

WESTERN ASSET INFLATION-LINKED INCOME FUND
Form N-CSRS
July 26, 2018

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 Inflation-Linked Income Fund
(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY 10018
(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

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

Date of fiscal year end: November 30

Date of reporting period: May 31, 2018

ITEM 1. REPORT TO STOCKHOLDERS.

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

Semi-Annual Report

May 31, 2018

WESTERN ASSET
INFLATION-LINKED
INCOME FUND (WIA)

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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 Inflation-Linked Income Fund (the Fund). As investment adviser for the Fund, we are pleased to submit the Fund's semi-annual shareholder report for the six-month reporting period ended May 31, 2018.

Special shareholder notice:

On April 27, 2018, Western Asset/Claymore Inflation-Linked Securities & Income Fund (WIA) was renamed Western Asset Inflation-Linked Income Fund. The Fund's common shares continue to trade under its existing New York Stock Exchange symbol and its CUSIP (95766Q106) remains the same. In addition, on February 26, 2018, the Fund announced new management arrangements designed to reduce shareholder expenses and enhance management efficiencies for the Fund. As a result of changes approved by the Fund's Board of Trustees, aggregate annual advisory, administration and servicing fee rates for the Fund are expected to decrease by approximately 16.5 basis points (bps) (1 bps = 0.01%) of total Fund assets, including assets attributable to leverage, on an annual basis.

Shareholder savings on the Fund will result from Western Asset Management Company, LLC (formerly known as Western Asset Management Company) (Western Asset) reducing its contractual investment advisory fee rate from 40 to 35 bps and Legg Mason Partners Fund Advisor, LLC (LMPFA) replacing Security Investors, LLC (Security Investors), and assuming its servicing and administration responsibilities for the Fund, for a total of 5 bps including the services LMPFA already provides to the Fund. These changes were effective April 27, 2018 and were therefore not effective for the entire six-month reporting period. Western Asset's portfolio management team for the Fund, and the Fund's investment strategies, have not changed as a result of restructuring the management arrangements for the Fund.

For the six-month period reporting period ended May 31, 2018, the Fund returned 0.43% based on its net asset value (NAV).

and -0.40% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Bloomberg Barclays U.S. Government Inflation-Linked 1-10 Year Indexⁱⁱ and the Bloomberg Barclays U.S. Government Inflation-Linked All Maturities Indexⁱⁱⁱ, returned 0.40% and 0.50%, respectively, for the same period. All Fund returns cited whether based on NAV or market price assume the reinvestment of all distributions, including returns of capital, if any. 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. Details of Fund fees and expenses appear elsewhere in this report.

A number of adjustments were made to the Fund during the reporting period. We decreased the Fund's exposures to U.S. Treasury Inflation-Protected Securities (TIPS)^{iv}, while increasing the Fund's allocation to emerging market sovereigns where we found more attractive opportunities. We also increased the Fund's duration^v, largely in the two- to five-year portion of the yield curve^{vi}. However, we pared the Fund's longer duration positions given less attractive valuations.

The Fund employed U.S. Treasury futures and options, including options on futures, Eurodollar futures, Euro-bund futures and Euro-BTP futures during the reporting period to manage its yield curve positioning and interest rate risk, or duration. The use of these derivative instruments generally contributed to performance. Credit default swap (CDX) basket contracts were employed to achieve synthetic exposure to the broad investment grade corporate bond market.

Finally, currency forwards and currency futures, which were used to manage the Fund's currency exposures, contributed to performance, benefiting from a diversified exposure to a range of currencies including the yen, euro and Mexican peso.

Leverage was used to increase the Fund's credit bond exposure, which served to add yield to the portfolio. We ended the reporting period with leverage as a percentage of gross assets of roughly 28% versus 28% when the period began.

Several strategies contributed in roughly equal measure to the Fund's absolute performance during the reporting period. These included the Fund's tactical allocation to nominal U.S. Treasuries and Treasury futures as their yields moved higher, investments in commodities, in particular oil, and allocations to both corporate and structured product sectors. Examples of investment grade corporate bonds that aided the Fund's results were Noble Energy and Continental Resources, both of which benefited from rising oil prices. High-yield corporate bonds that benefited performance included Valeant Pharmaceuticals and Oasis Petroleum.

