WESTERN ASSET/CLAYMORE INFLATION-LINKED SECURITIES & INCOME FUND
Form N-CSR
February 26, 2014

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, 2013

ITEM 1. REPORT TO STOCKHOLDERS.

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

Annual Report December 31, 2013

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, 2013.

For the twelve-month period ended December 31, 2013, the Fund returned -8.29% based on its net asset value (NAV[i]) and -10.15% 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 -5.59% and -9.26%, 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 investment grade corporate bonds. Their spreads narrowed as corporate profits often exceeded expectations and investor demand was generally solid as they looked to generate incremental yield in the low interest rate environment. In particular, our positions in Verizon Communications, Barclays Bank and GE Capital Corp. were positive for results.

The Fund s allocation to non-agency mortgage-backed securities was also beneficial. They were supported by attractive yields, continued principal paydowns and signs of improvement in the housing market.

As of December 31, 2013, the Fund s market price of $11.42 per share represented a discount of 13.09% to its NAV of $13.14 per share. In each month of 2013, the Fund provided its investors with a distribution of $0.032 per share. The most recent distribution represents an annualized distribution rate of 3.36% based on the Fund s last closing market price of $11.42 as of December 31, 2013.

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[iv] in inflation-linked securities
- At least 60% of its total managed assets in U.S. Treasury Inflation Protected Securities (TIPS[v])
- 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[vi] 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 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 44 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 guggenheiminvestments.com/wia.

Sincerely,

Western Asset Management Company

January 31, 2014

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

v 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.

vi 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

The U.S. economy continued to grow over the twelve months ended December 31, 2013 (the reporting period). Looking back, U.S. gross domestic product (GDP)[i] growth, as reported by the U.S. Department of Commerce, was 1.1% during the first quarter of 2013. The economic expansion then accelerated, as GDP growth was 2.5% during the second quarter. This was partially due to increases in exports and non-residential fixed investments, along with a smaller decline in federal government spending versus the previous quarter. The economy gained further momentum during the third quarter, with GDP growth of 4.1%, its best reading since the fourth quarter of 2011. Stronger growth was driven, in part, by an increase in private inventory investment, a deceleration in imports and accelerating state and local government spending. The U.S. Department of Commerce s initial reading for fourth quarter 2013 GDP growth, released after the reporting period ended, was 3.2%. Slower growth was due to several factors, including a deceleration in private inventory investment, declining federal government spending and less residential fixed investments.

The U.S. job market improved during the reporting period, although unemployment remained elevated from a historical perspective. When the period began, unemployment, as reported by the U.S. Department of Labor, was 7.9%. Unemployment fell to 7.7% in February 2013 and generally edged lower over the remainder of the period, falling to 6.7% in December. This represented the lowest level since October 2008. However, falling unemployment during the period was partially due to a decline in the workforce participation rate, which was 62.8% in December, its lowest level since 1978. In addition, the number of longer-term unemployed continues to be high, as roughly 37.7% of the 10.4 million Americans looking for work in December 2013 had been out of work for more than six months.

While sales of existing-homes declined at times throughout the reporting period given rising mortgage rates, they moved higher at the end of the year. According to the National Association of Realtors (NAR), existing-home sales rose 1.0% on a seasonally adjusted basis in December 2013 versus the previous month, although they were 0.6% lower than in December 2012. However, existing homes sales in 2013 were 9.1% higher than the previous year and 2013 s sales were the strongest since 2006. In addition, the NAR reported that the median existing-home price for all housing types was $198,100 in December 2013, up 9.9% from December 2012. The inventory of homes available for sale in December 2013 was 11% lower than the previous month at a 4.6 month supply at the current sales pace but 1.6% higher than in December 2012.

The manufacturing sector expanded during the majority of the reporting period, although it experienced a temporary soft patch. Based on the Institute for Supply Management s Purchasing Managers Index (PMI)[ii], manufacturing expanded during the first four months of the reporting period. It then contracted in May 2013, with a PMI of 49.0 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). This represented the PMI s lowest reading since June 2009. However, the contraction was a short-term setback, as the PMI rose over the next seven months and peaked at 57.3 in November,

Investment commentary (cont d)

the best reading since April 2011. The PMI then moderated somewhat in December 2013, edging back to a still strong 57.0.

