



Western Asset Inflation-Linked Income Fund

WIA

Government
September 30, 2024

Product Commentary

Performance Review

- With interest rates steadily declining, the fixed income market generated strong results during the third quarter. The economy remained largely resilient and inflation continued to moderate, moving closer to the Federal Reserve's ("Fed") 2% target. Against this backdrop, the U.S. central bank lowered interest rates for the first time since March 2020. Both short- and long-term Treasury yields declined and the overall U.S. taxable bond market, as measured by the Bloomberg U.S. Aggregate Index, returned 5.20% during the quarter.
- For the quarter, the fund returned 4.72% at NAV, while the benchmarks, the Bloomberg U.S. Govt Inflation-Linked 1-10Yrs and Bloomberg U.S. Govt Inflation-Linked All Maturities, returned 3.43% and 4.18%, respectively.

QUARTERLY KEY PERFORMANCE DRIVERS

- Interest rate positioning in aggregate had a minimal impact on performance. Although an overweight duration position contributed to results as real yields ended the quarter lower, this was offset by real yield curve positioning, as the real yield curve steepened.
- Corporate credit exposures in aggregate were additive for results, as investment-grade and high-yield spreads tightened.
- Structured product exposures also contributed, mainly due to non-agency residential mortgage-backed securities ("NARMBS") as spreads were mixed.
- Commodity exposures were rewarded, due to copper positions, as its price rose during the quarter.
- Emerging market exposures also contributed, mainly due to positions in local rates and U.S. dollar-denominated bonds, which offset detractions from currency positions.
- Finally, nominal fixed income securities slightly detracted from returns as breakeven inflation expectations fell.

Outlook & Strategy

- Our base case calls for further weakening in global growth and further declines in inflation, with a greater emphasis on services disinflation. Goods price inflation is running modestly below pre-pandemic levels, but with ongoing deflationary pressures from Asia, it's hard to see a meaningful persistent uptick moving forward. Services inflation remains elevated, but wage pressures are abating as job markets soften and service sector demand is slowing. Headline inflation is close to target in most advanced economies, which has allowed central banks to reduce policy rates as their inflation concerns lessen while growth concerns rise.
- Growth is slowing in the U.S. and remains moribund in the rest of the world. At the same time, lower policy rates and the recent Chinese stimulus package should lessen recessionary fears.
- Spread sectors have performed well and we expect this to continue if the downward growth trajectory remains gentle and services disinflation continues. However, valuations now have less yield advantage to offset potential macro and political risks going forward.

Product Details

Inception Date	09/30/2003
Benchmark	Bloomberg U.S. Govt Inflation-Linked 1-10Yrs, Bloomberg U.S. Govt Inflation-Linked All Maturities
Ticker	WIA
CUSIP	95766Q106

Product Description

Provides a leveraged portfolio investing in at least 80% in inflation-linked securities, consisting primarily of U.S. Treasury Inflation Protected Securities "TIPS", with the ability to invest in other fixed-income assets including high-yield, emerging markets, structured products, commodities and currency. Seeks current income, with a secondary investment objective of capital appreciation. Emphasizes team management and extensive credit research expertise to identify attractively priced securities.

Performance Data

Average Annual Total Returns¹ (%)

	1 Mth	3 Mths	1 Year	3 Year	5 Year	10 Year	Since Inception (09/26/2003)
Western Asset Inflation-Linked Income Fund (NAV Returns) ^a	2.15	4.72	10.78	-3.28	1.79	2.34	3.14
Western Asset Inflation-Linked Income Fund (Market Price Return) ^a	4.75	8.68	17.72	-3.56	3.32	3.49	2.94
Bloomberg U.S. Govt Inflation-Linked 1-10Yrs	1.25	3.43	8.88	1.00	3.29	2.62	3.45
Bloomberg U.S. Govt Inflation-Linked All Maturities	1.51	4.18	9.85	-0.82	2.54	2.55	3.80

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. When applicable, performance would have been lower if fees had not been waived in various periods. The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the fund's portfolio. Index data is provided for comparison purposes only. The fund is not managed against an index. Returns for periods of less than one year are not annualized. Please visit franklintempleton.com for the most recent month-end performance.

The total annual operating expenses are as of the fund's annual report available at the time of publication. Actual expenses may be higher and may impact portfolio returns. **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. **Premium / Discount** reflects the difference between the NAV and the Market Price of the fund, and represents the amount that the fund is trading above or below its NAV, expressed as a percentage of the NAV.

The **Bloomberg U.S. Government Inflation-Linked 1-10 Year Index** measures the performance of the intermediate U.S. TIPS market. Source: Bloomberg Indices.

The **Bloomberg 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. Source: Bloomberg Indices.

Investment Team

Western Asset is one of the world's leading active fixed-income managers, delivering long-term fundamental value investment solutions to clients for over half a century. Founded in 1971, Western Asset offers clients deep expertise across the range of global fixed-income sectors from nine offices located in key financial markets.

1. Periods shorter than one year are shown as cumulative total returns.

What Are The Risks?

All investments involve risks, including possible loss of principal. 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. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. The fund is subject to the additional risks associated with **inflation-linked securities**, including liquidity risk, prepayment risk, extension risk and deflation risk. **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**. **Currency management** strategies could result in losses to the fund if currencies do not perform as expected. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. **Commodity-related investments** are subject to additional risks such as commodity index volatility, investor speculation, interest rates, weather, tax and regulatory developments. **Asset-backed, mortgage-backed or mortgage-related securities** are subject to prepayment and extension risks. **Leverage** increases the volatility of investment returns and subjects investments to magnified losses and a decline in value.

Important Legal Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.

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Source: FactSet. Important data provider notices and terms available at www.franklintempletondatasources.com.

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