The Fund's exposure to securitized products was also rewarded. In particular, the Fund's allocations to non-agency residential mortgage-backed securities, commercial mortgage-backed securities and asset-backed securities were beneficial for results as they generated positive returns. Elsewhere, the Fund's allocation to TIPS and its duration positioning contributed to performance. An allocation to emerging markets was also additive to returns.

The largest detractor from the Fund's absolute performance for the reporting period

Letter to shareholders (cont'd)

was its non-U.S. dollar currency and rate exposures. The main currency detractors included exposures to the Argentine peso, Russian ruble and Brazilian real. The Fund's interest rate risk, or duration and yield curve management, was also a modest headwind for returns. Finally, certain investment grade corporate bonds detracted from returns, such as Southern Copper and Barclays Plc. High-yield corporate bonds that were negative for results included Sanchez Energy and MEG Energy.

As of May 31, 2018, the Fund's market price of \$11.37 per share represented a discount of 12.06% to its NAV of \$12.93 per share. In each month of the reporting period, the Fund provided its investors with a distribution of \$0.0345 per share. The most recent distribution represents an annualized distribution rate of 3.64% based on the Fund's last closing market price of \$11.37 as of May 31, 2018. There is no guarantee of any future distributions or that the current returns and distribution rate will be maintained. Please see Note 1(p) on page 31 for more information on distributions for the period.

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 and at the time of purchase, the Fund will:

Invest at least 80% of its total managed assets^{viii} in inflation-linked securities

Invest no more than 10% of its total managed assets in assets rated below investment grade at the time of purchase (or, if unrated, assets of comparable quality as determined by management)

Invest at least 60% of its total managed assets in TIPS

Invest 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)

Engage in currency strategies, using instruments such as currency forwards, futures and options, to take long and short foreign currency positions subject to a limit of exposure from such strategies to 40% of total managed assets. This capacity is in addition to the capacity to have 20% unhedged exposure to non-U.S. dollar currencies through the purchase of fixed income securities

Utilize commodity-related strategies for up to 10% of its total managed assets. Exposure to commodities is expected to be achieved through the use of a variety of instruments, such as futures contracts, options and other derivatives, or through investments in exchange-traded products that offer exposure to commodities. The Fund does not expect to hold physical commodities.

Each of the foregoing policies is a non-fundamental policy that may be changed without shareholder approval. The Fund also has 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. 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^{viii} of its portfolio will range between zero and fifteen years, although this target duration may change from time to time. The portfolio's duration was 6.58 years as of May 31, 2018. 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.

In March 2016, the Board of Trustees (the Board) authorized management to repurchase in the open market up to approximately 10% of the Fund's outstanding common shares when the shares are trading at a discount to NAV and when such purchases could enhance shareholder value. The Fund is under no obligation to purchase shares at any specific discount levels or in any specific amounts. Although the Fund's shares traded at a discount during the reporting period, in accordance with the Board's authorization of repurchases, management believed that there were more compelling investment opportunities to generate income for shareholders in line with the Fund's primary investment objectives and, accordingly, the Fund did not repurchase any shares during the reporting period.

Shareholders have the opportunity to reinvest their dividends from the Fund through the Dividend Reinvestment Plan (DRIP), which is described in detail on page 40 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 call 1-888-777-0102 or visit the Fund's website at www.lmcef.com (click on the name of the Fund).

Sincerely,

Western Asset Management Company, LLC

June 29, 2018

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 Bloomberg Barclays U.S. Government Inflation-Linked 1- 10 Year Index measures the performance of the intermediate U.S. TIPS market.
- ⁱⁱⁱ The Bloomberg 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 thirty-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 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 yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- ^{vii} Total managed assets equals the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage).
- ^{viii} Effective duration is a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change. Please note, duration measures the sensitivity of price (the value of principal) of a fixed-income investment to a change in interest rates.

Investment commentary

Economic review

Economic activity in the U.S. was somewhat mixed during the six months ended May 31, 2018 (the reporting period). Looking back, the U.S. Department of Commerce reported that third and fourth quarter 2017 U.S. gross domestic product (GDP) growth was 3.2% and 2.9%, respectively. Finally, the U.S. Department of Commerce's final reading for first quarter 2018 GDP growth released after the reporting period ended was 2.0%. More modest GDP growth in the first quarter reflected decelerations in personal consumption expenditures (PCE), exports, state and local government spending, and federal government spending and a downturn in residential fixed investment. These movements were partly offset by a smaller decrease in private inventory investment and a larger increase in nonresidential fixed investment.