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 has been the case since December 2008, the Fed kept the federal funds rate[iv] at a historically low range between zero and 0.25%. At its meeting in December 2012, the Fed announced that it would continue purchasing $40 billion per month of agency mortgage-backed securities (MBS), as well as initially purchasing $45 billion per month of longer-term Treasuries. At its meeting that ended on June 19, 2013, the Fed did not make any material changes to its official policy statement. However, in a press conference following the meeting, Fed Chairman Bernanke said the Committee currently anticipates that it would be appropriate to moderate the monthly pace of purchases later this year. In a surprise to many investors, at its meeting that ended on September 18, 2013, the Fed did not taper its asset purchase program and said that it decided to await more evidence that progress will be sustained before adjusting the pace of its purchases. At its 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 mortgage-backed securities at a pace of $35 billion per month rather than $40 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of $40 billion per month rather than $45 billion per month. At the Fed s meeting that concluded on January 29, 2014, after the reporting period ended, it announced that in February 2014 it would further taper its asset purchases, to a total of $65 billion a month ($30 billion per month of agency mortgage-backed securities and $35 billion per month of longer-term Treasury securities).

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

Sincerely,

Western Asset Management Company

January 31, 2014

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 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 spread sectors (non-Treasuries) experienced several periods of heightened risk aversion but largely outperformed equal-duration[iv] Treasuries over the twelve months ended December 31, 2013. However, most spread sectors posted negative absolute returns during the reporting period. Risk aversion was prevalent at times given mixed economic data, geopolitical issues, signs of shifting monetary policy by the Federal Reserve Board (Fed[v]) and the U.S government s sixteen-day partial shutdown which ended on October 16, 2013. The uncertainty created by the Fed s policy shift during the summer was particularly painful for U.S. TIPS investors and the market was amongst the worst performers for the year as a whole.

Both short- and long-term Treasury yields moved higher during the twelve months ended December 31, 2013. Two-year Treasury yields rose from 0.25% at the beginning of the period to 0.38% at the end of the period. Their peak of 0.52% occurred on September 5, 2013 and they were as low as 0.20% in late April and early May 2013. Ten-year Treasury yields were 1.78% at the beginning of the period and reached a low of 1.66% in early May 2013. Their peak of 3.04% occurred on December 31, 2013, as fixed-income investors reacted negatively to the Fed s announcement that it would start tapering its asset purchase program. This was the highest level for the ten-year Treasury since July 2011. All told, the Barclays U.S. Aggregate Index[vi] returned -2.02% for the twelve months ended December 31, 2013, its first calendar year decline since 1999.

Fund overview (cont d)

Inflation was generally well contained during the reporting period. For the twelve months ended December 31, 2013, the seasonally unadjusted rate of inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U[ii],)was 1.5%. The CPI-U less food and energy was 1.7% over the same time frame. Given benign inflation and sharply rising interest rates, U.S. TIPS generated very weak results. During the twelve months ended December 31, 2013, the Barclays U.S. TIPS Index[viii] returned -8.61%.

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 decreased our allocation to investment grade corporate bonds and the Fund s cash position. In contrast, we increased the Fund s allocation to U.S. TIPS. Later in the year, we introduced leverage, which was used to increase the corporate exposure again back towards earlier levels, which served to add yield to the portfolio. We ended the period with leverage as a percentage of gross assets of roughly 13%.

The Fund employed U.S Treasury futures and options on U.S Treasury futures as well as Euro-Bund futures and options on Euro-Bund futures during the reporting period to manage its yield curve[ix] positioning and duration. The use of these instruments contributed to performance. Credit default swaps were used to manage our credit exposure. The use of these instruments helped performance. Currency forwards, which were used to manage our currency exposures, were additive for results.

Performance review

For the twelve months ended December 31, 2013, Western Asset/Claymore Inflation-Linked Securities & Income Fund returned -8.29% based on its net asset value (NAV[x]) and -10.15% 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[xi] and the Barclays U.S. Government Inflation-Linked All Maturities Index[xii], returned -5.59% and -9.26%, respectively, for the same period. The Barclays World Government Inflation-Linked All Maturities Index[xiii] and the Fund s Custom Benchmark[xiv] returned -4.84% and -8.55%, respectively, over the same time frame.

