

WESTERN ASSET DIVERSIFIED INCOME FUND INC. (WDI)

Investment overview

Diverse opportunity set: Invests in a wide range of fixed income securities, seeking to go beyond traditional bond benchmarks to access a broad range of opportunities for income and capital appreciation

Income-focused: Potential access to fixed income sectors and private debt not typically available through traditional mutual funds

Flexible and dynamic: Rotates sectors and securities in response to market conditions, focusing on what we believe are undervalued securities with attractive fundamentals

Limited Term: The Fund intends to liquidate on or about June 24, 2033.¹

¹ Within 6-18 months of the liquidation date the Board may approve a tender offer for 100% of the shares outstanding. If, upon expiration of the tender offer, the Fund has in excess of \$200 million aggregate net assets the Board may remove the Fund's termination date.

Asset allocation (%) as of Dec. 31, 2021

| | |
|----------------------------------|------|
| CMBS | 11.4 |
| Non-Agency MBS | 6.8 |
| High Yield Corporate Bonds | 36.7 |
| Mortgage-Backed Securities | 18.1 |
| Bank Loans | 17.8 |
| Asset-Backed Securities | 16.8 |
| Emerging Market Debt | 6.0 |
| Corporates External Currency | 2.3 |
| Sovereign Debt External Currency | 2.1 |
| Corporates Local Currency | 1.2 |
| Sovereign Debt Local Currency | 0.5 |
| Investment Grade Corporate Bonds | 1.7 |
| Cash & Other Securities | 2.8 |



Credit quality allocation (%) as of Dec. 31, 2021

| | |
|-----------|------|
| AAA | 4.4 |
| BBB | 3.6 |
| BB | 27.4 |
| B | 31.4 |
| CCC | 12.8 |
| CC | 0.3 |
| Not Rated | 20.2 |

Top high yield Industries (%) as of Dec. 31, 2021

| | |
|-----------------------|------|
| Consumer Cyclical | 10.0 |
| Energy | 7.4 |
| Consumer Non Cyclical | 4.1 |
| Communications | 2.6 |
| Financial Other | 2.5 |
| Finance Companies | 1.7 |
| Transportation | 1.5 |
| Reits | 1.4 |
| Capital Goods | 1.4 |
| Brokerage | 1.4 |

Currency allocation (%) as of Dec. 31, 2021

| | |
|-------------------|------|
| US Dollar | 98.4 |
| Uruguayan Peso | 0.4 |
| Ukrainian Hryvnia | 0.3 |
| Kazakhstani Tenge | 0.3 |
| Ghanan Cedi | 0.3 |
| Russian Ruble | 0.3 |
| Uzbekistani Som | 0.3 |
| Euro | -0.1 |

Growth of \$10,000 investment

Market Price – Inception through Dec. 31, 2021



Performance shown represents past performance and is no guarantee of future results. Returns based on Market Price assume reinvestment of all distributions at the Dividend Reinvestment Plan Price and the deduction of management fees, operating expenses and all 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.

Fund Data as of Dec. 31, 2021

| | |
|--|----------|
| Trading Symbol | WDI |
| NAV Symbol | XWDIX |
| Listed Exchange | NYSE |
| Inception Date | 06/25/21 |
| Net Asset Value (NAV) ¹ | \$19.65 |
| Market Price ¹ | \$18.31 |
| Premium/Discount | -6.8% |
| Distribution ² | \$0.1170 |
| Distribution Rate (Mkt Price) ² | 7.7% |
| Distribution Rate (NAV) ² | 7.1% |
| Distribution Frequency | Monthly |

Portfolio characteristics as of Dec. 31, 2021

| | |
|-------------------------|---------|
| Total Assets | \$1.4B |
| Loans | 26.7% |
| Preferred Shares | 0.0% |
| Reverse Repos | 0.0% |
| Net Assets ³ | \$1.0B |
| Weighted Average Coupon | 6.1% |
| Weighted Average Life | 5.4 yrs |
| Effective Duration | 3.0 yrs |

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

Percentages are based on total portfolio as of quarter-end and are subject to change at any time. For informational purposes only and not to be considered a recommendation to purchase or sell any security. Negative allocations and allocations in excess of 100% are primarily due to the Fund's unsettled trade activity.

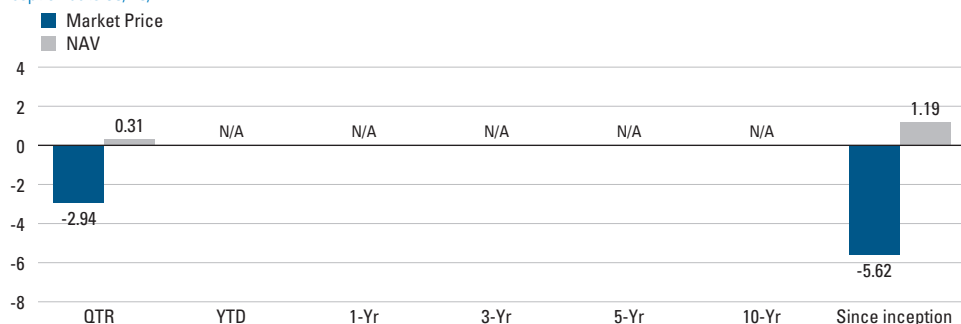
¹ **Net Asset Value (NAV)** is total assets less total liabilities divided by the number of shares outstanding. **Market Price**, determined by supply and demand, is the price an investor purchases or sells the fund. The Market Price may differ from a fund's NAV.