Job growth in the U.S. was solid overall and supported the economy during the reporting period. When the reporting period ended on May 31, 2018, the unemployment rate was 3.8%, as reported by the U.S. Department of Labor. This was the lowest unemployment rate since April 2000. The percentage of longer-term unemployed declined during the reporting period. In May 2018, 19.4% of Americans looking for a job had been out of work for more than six months, versus

22.9% when the period began.

Investment commentary (cont d)

Market review

Q. How did the Federal Reserve Board (the Fed) respond to the economic environment?

A. The Fed increased the federal funds rateⁱⁱⁱ twice during the reporting period. Looking back, at its meeting that concluded on September 20, 2017 before the reporting period began the Fed kept rates on hold but reiterated its intention to begin reducing its balance sheet, saying, "In October, the Committee will initiate the balance sheet normalization program." At its meeting that ended on December 13, 2017, the Fed raised rates to a range between 1.25% and 1.50%. As expected, the Fed kept rates on hold at its meeting that concluded on January 31, 2018. However, at its meeting that ended on March 21, 2018, the Fed again raised the federal funds rate, moving it to a range between 1.50% and 1.75%. Finally, at its meeting that concluded on June 13, 2018 after the reporting period ended the Fed raised the federal funds rate to a range between 1.75% and 2.00%.

Q. Did Treasury yields trend higher or lower during the reporting period?

A. Both short-term and longer-term Treasury yields moved higher during the six-month reporting period ended May 31, 2018. The yield for the two-year Treasury note began the reporting period at 1.78% equaling its low for the period and ended the period at 2.40%. Its peak for the period of 2.59% occurred on May 22, 2018. The yield for the ten-year Treasury began the reporting period at 2.42% and ended the period at 2.83%. The low for the period of 2.33% occurred on December 6, 2017 and the high for the period of 3.11% took place on May 17, 2018.

Q. What factors impacted the spread sectors (non-Treasuries) during the reporting period?

A. Most spread sectors generally posted weak results during the reporting period. Performance fluctuated given changing expectations for global growth, uncertainties regarding future central bank monetary policy, the signing of the U.S. tax reform bill in December 2017 and concerns over a global trade war. All told, the broad U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Index^{iv}, returned -1.04% during the six-month reporting period ended May 31, 2018.

Q. What was the inflationary environment during the reporting period?

A. Inflation remained generally well contained during the reporting period. For the six months ended May 31, 2018, the seasonally unadjusted rate of inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U)^v, was 1.99%. The CPI-U less food and energy was 1.57% over the same period. Inflation-protected securities generated a small gain during the reporting period. For the six months ended May 31, 2018, the Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index^{vi} returned 0.49%.

Q. How did the high-yield bond market perform over the reporting period?

A. The U.S. high-yield bond market, as measured by the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index^{vii}, returned 0.06% for the six months ended May 31, 2018. The high-yield market posted a modest gain during the first two months of the reporting period. Those gains were then erased in February and March.

2018. This turnaround was triggered by a number of factors, including fears that the Fed may take a more aggressive approach to rate hikes, trade war concerns and high-profile issues in the technology industry. However, the high yield market then rallied in April 2018 and was relatively flat in May 2018.

Q. How did the emerging markets debt asset class perform over the reporting period?

A. The JPMorgan Emerging Markets Bond Index Global (EMBI Global) returned -3.66% during the six months ended May 31, 2018. The asset class produced choppy results during the reporting period. At times it was supported by solid investor demand, less concern over a significant shift in U.S. trade policy and a weakening U.S. dollar. However, at other times it was dragged down by rising U.S. interest rates, periods of investor risk aversion and geopolitical issues. In addition, the U.S. dollar rallied in April and May 2018, negatively impacting the performance of the asset class.

Performance review

For the six months ended May 31, 2018, Western Asset Inflation-Linked Income Fund returned 0.43% based on its net asset value (NAV) and -0.40% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Bloomberg Barclays U.S. Government Inflation-Linked 1-10 Year Index and the Bloomberg Barclays U.S. Government Inflation-Linked All Maturities Index, returned 0.40% and 0.50%, respectively, for the same period. The Bloomberg Barclays World Government Inflation-Linked All Maturities Index and the Fund's Custom Benchmark returned -0.40% and 0.27%, respectively, over the same time frame.