During the twelve-month period, the Fund made distributions to shareholders totaling $0.38 per share*. The performance table shows the Fund s twelve-month total return based on its NAV and market price as of December 31, 2013. **Past performance is no guarantee of future results.**

Performance Snapshot as of December 31, 2013

Price Per Share	12-Month Total Return**
$13.14 (NAV)	-8.29%
$11.42 (Market Price)	-10.15%

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.**

* Distributions paid by the Fund may be comprised of income, capital gains and/or return of capital. For the character of distributions paid during the fiscal year ended December 31, 2013, please refer to page 17 of this report.

Total return assumes the reinvestment of all distributions at NAV.

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

Q. What were the leading contributors to performance?

A. The largest contributor to the Fund s absolute performance during the reporting period was our allocation to investment grade corporate bonds. Their spreads narrowed as corporate profits often exceeded expectations and investor demand was generally solid as they looked to generate incremental yield in the low interest rate environment. In particular, our positions in Verizon Communications, Barclays Bank and GE Capital Corp. were positive for results.

The Fund s allocation to non-agency mortgage-backed securities was also beneficial. They were supported by attractive yields, continued principal paydowns and signs of improvement in the housing market.

Q. What were the leading detractors from performance?

A. The largest detractor from the Fund s absolute performance for the period was its allocation to TIPS. They performed poorly given sharply rising rates, benign inflation and weak demand. While we held a defensive exposure to U.S. TIPS throughout the year, the fact that the Fund will always hold a significant amount of U.S. TIPS ensured they hurt absolute performance.

Elsewhere, several government-related bonds were a drag on the Fund s performance, including its allocations to United Mexican States and Petroleos Mexicanos.

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 24, 2014

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, 2013 and are subject to change and may not be representative of the portfolio managers current or future investments. Please refer to pages 8 through 13 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

Fund overview (cont d)

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, 2013 were: U.S. Treasury Inflation Protected Securities (90.9%), Corporate Bonds & Notes (14.5%), Sovereign Bonds (5.2%), Collateralized Mortgage Obligations (1.4%) and Non-U.S. Treasury Inflation Protected Securities (1.2%). 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] The Barclays U.S. TIPS Index represents an unmanaged market index made up of U.S. Treasury Inflation-Linked Index securities.
[ix] The yield curve is the graphical depiction of the relationship between the yield on bonds of the of the same credit quality but different maturities.

[x] Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total investments) 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.

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

[xii] 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.

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

[xiv] The Custom Benchmark is comprised of 90% Barclays U.S. Government Inflation-Linked All Maturities Index and 10% Barclays U.S. Credit Index. The Barclays 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, 2013 and December 31, 2012 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, 2013