² Distribution rate is calculated by annualizing the most recent distribution amount paid, excluding special distributions, divided by the closing market price or NAV. As of 12/31/2021, the fund estimates that the distributions will be paid from: 100.00% investment income; 0.00% realized capital gains; and, 0.00% return of capital. The Distribution Rate is subject to change and is not a quotation of Fund performance. The Board of Directors may terminate or suspend the managed distribution policy at any time. Any such termination or suspension could have an adverse effect on the market price of the Fund's shares. 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 refer to the Fund's distribution press release or, if applicable, the Section 19 notice located in the press release section of our Website.

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Average annual total returns (%) as of Dec. 31, 2021

Inception date 06/25/21



Performance shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so shares, when sold, may be worth more or less than the original cost. Returns based on Market Price or NAV, and assume the reinvestment of all distributions at the Dividend Reinvestment Plan Price or NAV, respectively. All returns include the deduction of management fees, operating expenses and all other fund expenses, and do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares. Quarter (QTR) and Year-To-Date (YTD) returns are cumulative figures and are not annualized. YTD is calculated from January 1 of the reporting year. For current month-end performance, visit www.ftcef.com.

Portfolio management

Western Asset Management is one of the world's leading fixed-income managers. With a focus on long-term fundamental value investing that employs a top-down and bottom-up approach, the firm has nine offices around the globe and deep experience across the range of fixed-income sectors. Founded in 1971, Western Asset has been recognized for an approach emphasizing team management and intensive proprietary research, supported by robust risk management.

What should I know before investing?

The Fund is newly organized, with a limited history of operations. Fixed-income securities involve interest rate, credit, inflation, and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed-income securities falls. High yield bonds are subject to greater price volatility, illiquidity, and possibility of default. Asset-backed, mortgage-backed or mortgage-related securities are subject to prepayment and extension risks. The Fund may invest in securities backed by subprime mortgages which involve a higher degree of risk and chance of loss. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets. Derivatives, such as options and futures, can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. Leverage may increase volatility and possibility of loss. Diversification does not guarantee a profit or protect against a loss.

Distributions are not guaranteed and are subject to change.

A general rise in interest rates may lead to increased portfolio volatility.

Where can I find more information?

For more information, including current performance, Semi/Annual Reports, and Section 19 Notices, please visit www.ftcef.com or call 888-777-0102.

The Closed-End Funds are not sold or distributed by Franklin Distributors, LLC, or any affiliate of Franklin Resources, Inc.

Unlike open-end funds, shares are not continually offered. Like other public companies, closed-end funds have a one-time initial public offering, and once their shares are first issued, are generally bought and sold through non-affiliated broker/dealers and trade on nationally recognized stock exchanges. Share prices will fluctuate with market conditions and, at the time of sale, may be worth more or less than your original investment. Shares of exchange-traded closed-end funds may trade at a discount or premium to their original offering price, and often trade at a discount to their net asset value. Investment return, market price and net asset value will fluctuate with changes in market conditions. The Funds are subject to investment risks, including the possible loss of principal invested.

Weighted Average Life (WAL) is the weighted average of the life of the securities held in a fund or portfolio and can be used as a measure of sensitivity to changes in liquidity and/or credit risk. Generally, the higher the value, the greater the sensitivity. However, unlike Weighted Average Maturity, WAL does not include interest rate resets in its calculation. Funds that employ leverage calculate Weighted Average Life based off of Gross Assets.

Weighted Average Coupon is a figure calculated from a fund's portfolio by weighing the coupon of each bond by its relative size in the portfolio. Coupons are percentages paid out on a fixed-income security on a periodic basis. Funds that employ leverage calculate Weighted Average Coupon based off of Gross Assets.

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. Funds that employ leverage calculate effective duration based off of Net Assets.

Credit quality is a measure of a bond issuer's ability to repay interest and principal in a timely manner. The credit ratings shown are based on each portfolio security's rating as provided by Standard and Poor's, Moody's Investors Service and/or Fitch Ratings, Ltd. and typically range from AAA (highest) to D (lowest), or an equivalent and/or similar rating. For this purpose, when two or more of the agencies have assigned differing ratings to a security, the highest rating is used. Securities that are unrated by all three agencies are reflected as such. The credit quality of the investments in the Fund's portfolio does not apply to the stability or safety of the Fund. These ratings are updated monthly and may change over time. **Please note, the Fund itself has not been rated by an independent rating agency.**

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