During this six-month period, the Fund made distributions to shareholders totaling \$0.21 per share. As of May 31, 2018, the Fund estimates that all of the distributions were sourced from net investment income.* The performance table shows the Fund's six-month total return based on its NAV and market price as of May 31, 2018. **Past performance is no guarantee of future results.**

Performance Snapshot as of May 31, 2018
(unaudited)

	6-Month
Price Per Share	Total Return**
\$12.93 (NAV)	0.43%
\$11.37 (Market Price)	-0.40%

All figures represent past performance and are not a guarantee of future results. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

Fund performance at NAV reflects fee waivers and/or expense reimbursements, without which the performance would have been lower.

**** Total returns are based on changes in NAV or market price, respectively. Returns reflect the deduction of all Fund expenses, including management fees, operating**

*These estimates are not for tax purposes. The Fund will issue a Form 1099 with final composition of the distributions for tax purposes after year end. A return of capital is not taxable and results in a reduction in the tax basis of a shareholder's investment. For more information about a distribution's composition, please refer to the Fund's distribution press release or, if applicable, the Section 19 notice located in the press release section of our website, www.lmcef.com (click on the name of the Fund).

Investment commentary (cont'd)

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, including returns of capital, if any, at NAV.

Total return assumes the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

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 NAV. Since the Fund is listed on the NYSE, the share price may trade above (premium) or below (discount) its 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. 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.

Thank you for your investment in Western Asset Inflation-Linked 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, LLC

June 29, 2018

***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. Derivatives, such as options, futures, forwards and swaps, can be illiquid, create counterparty risk, may disproportionately increase losses, and may have a potentially large impact on fund performance. 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 if it invested 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.*

An investment in the Fund is subject to the following additional risks. Lower grade securities, or equivalent unrated securities, which are commonly known as junk bonds,

typically entail greater potential price volatility and may be less liquid than higher-rated securities. The Fund may have to apply a greater degree of judgment in establishing a price for lower grade securities for purposes of valuing fund shares. Changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of such securities to make principal and interest payments than is the case for higher grade securities. Lower grade securities are regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. These securities may also be more susceptible to real or perceived adverse economic and competitive industry conditions than higher rated securities. Lower grade and unrated securities are generally issued by less creditworthy issuers that may have a larger amount of outstanding debt relative to their assets than issuers of higher grade securities. In the event of an issuer's bankruptcy, claims of other creditors may have priority over the claims of lower grade security holders, leaving few or no assets available to repay lower grade security holders. The Fund may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting issuer. Lower grade securities frequently have redemption features that permit an issuer to repurchase the security from the Fund before it matures. If the issuer redeems lower grade securities, the Fund may have to invest the proceeds in securities with lower yields and may lose income. Lower grade and unrated securities involve the risk that the Fund's investment manager may not accurately evaluate the security's comparative rating. Analysis of the creditworthiness of issuers of lower grade and unrated securities may be more complex than for issuers of higher-quality securities. To the extent that the Fund holds lower grade and/or unrated securities, the Fund's success in achieving its investment objectives may depend more heavily on the Fund's investment manager's credit analysis than if the Fund held exclusively higher-quality and rated securities. If changes in the currency exchange rates do not occur as anticipated, the Fund may lose money on currency transactions. The Fund's ability to use currency transactions successfully depends on a number of factors, including the currency transactions being available at prices that are not too costly, the availability of liquid markets and the ability of the Fund to accurately predict the direction of changes in currency exchange rates. Currency exchange rates may be volatile. Currency transactions are subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. The Fund may gain exposure to the commodities markets by investing a portion of its assets in a wholly-owned subsidiary, Western Asset Inflation-Linked Income Fund CFC (the *Subsidiary*), organized under the laws of the Cayman Islands. The Fund and the Subsidiary are deemed *commodity pools* and the investment adviser is considered a *commodity pool operator* with respect to the Fund under the Commodity Exchange Act. The investment adviser, directly or through its affiliates, is therefore subject to dual regulation by the Securities and Exchange Commission (the *SEC*) and the Commodity Futures Trading Commission (the *CFTC*).