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, 2013

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, 2013

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
U.S. Treasury Inflation Protected Securities 90.9%				
U.S. Treasury Bonds, Inflation Indexed	2.375%	1/15/25	4,968,791	$ 5,711,392
U.S. Treasury Bonds, Inflation Indexed	2.000%	1/15/26	482,484	534,125
U.S. Treasury Bonds, Inflation Indexed	1.750%	1/15/28	32,465,597	34,758,480
U.S. Treasury Bonds, Inflation Indexed	3.625%	4/15/28	11,552,640	15,281,971
U.S. Treasury Bonds, Inflation Indexed	2.500%	1/15/29	3,709,637	4,359,402
U.S. Treasury Bonds, Inflation Indexed	3.875%	4/15/29	3,793,456	5,198,814
U.S. Treasury Bonds, Inflation Indexed	2.125%	2/15/40	615,953	692,082
U.S. Treasury Bonds, Inflation Indexed	2.125%	2/15/41	12,798,600	14,380,430
U.S. Treasury Bonds, Inflation Indexed	0.750%	2/15/42	23,486,823	18,881,198
U.S. Treasury Bonds, Inflation Indexed	0.625%	2/15/43	5,628,086	4,327,469
U.S. Treasury Notes, Inflation Indexed	1.625%	1/15/15	4,587,038	4,725,364
U.S. Treasury Notes, Inflation Indexed	0.500%	4/15/15	21,598,511	22,072,663
U.S. Treasury Notes, Inflation Indexed	2.000%	1/15/16	46,059,561	49,085,812 [(a)]
U.S. Treasury Notes, Inflation Indexed	0.125%	4/15/16	783,031	804,014
U.S. Treasury Notes, Inflation Indexed	2.500%	7/15/16	659,228	723,297
U.S. Treasury Notes, Inflation Indexed	2.375%	1/15/17	14,488,957	15,944,648 [(a)]
U.S. Treasury Notes, Inflation Indexed	0.125%	4/15/17	5,141,650	5,284,650
U.S. Treasury Notes, Inflation Indexed	2.625%	7/15/17	16,194,128	18,215,867
U.S. Treasury Notes, Inflation Indexed	1.625%	1/15/18	836,168	908,744
U.S. Treasury Notes, Inflation Indexed	0.125%	4/15/18	9,063,378	9,243,938
U.S. Treasury Notes, Inflation Indexed	1.375%	7/15/18	7,354,453	7,970,962
U.S. Treasury Notes, Inflation Indexed	2.125%	1/15/19	3,046,036	3,401,566
U.S. Treasury Notes, Inflation Indexed	1.250%	7/15/20	7,209,837	7,713,401
U.S. Treasury Notes, Inflation Indexed	1.125%	1/15/21	8,776,658	9,224,408
U.S. Treasury Notes, Inflation Indexed	0.625%	7/15/21	13,585,893	13,790,741
U.S. Treasury Notes, Inflation Indexed	0.125%	1/15/22	27,604,663	26,530,675
U.S. Treasury Notes, Inflation Indexed	0.125%	7/15/22	10,105,917	9,680,366
U.S. Treasury Notes, Inflation Indexed	0.125%	1/15/23	36,630,418	34,595,708 [(a)]
U.S. Treasury Notes, Inflation Indexed	0.375%	7/15/23	4,375,870	4,220,321
Total U.S. Treasury Inflation Protected Securities (Cost $362,763,858)				**348,262,508**
Asset-Backed Securities 0.1%				
Amresco Residential Securities Mortgage Loan Trust, 1997-3 M1A	0.720%	9/25/27	1,139	1,075 [(b)]
Asset-Backed Funding Certificates, 2004-OPT2 M1	0.990%	8/25/33	28,972	27,810 [(b)]
EMC Mortgage Loan Trust, 2004-C A1	0.715%	3/25/31	18,708	18,037 [(b)(c)]
Structured Asset Securities Corp., 2002-AL1 A3	3.450%	2/25/32	181,572	179,121
Total Asset-Backed Securities (Cost $124,448)				**226,043**

See Notes to Financial Statements.

