1,299,121		1,299,121
Forward foreign currency contracts		$ 3,037,794	3,037,794
Total	**$ 2,370,374**	**$ 3,037,794**	**$ 5,408,168**

LIABILITY DERIVATIVES[1]

	Interest Rate Risk	Foreign Exchange Risk	Total
Futures contracts[3]	$ 581,709		$ 581,709
Centrally cleared swap contracts[5]	1,742,504		1,742,504
Forward foreign currency contracts		$ 522,305	522,305
Total	**$ 2,324,213**	**$ 522,305**	**$ 2,846,518**

1 Generally, the balance sheet location for asset derivatives is receivables/net unrealized appreciation (depreciation) and for liability derivatives is payables/net unrealized appreciation (depreciation).

2 Market value of purchased options is reported in Investments at value in the Statement of Assets and Liabilities.

[3] Includes cumulative appreciation (depreciation) of futures contracts as reported in the footnotes. Only variation margin is reported within the receivables and/or payables on the Statement of Assets and Liabilities.

[4] Values include premiums paid (received) on swap contracts which are shown separately in the Statement of Assets and Liabilities.

[5] Includes cumulative appreciation (depreciation) of centrally cleared swap contracts as reported in the footnotes. Only variation margin is reported within the receivables and/or payables on the Statement of Assets and Liabilities.

Notes to financial statements (cont d)

The following tables provide information about the effect of derivatives and hedging activities on the Fund s Statement of Operations for the year ended December 31, 2014. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the period. The second table provides additional information about the change in unrealized appreciation (depreciation) resulting from the Fund s derivatives and hedging activities during the period.

AMOUNT OF REALIZED GAIN (LOSS) ON DERIVATIVES RECOGNIZED

	Interest Rate Risk	Foreign Exchange Risk	Total
Purchased options[1]	$ (2,015,510)		$ (2,015,510)
Written options	2,086,020		2,086,020
Futures contracts	(3,199,053)		(3,199,053)
Swap contracts	1,023,544		1,023,544
Forward foreign currency contracts[2]		$ 1,748,645	1,748,645
Total	**$ (2,104,999)**	**$ 1,748,645**	**$ (356,354)**

[1] Net realized gain (loss) from purchased options is reported in net realized gain (loss) from investment transactions in the Statement of Operations.

[2] Net realized gain (loss) from forward foreign currency contracts is reported in net realized gain (loss) from foreign currency transactions in the Statement of Operations.

CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON DERIVATIVES RECOGNIZED

	Interest Rate Risk	Foreign Exchange Risk	Total
Purchased options[1]	$ (343,007)		$ (343,007)
Written options	(15,200)		(15,200)
Futures contracts	(646,364)		(646,364)
Swap contracts	(443,383)		(443,383)
Forward foreign currency contracts[2]		$ 2,462,501	2,462,501
Total	**$ (1,447,954)**	**$ 2,462,501**	**$ 1,014,547**

[1] The change in unrealized appreciation (depreciation) from purchased options is reported in the change in net unrealized from investments in the Statement of Operations.

[2] The change in unrealized appreciation (depreciation) from forward foreign currency contracts is reported in the change in net unrealized appreciation (depreciation) from foreign currencies in the Statement of Operations.

During the year ended December 31, 2014, the volume of derivative activity for the Fund was as follows:

	Average Market Value
Purchased options	$ 112,636
Written options[1]	144,703
Futures contracts (to buy)	58,178,197
Futures contracts (to sell)	103,461,275
Forward foreign currency contracts (to buy)	9,372,103
Forward foreign currency contracts (to sell)	41,438,254

	Average Notional Balance
Interest rate swap contracts	$ 4,003,077
Total return swap contracts	32,333,846

[1] At December 31, 2014, there were no open positions held in this derivative.

The following table presents by financial instrument, the Fund s derivative assets net of the related collateral received by the Fund at December 31, 2014:

	Gross Amount of Derivative Assets in the Statement of Assets and Liabilities[1]	Collateral Received[2,3]	Net Amount
Purchased options[4]	$ 102,953		$ 102,953
Futures contracts[5]	32,347		32,347
OTC swap contracts	1,299,121	$ (1,299,121)	
Forward foreign currency contracts	3,037,794		3,037,794
Total	**$ 4,472,215**	**$ (1,299,121)**	**$ 3,173,094**

The following table presents by financial instrument, the Fund s derivative liabilities net of the related collateral pledged by the Fund at December 31, 2014:

	Gross Amount of Derivative Liabilities in the Statement of Assets and Liabilities[1]	Collateral Pledged[2,3]	Net Amount
Centrally cleared swap contracts[5]	$ 18,217	$ (18,217)	
Forward foreign currency contracts	522,305		$ 522,305
Total	**$ 540,522**	**$ (18,217)**	**$ 522,305**

[1] Absent an event of default or early termination, derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

[2] Gross amounts are not offset in the Statement of Assets and Liabilities.

[3] In some instances, the actual collateral received and/or pledged may be more than the amount shown here due to overcollateralization.

[4] Market value of purchased options is shown in Investments at value in the Statement of Assets and Liabilities.