Due to recent regulatory changes, additional regulatory requirements may be imposed, and additional expenses may be incurred by the Fund. The regulatory requirements governing the use of commodity futures (which include futures on broad-based securities indexes, interest rate futures and currency futures), options on commodity futures, certain swaps or certain other investments could change at

Investment commentary (cont d)

any time. Investments by the Fund in commodity-linked derivatives may subject the Fund to greater volatility than investments in traditional securities. The value of commodity-linked derivatives may be affected by changes in overall market movements, commodity index volatility, prolonged or intense speculation by investors, changes in interest rates or factors affecting a particular industry or commodity, such as drought, floods, other weather phenomena, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. By investing in the Subsidiary, the Fund is indirectly exposed to the risks associated with the Subsidiary's investments. The investments held by the Subsidiary are generally similar to those that are permitted to be held by the Fund and are subject to the same risks that apply to similar investments if held directly by the Fund. The Subsidiary is not registered as an investment company and is not subject to all of the investor protections of the Investment Company Act of 1940 (the "1940 Act"). Changes in the laws of the United States and/or the Cayman Islands could adversely affect the Fund. For example, the Cayman Islands does not currently impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax on the Subsidiary. If Cayman Islands law changes such that the Subsidiary must pay Cayman Islands taxes, shareholders would likely suffer decreased investment returns. The Fund's exposure to commodities markets, including through the Subsidiary, may be limited by its intention to qualify as a regulated investment company for U.S. federal income tax purposes, and may interfere with its ability to qualify as such.

This material is not intended as a recommendation or as investment advice of any kind, including in connection with rollovers, transfers, and distributions. Such material is not provided in a fiduciary capacity, may not be relied upon for or in connection with the making of investment decisions, and does not constitute a solicitation of an offer to buy or sell securities. All content has been provided for informational or educational purposes only and is not intended to be and should not be construed as legal or tax advice and/or a legal opinion. Always consult a financial, tax and/or legal professional regarding your specific situation.

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 Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Federal Reserve Board (the Fed) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- iii The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- iv The Bloomberg 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.
- v 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.
- vi The Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index represents an unmanaged market index made up of U.S. Treasury Inflation-Linked Index securities.
- vii The Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Bloomberg Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed- rate, taxable corporate bond market.
- viii The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.
- ix 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.
- x The Bloomberg Barclays U.S. Government Inflation-Linked 1-10 Year Index measures the performance of the intermediate U.S. TIPS market.
- xi The Bloomberg 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.
- xii The Bloomberg Barclays World Government Inflation-Linked All Maturities Index measures the performance of the major government inflation-linked bond markets.
- xiii The Custom Benchmark is comprised of 90% Bloomberg Barclays U.S. Government Inflation-Linked All Maturities Index and 10% Bloomberg Barclays U.S. Credit Index. The Bloomberg 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 May 31, 2018 and November 30, 2017 and does not include derivatives such as forward foreign currency contracts, futures contracts and swap contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.
Represents less than 0.1%.

Spread duration (unaudited)

Economic exposure May 31, 2017

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	Bloomberg Barclays U.S. Government Inflation-Linked All Maturities Index
EM	Emerging Markets
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities
WIA	Western Asset Inflation-Linked Income Fund*

* Formerly, Western Asset/Claymore Inflation-Linked Securities & Income Fund

2 Western Asset Inflation-Linked Income Fund 2018 Semi-Annual Report

Effective duration (unaudited)

Interest rate exposure May 31, 2018

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	Bloomberg Barclays U.S. Government Inflation-Linked All Maturities Index
EM	Emerging Markets
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities
WIA	Western Asset Inflation-Linked Income Fund*

* Formerly, Western Asset/Claymore Inflation-Linked Securities & Income Fund

Consolidated schedule of investments (unaudited)