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations 1.4%				
Banc of America Mortgage Securities Inc., 2003-D	2.872%	5/25/33	49,693	$ 48,917 (b)
Bear Stearns Adjustable Rate Mortgage Trust, 2004-9 24A1	5.148%	11/25/34	94,852	92,429 (b)
Chase Mortgage Finance Corp., 2007-A1 2A3	2.710%	2/25/37	24,537	24,475 (b)
Countrywide Alternative Loan Trust, 2004-J1	6.000%	2/25/34	4,910	4,988
Federal Home Loan Mortgage Corp. (FHLMC), 4013 AI, IO	4.000%	2/15/39	5,690,671	1,070,797
Federal Home Loan Mortgage Corp. (FHLMC), 4057 UI, IO	3.000%	5/15/27	2,755,764	325,106
Federal Home Loan Mortgage Corp. (FHLMC), 4085, IO	3.000%	6/15/27	2,581,994	371,634
Government National Mortgage Association (GNMA), 2011-121 IO, IO	1.048%	6/16/43	13,757,166	624,864 (b)
Government National Mortgage Association (GNMA), 2011-142 IO, IO	0.952%	9/16/46	12,754,760	682,954 (b)
Government National Mortgage Association (GNMA), 2011-152 IO, IO	1.347%	8/16/51	9,969,262	588,496 (b)
Government National Mortgage Association (GNMA), 2012-112 IO, IO	0.870%	2/16/53	9,608,101	656,147 (b)
Government National Mortgage Association (GNMA), 2012-125 IO, IO	0.856%	2/16/53	4,377,110	315,358 (b)
GSR Mortgage Loan Trust, 2004-11 1A1	2.649%	9/25/34	207,670	193,904 (b)
JPMorgan Mortgage Trust, 2003-A1 1A1	2.023%	10/25/33	47,009	46,483 (b)
JPMorgan Mortgage Trust, 2004-A1 1A1	2.303%	2/25/34	10,367	10,186 (b)
JPMorgan Mortgage Trust, 2006-A2 5A1	2.550%	11/25/33	9,710	9,661 (b)
Merrill Lynch Mortgage Investors Inc., 2003-H A3	2.024%	1/25/29	8,234	8,145 (b)
Merrill Lynch Mortgage Investors Trust, 2004-A1 2A1	2.454%	2/25/34	21,695	21,624 (b)
Residential Asset Mortgage Products Inc., 2004-SL2 A4	8.500%	10/25/31	13,940	15,410
Residential Asset Mortgage Products Inc., 2004-SL4 A5	7.500%	7/25/32	97,167	94,568
Sequoia Mortgage Trust, 2003-8 A1	0.807%	1/20/34	25,389	24,723 (b)
WaMu Mortgage Pass-Through Certificates, 2003-AR8 A	2.422%	8/25/33	21,131	21,161 (b)
WaMu Mortgage Pass-Through Certificates, 2007-HY1 1A1	2.409%	2/25/37	229,342	184,363 (b)
Washington Mutual Inc. Pass-Through Certificates, 2003-AR10 A7	2.427%	10/25/33	69,174	70,307 (b)
Washington Mutual Inc., MSC Pass-Through Certificates, 2004-RA1 2A	7.000%	3/25/34	23,843	25,082
Total Collateralized Mortgage Obligations (Cost $5,075,525)				**5,531,782**
Corporate Bonds & Notes 14.5%				
Consumer Discretionary 0.4%				
Automobiles 0.4%				
Ford Motor Credit Co., LLC, Senior Notes	5.875%	8/2/21	1,400,000	**1,587,193**

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2013

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Consumer Staples 1.3%				
Tobacco 1.3%				
Altria Group Inc., Senior Notes	2.850%	8/9/22	850,000	$ 782,613
Altria Group Inc., Senior Notes	9.950%	11/10/38	1,000,000	1,525,401
Reynolds American Inc., Senior Notes	3.250%	11/1/22	1,920,000	1,769,694
Reynolds American Inc., Senior Notes	4.750%	11/1/42	1,000,000	888,821
Total Consumer Staples				**4,966,529**
Energy 0.6%				
Oil, Gas & Consumable Fuels 0.6%				
Petrobras International Finance Co., Senior Notes	6.750%	1/27/41	1,123,000	1,044,876
Petroleos Mexicanos, Senior Notes	5.500%	6/27/44	1,277,000	1,165,263
Total Energy				**2,210,139**
Financials 7.5%				
Capital Markets 0.3%				
Goldman Sachs Group Inc., Senior Notes	6.250%	9/1/17	1,000,000	*1,144,860*
Commercial Banks 2.7%				
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	2,160,000	2,300,400
Credit Agricole SA, Subordinated Bonds	8.125%	9/19/33	1,000,000	1,105,000 (b)(c)
HSBC USA Inc., Senior Notes	2.375%	2/13/15	800,000	816,293
Wachovia Capital Trust III, Junior Subordinated Bonds	5.570%	2/10/14	2,700,000	2,470,500 (b)(d)
Wells Fargo & Co., Senior Notes	1.500%	1/16/18	2,500,000	2,483,850
Wells Fargo & Co., Subordinated Notes	5.375%	11/2/43	1,300,000	1,331,208
Total Commercial Banks				*10,507,251*
Consumer Finance 0.7%				
American Express Co., Subordinated Debentures	6.800%	9/1/66	750,000	799,125 (b)
American Express Credit Corp., Senior Notes	2.750%	9/15/15	1,030,000	1,065,903
HSBC Finance Corp., Senior Notes	6.676%	1/15/21	700,000	804,326
Total Consumer Finance				*2,669,354*
Diversified Financial Services 3.5%				
Bank of America Corp., Senior Notes	4.500%	4/1/15	940,000	983,406
Bank of America Corp., Senior Notes	6.500%	8/1/16	970,000	1,095,215
Bank of America Corp., Senior Notes	4.100%	7/24/23	750,000	753,182
Citigroup Inc., Senior Notes	6.010%	1/15/15	1,273,000	1,340,524
Citigroup Inc., Subordinated Notes	6.675%	9/13/43	1,500,000	1,725,942
General Electric Capital Corp., Junior Subordinated Bonds	6.250%	12/15/22	2,000,000	2,065,000 (b)(d)
General Electric Capital Corp., Senior Notes	6.875%	1/10/39	1,500,000	1,928,394
JPMorgan Chase & Co., Junior Subordinated Bonds	5.150%	5/1/23	2,250,000	2,019,375 (b)(d)
JPMorgan Chase & Co., Subordinated Notes	5.625%	8/16/43	1,500,000	1,585,161
Total Diversified Financial Services				*13,496,199*