May 31, 2018

Western Asset Inflation-Linked Income Fund

Security	Rate	Maturity Date	Face Amount	Value
U.S. Treasury Inflation Protected Securities 109.5%				
U.S. Treasury Bonds, Inflation Indexed	1.250%	7/15/20	9,154,400	\$ 9,345,445
U.S. Treasury Bonds, Inflation Indexed	0.125%	4/15/22	15,392,250	15,113,770
U.S. Treasury Bonds, Inflation Indexed	2.375%	1/15/25	10,591,360	11,776,482
U.S. Treasury Bonds, Inflation Indexed	2.000%	1/15/26	53,638,124	58,891,227 (a)
U.S. Treasury Bonds, Inflation Indexed	1.750%	1/15/28	32,031,637	35,032,703 (a)
U.S. Treasury Bonds, Inflation Indexed	3.625%	4/15/28	154,293	196,461
U.S. Treasury Bonds, Inflation Indexed	2.500%	1/15/29	7,078,651	8,331,702
U.S. Treasury Bonds, Inflation Indexed	3.875%	4/15/29	7,559,789	9,989,566
U.S. Treasury Bonds, Inflation Indexed	2.125%	2/15/40	3,463,800	4,345,090
U.S. Treasury Bonds, Inflation Indexed	2.125%	2/15/41	3,521,240	4,449,288
U.S. Treasury Bonds, Inflation Indexed	0.625%	2/15/43	1,628,160	1,532,621
U.S. Treasury Bonds, Inflation Indexed	1.375%	2/15/44	17,025,402	18,908,850 (a)
U.S. Treasury Bonds, Inflation Indexed	0.750%	2/15/45	15,006,202	14,461,924
U.S. Treasury Bonds, Inflation Indexed	0.875%	2/15/47	1,395,644	1,385,260
U.S. Treasury Bonds, Inflation Indexed	1.000%	2/15/48	3,035,970	3,117,735
U.S. Treasury Notes, Inflation Indexed	0.125%	4/15/19	30,885,580	30,772,172 (a)
U.S. Treasury Notes, Inflation Indexed	0.125%	4/15/20	42,626,000	42,293,561 (a)
U.S. Treasury Notes, Inflation Indexed	1.125%	1/15/21	35,786,896	36,396,397 (a)
U.S. Treasury Notes, Inflation Indexed	0.625%	7/15/21	14,515,916	14,616,441
U.S. Treasury Notes, Inflation Indexed	0.125%	7/15/22	24,850,851	24,509,319 (a)
U.S. Treasury Notes, Inflation Indexed	0.125%	1/15/23	23,785,300	23,312,272 (a)
U.S. Treasury Notes, Inflation Indexed	0.375%	7/15/23	2,755,940	2,737,961
U.S. Treasury Notes, Inflation Indexed	0.625%	1/15/24	14,780,905	14,793,437
U.S. Treasury Notes, Inflation Indexed	0.250%	1/15/25	5,183,810	5,049,168
U.S. Treasury Notes, Inflation Indexed	0.625%	1/15/26	21,729,879	21,629,456 (a)
Total U.S. Treasury Inflation Protected Securities (Cost \$414,825,685)				412,988,308
Corporate Bonds & Notes 6.9%				
Consumer Staples 0.4%				
<i>Food Products 0.2%</i>				
MARB Bondco. PLC, Senior Notes	7.000%	3/15/24	900,000	855,000 (b)
<i>Tobacco 0.2%</i>				
Alliance One International Inc., Secured Notes	9.875%	7/15/21	630,000	586,688
Total Consumer Staples				1,441,688
Energy 3.6%				
<i>Energy Equipment & Services 0.0%</i>				
Halliburton Co., Senior Bonds	3.800%	11/15/25	200,000	200,042
<i>Oil, Gas & Consumable Fuels 3.6%</i>				
Anadarko Petroleum Corp., Senior Notes	6.200%	3/15/40	1,330,000	1,541,396

See Notes to Consolidated Financial Statements.