See Notes to Financial Statements.

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Insurance 0.3%				
American International Group Inc., Senior Notes	5.050%	10/1/15	1,000,000	*$ 1,071,044*
Total Financials				**28,888,708**
Health Care 0.7%				
Pharmaceuticals 0.7%				
Mallinckrodt International Finance SA, Senior Notes	4.750%	4/15/23	1,500,000	1,384,407 (c)
Teva Pharmaceutical Finance Co. BV, Senior Notes	2.950%	12/18/22	1,470,000	1,330,897
Total Health Care				**2,715,304**
Industrials 0.2%				
Airlines 0.2%				
Air Canada, Pass-Through Trust, Secured Notes	4.125%	5/15/25	1,000,000	**975,000** (c)
Materials 1.1%				
Chemicals 0.2%				
LyondellBasell Industries NV, Senior Notes	6.000%	11/15/21	750,000	*862,584*
Metals & Mining 0.9%				
Freeport-McMoRan Copper & Gold Inc., Senior Notes	3.550%	3/1/22	2,200,000	2,090,880
Vale SA, Senior Notes	5.625%	9/11/42	1,362,000	1,236,400
Total Metals & Mining				*3,327,280*
Total Materials				**4,189,864**
Telecommunication Services 2.4%				
Diversified Telecommunication Services 2.4%				
Verizon Communications Inc., Senior Notes	3.650%	9/14/18	1,920,000	2,032,443
Verizon Communications Inc., Senior Notes	5.150%	9/15/23	4,430,000	4,756,456
Verizon Communications Inc., Senior Notes	6.550%	9/15/43	1,920,000	2,246,321
Total Telecommunication Services				**9,035,220**
Utilities 0.3%				
Electric Utilities 0.3%				
FirstEnergy Corp., Notes	7.375%	11/15/31	1,000,000	**1,086,584**
Total Corporate Bonds & Notes (Cost $55,243,002)				**55,654,541**
Non-U.S. Treasury Inflation Protected Securities 1.2%				
Canada 1.2%				
Government of Canada, Bonds (Cost $5,417,933)	4.250%	12/1/26	3,641,586 CAD	**4,787,593**
Sovereign Bonds 5.2%				
Brazil 3.0%				
Federative Republic of Brazil, Notes	10.000%	1/1/21	9,000,000 BRL	3,315,868
Federative Republic of Brazil, Notes	6.000%	8/15/22	16,927,678 BRL	7,122,917
Federative Republic of Brazil, Senior Notes	4.875%	1/22/21	920,000	970,600
Total Brazil				*11,409,385*

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2013

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Mexico 1.2%				
United Mexican States, Bonds	6.500%	6/9/22	47,600,000 MXN	$ 3,685,487
United Mexican States, Medium-Term Notes	6.050%	1/11/40	840,000	913,500
Total Mexico				*4,598,987*
South Africa 1.0%				
Republic of South Africa, Senior Notes	5.875%	9/16/25	3,700,000	*3,848,000*
Total Sovereign Bonds (Cost $21,290,961)				**19,856,372**
U.S. Government & Agency Obligations 0.3%				
U.S. Government Obligations 0.3%				
U.S. Treasury Notes	1.625%	8/15/22	700,000	635,961
U.S. Treasury Notes	2.500%	8/15/23	400,000	384,125
Total U.S. Government & Agency Obligations (Cost $1,099,060)				**1,020,086**
		Expiration Date	Contracts	
Purchased Options 0.0%				
U.S. Treasury 10-Year Notes Futures, Put @ $122.50 (Cost $76,785)		1/24/14	203	**76,125**
Total Investments before Short-Term Investments (Cost $451,091,572)				**435,415,050**
		Maturity Date	Face Amount	
Short-Term Investments 0.3%				
Repurchase Agreements 0.3%				
Barclays Capital Inc. repurchase agreement dated 12/31/13; Proceeds at maturity $1,110,001; (Fully collateralized by U.S. government obligations, 2.000% due 04/30/16; Market value $1,132,843) (Cost $1,110,000)	0.010%	1/2/14	1,110,000	**1,110,000**
Total Investments 113.9% (Cost $452,201,572#)				**436,525,050**
Liabilities in Excess of Other Assets (13.9)%				(53,426,123)
Total Net Assets 100.0%				**$ 383,098,927**

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.

Aggregate cost for federal income tax purposes is $452,867,763.

See Notes to Financial Statements.

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Abbreviations used in this schedule:

BRL	Brazilian Real
CAD	Canadian Dollar
IO	Interest Only
MXN	Mexican Peso

Schedule of Written Options

Security	Expiration Date	Strike Price	Contracts	Value
U.S. Treasury 10-Year Notes Futures, Put (Premiums received $24,715)	1/24/14	$120.50	203	**$ 9,515**

See Notes to Financial Statements.

Statement of assets and liabilities

December 31, 2013

Assets:	
Investments, at value (Cost $452,201,572)	$ 436,525,050
Foreign currency, at value (Cost $352,513)	342,645
Cash	82
Interest receivable	3,139,830
Deposits with brokers for open futures contracts	1,832,875
Receivable from broker variation margin on open futures contracts	263,408
Foreign currency collateral for open futures contracts, at value (Cost $151,568)	173,340
Unrealized appreciation on forward foreign currency contracts	68,763
Prepaid expenses	14,207
Total Assets	***442,360,200***
Liabilities:	
Payable for open reverse repurchase agreements (Note 3)	58,909,706
Investment management fee payable	150,588
Servicing agent fees payable	56,470
Administration fee payable	19,110
Interest payable	15,792
Unrealized depreciation on forward foreign currency contracts	15,775
Written options, at value (premiums received $24,715)	9,515
Accrued expenses	84,317
Total Liabilities	***59,261,273***
Total Net Assets	**$ 383,098,927**
Net Assets:	
Common shares, no par value, unlimited number of shares authorized, 29,152,821 shares issued and outstanding (Note 5)	400,518,209
Undistributed net investment income	34,112
Accumulated net realized loss on investments, futures contracts, written options, swap contracts and foreign currency transactions	(2,873,102)
Net unrealized depreciation on investments, futures contracts, written options and foreign currencies	(14,580,292)
Total Net Assets	**$ 383,098,927**
Shares Outstanding	29,152,821
Net Asset Value	$13.14

See Notes to Financial Statements.

Statement of operations

For the Year Ended December 31, 2013

Investment Income:	
Interest	***$ 5,906,158***
Expenses:	
Investment management fee (Note 2)	1,663,659
Servicing agent fees (Note 2)	623,872
Administration fees (Note 2)	225,001
Legal fees	108,177
Trustees fees	101,665
Transfer agent fees	90,517
Fund accounting fees	45,670
Shareholder reports	40,215
Audit and tax	38,516
Stock exchange listing fees	23,639
Interest expense (Note 3)	18,976
Insurance	9,490
Custody fees	7,542
Miscellaneous expenses	6,134
Total Expenses	***3,003,073***
Net Investment Income	**2,903,085**
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	10,046,719
Futures contracts	(666,901)
Written options	1,871,568
Swap contracts	362,811
Foreign currency transactions	697,041
Net Realized Gain	***12,311,238***
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	(51,461,517)
Futures contracts	863,847
Written options	23,337
Swap contracts	(240,168)
Foreign currencies	341,690
Change in Net Unrealized Appreciation (Depreciation)	***(50,472,811)***
Net Loss on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign Currency Transactions	**(38,161,573)**
Decrease in Net Assets from Operations	**$ (35,258,488)**

See Notes to Financial Statements.