Western Asset Inflation-Linked Income Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels continued</i>				
Anadarko Petroleum Corp., Senior Notes	5.550%	3/15/26	200,000	\$ 217,066
Apache Corp., Senior Notes	2.625%	1/15/23	200,000	191,600
Apache Corp., Senior Notes	5.250%	2/1/42	440,000	457,616
Apache Corp., Senior Notes	4.250%	1/15/44	1,310,000	1,211,630
BP Capital Markets PLC, Senior Notes	3.119%	5/4/26	200,000	192,501
Exxon Mobil Corp., Senior Notes	3.043%	3/1/26	200,000	194,923
KazTransGas JSC, Senior Notes	4.375%	9/26/27	2,000,000	1,879,000 ^(b)
MEG Energy Corp., Senior Notes	7.000%	3/31/24	80,000	72,600 ^(b)
Noble Energy Inc., Senior Notes	4.950%	8/15/47	1,590,000	1,657,552
Noble Energy, Inc., Senior Notes	3.900%	11/15/24	200,000	199,442
Oasis Petroleum, Inc., Senior Notes	6.875%	1/15/23	450,000	457,313
Occidental Petroleum Corp., Senior Notes	3.000%	2/15/27	810,000	771,554
Transcontinental Gas Pipe Line Co., LLC, Senior Notes	7.850%	2/1/26	200,000	245,223
Whiting Petroleum Corp., Senior Notes	6.250%	4/1/23	2,000,000	2,045,000
Williams Cos Inc., Senior Notes	5.750%	6/24/44	1,340,000	1,410,350
YPF Sociedad Anonima, Senior Notes	8.500%	7/28/25	800,000	813,000 ^(c)
<i>Total Oil, Gas & Consumable Fuels</i>				<i>13,557,766</i>
Total Energy				13,757,808
Financials 1.0%				
<i>Banks 0.7%</i>				
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	2,440,000	2,651,975
<i>Diversified Financial Services 0.3%</i>				
ILFC E-Capital Trust II, Ltd. Gtd. Notes ((Highest of 3 mo. USD LIBOR, 10 year U.S. Treasury Constant Maturity Rate and 30 year U.S. Treasury Constant Maturity Rate)+1.800%)	4.890%	12/21/65	1,010,000	968,337 ^{(b)(d)}
Total Financials				3,620,312
Health Care 1.4%				
<i>Health Care Equipment & Supplies 0.4%</i>				
DJO Finco, Inc./DJO Finance LLC/DJO Finance Corp., Secured Notes	8.125%	6/15/21	1,520,000	1,537,100 ^(b)
<i>Pharmaceuticals 1.0%</i>				
Valeant Pharmaceuticals International Inc., Senior Notes	6.125%	4/15/25	2,380,000	2,210,425 ^(b)

See Notes to Consolidated Financial Statements.

Consolidated schedule of investments (unaudited) (cont d)

May 31, 2018

Western Asset Inflation-Linked Income Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Pharmaceuticals continued</i>				
Valeant Pharmaceuticals International Inc., Senior Notes	9.000%	12/15/25	100,000	\$ 105,000 (b)
Valeant Pharmaceuticals International Inc., Senior Notes	9.250%	4/1/26	1,280,000	1,346,726 (b)
<i>Total Pharmaceuticals</i>				<i>3,662,151</i>
Total Health Care				5,199,251
<i>Materials 0.5%</i>				
<i>Metals & Mining 0.5%</i>				
Barrick Gold Corp., Senior Notes	5.250%	4/1/42	200,000	216,167
Glencore Funding LLC, Senior Notes	4.000%	3/27/27	200,000	191,392 (b)
Southern Copper Corp., Senior Notes	5.250%	11/8/42	1,670,000	1,684,798
Total Materials				2,092,357
Total Corporate Bonds & Notes (Cost \$24,929,600)				26,111,416
<i>Collateralized Mortgage Obligations^(e) 6.3%</i>				
BCAP LLC Trust, 2011-RR5, 11A4 (1 mo. USD LIBOR + 0.150%)	2.047%	5/28/36	1,214,100	1,205,022 (b)(d)
Bear Stearns ARM Trust, 2004-9, 24A1	3.931%	11/25/34	28,561	27,940 (d)
Bellemeade Re II Ltd., 2016-1A, M2B (1 mo. USD LIBOR + 6.500%)	8.468%	4/25/26	1,687,508	1,738,133 (b)(d)(f)
Chase Mortgage Finance Trust, 2007-A1, 2A3	3.876%	2/25/37	8,585	8,707 (d)
CSMC Trust, 2014-11R, 9A2 (1 mo. USD LIBOR + 0.140%)	2.037%	10/27/36	2,430,000	1,572,229 (b)(d)
Fannie Mae CAS, 2016-C04, 1M1 (1 mo. USD LIBOR + 1.450%)	3.410%	1/25/29	634,122	639,702 (b)(d)
Federal Home Loan Mortgage Corp. (FHLMC) Structured Agency Credit Risk Debt Notes, 2017-DNA2 M2 (1 mo. USD LIBOR + 3.450%)	5.410%	10/25/29	1,300,000	1,424,903 (d)
Federal National Mortgage Association (FNMA) CAS, 2014-C04 1M2 (1 mo. USD LIBOR + 4.900%)	6.860%	11/25/24	1,108,517	1,269,990 (b)(d)
Federal National Mortgage Association (FNMA) CAS, 2017-C03, 1M2 (1 mo. USD LIBOR + 3.000%)	4.960%	10/25/29	1,310,000	1,401,373 (b)(d)
Federal National Mortgage Association (FNMA) CAS, 2017-C03 1B1 (1 mo. USD LIBOR + 4.850%)	6.810%	10/25/29	1,340,000	1,480,882 (b)(d)
FHLMC Multifamily Structured Pass Through Certificates, 20K721, X1	0.337%	8/25/22	151,633,327	1,839,570 (d)

See Notes to Consolidated Financial Statements.

Western Asset Inflation-Linked Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations^(e) continued				
Freddie Mac REMICS, 204057, IO	3.000%	5/15/27	1,156,099	\$ 96,684
Freddie Mac REMICS, 204085, IO	3.000%	6/15/27	3,246,756	259,406
Government National Mortgage Association (GNMA), 2011-142, IO	0.384%	9/16/46	4,048,225	54,933 ^(d)
Government National Mortgage Association (GNMA), 2012-112, IO	0.277%	2/16/53	1,914,515	40,578 ^(d)
Government National Mortgage Association (GNMA), 2012-152, IO	0.780%	1/16/54	6,403,501	331,131 ^(d)
Government National Mortgage Association (GNMA), 2012-44, IO	0.513%	3/16/49	1,282,121	23,062 ^(d)
Government National Mortgage Association (GNMA), 2013-145, IO	1.069%	9/16/44	2,577,433	140,166 ^(d)
Government National Mortgage Association (GNMA), 2014-169, IO	0.854%	10/16/56	14,144,195	720,893 ^(d)
Government National Mortgage Association (GNMA), 2014-47, IO	0.362%	2/16/48	677,071	17,306 ^(d)
Government National Mortgage Association (GNMA), 2014-50, IO	0.848%	9/16/55	1,607,431	88,044 ^(d)
Government National Mortgage Association (GNMA), 2015-101, IO	0.878%	3/16/52	24,856,471	1,486,395 ^(d)
Government National Mortgage Association (GNMA), 2015-183, IO	0.955%	9/16/57	27,332,688	2,014,509 ^(d)
GSR Mortgage Loan Trust, 2004-11, 1A1	3.853%	9/25/34	82,508	84,002 ^(d)
Merrill Lynch Mortgage Investors Trust Series MLMI, 2004-A1, 2A1	3.681%	2/25/34	10,801	10,860 ^(d)
Morgan Stanley Bank of America Merrill Lynch Trust 2015-C20	3.071%	2/15/48	2,970,000	2,396,227 ^(b)
New Residential Mortgage Loan Trust, 2014-1A, A	3.750%	1/25/54	1,019,013	1,028,110 ^{(b)(d)}
Nomura Resecuritization Trust, 2015-4R, 2A2 (1 mo. USD LIBOR + 0.306%)	2.037%	10/26/36	2,696,210	2,180,390 ^{(b)(d)}
RAMP Series Trust, 2004-SL4, A5	7.500%	7/25/32	59,000	48,547
Washington Mutual MSC Mortgage Pass-Through Certificates Series Trust, 2004-RA1, 2A	7.000%	3/25/34	8,997	9,826
Total Collateralized Mortgage Obligations (Cost \$24,290,393)				23,639,520
Sovereign Bonds 4.4%				
<i>Argentina 0.7%</i>				
Republic of Argentina, Bonds (Argentina Central Bank 7 Day Repo Reference Rate)	33.206%	6/21/20	64,160,000 ^{ARS}	2,687,218 ^(d)

See Notes to Consolidated Financial Statements.

Consolidated schedule of investments (unaudited) (cont d)

May 31, 2018

Western Asset Inflation-Linked Income Fund

Security	Rate	Maturity Date	Face	Value
			Amount	
<i>Chile 1.0%</i> Republic of Chile, Bonds	5.000%	3/1/35	2,330,000,000 ^{CLP}	\$ 3,667,741
<i>Ecuador 0.5%</i> Republic of Ecuador, Senior Bonds	10.500%	3/24/20	1,520,000	1,573,884 ^(b)
Republic of Ecuador, Senior Bonds	7.950%	6/20/24	520,000	492,050 ^(c)
<i>Total Ecuador</i>				2,065,934
<i>Indonesia 1.2%</i> Indonesia Government International Bond, Senior Notes	4.750%	7/18/47	400,000	382,643 ^(b)
Indonesia Treasury Bond, Senior Notes	7.000%	5/15/27	49,188,000,000 ^{IDR}	3,532,899
Republic of Indonesia, Senior Notes	5.125%	1/15/45	200,000	201,355 ^(b)
Republic of Indonesia, Senior Notes	4.350%	1/11/48		