Statements of changes in net assets

For the Years Ended December 31,	2013	2012
Operations:		
Net investment income	$ 2,903,085	$ 7,570,259
Net realized gain	12,311,238	24,357,301
Change in net unrealized appreciation (depreciation)	(50,472,811)	(4,287,902)
Increase (Decrease) in Net Assets From Operations	***(35,258,488)***	***27,639,658***
Distributions to Shareholders From (Note 1):		
Net investment income	(3,311,760)	(10,261,792)
Net realized gains	(7,882,923)	
Decrease in Net Assets From Distributions to Shareholders	***(11,194,683)***	***(10,261,792)***
Increase (Decrease) in Net Assets	***(46,453,171)***	***17,377,866***
Net Assets:		
Beginning of year	429,552,098	412,174,232
End of year*	**$ 383,098,927**	**$ 429,552,098**
* Includes undistributed (overdistributed) net investment income, respectively, of:	$34,112	$(597,253)

See Notes to Financial Statements.

Financial highlights

For a share of capital stock outstanding throughout each year ended December 31:	2013	2012	2011	2010	2009
Net asset value, beginning of year	$14.73	$14.14	$13.15	$12.85	$11.48
Income (loss) from operations:					
Net investment income[1]	0.10	0.26	0.52	0.33	0.35
Net realized and unrealized gain (loss)	(1.31)	0.68	0.97	0.42	1.49
Total income (loss) from operations	***(1.21)***	***0.94***	***1.49***	***0.75***	***1.84***
Less distributions from:					
Net investment income	(0.11)	(0.35)	(0.50)	(0.36)	(0.37)
Net realized gains	(0.27)				
Return of capital				(0.09)	(0.10)
Total distributions	***(0.38)***	***(0.35)***	***(0.50)***	***(0.45)***	***(0.47)***
Net asset value, end of year	$13.14	$14.73	$14.14	$13.15	$12.85
Market price, end of year	$11.42	$13.11	$12.64	$12.82	$12.30
Total return, based on NAV[2,3]	***(8.29)%***	***6.72%***	***11.53%***	***5.91%***	***16.39%***
Total return, based on Market Price[4]	***(10.15)%***	***6.54%***	***2.54%***	***7.99%***	***18.51%***
Net assets, end of year (000s)	$383,099	$429,552	$412,174	$383,244	$374,527
Ratios to average net assets:[5]					
Gross expenses	0.74%	0.70%	0.68%	0.76%	0.97%
Net expenses[6]	0.74	0.70	0.68	0.76	0.97
Net investment income	0.72	1.79	3.79	2.52	2.91
Portfolio turnover rate	**65%**	**73%**	**58%**	**43%**	**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] Gross expenses reflects operating expenses prior to any compensating balance arrangements, fee waivers and/or expense reimbursements. Net expenses reflects expenses less any compensating balance arrangements, fee waivers and/or expense reimbursements.

[6] 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)

Notes to financial statements (cont d)

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

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		$ 348,262,508		$ 348,262,508
Asset-backed securities		226,043		226,043
Collateralized mortgage obligations		5,531,782		5,531,782
Corporate bonds & notes		55,654,541		55,654,541
Non-U.S. treasury inflation protected securities		4,787,593		4,787,593
Sovereign bonds		19,856,372		19,856,372
U.S. government & agency obligations		1,020,086		1,020,086
Purchased options	$ 76,125			76,125
Total long-term investments	$ 76,125	$ 435,338,925		$ 435,415,050
Short-term investments		1,110,000		1,110,000
Total investments	**$ 76,125**	**$ 436,448,925**		**$ 436,525,050**
Other financial instruments:				
Futures contracts	1,414,899			1,414,899
Forward foreign currency contracts		68,763		68,763
Total other financial instruments	**$ 1,414,899**	**$ 68,763**		**$ 1,483,662**
Total	**$ 1,491,024**	**$ 436,517,688**		**$ 438,008,712**

LIABILITIES

Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other financial instruments:				
Written options	$ 9,515			$ 9,515
Futures contracts	381,944			381,944
Forward foreign currency contracts		$ 15,775		15,775
Total	**$ 391,459**	**$ 15,775**		