WESTERN ASSET/CLAYMORE INFLATION-LINKED OPPORTUNITIES & 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 811-21477

Western Asset/Claymore Inflation-Linked Opportunities & 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: 1-888-777-0102

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 OPPORTUNITIES & INCOME FUND (WIW)

What s inside

Fund 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 Opportunities & 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 -8.74% based on its net asset value (NAV[i]) and -11.77% 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 exposures to non-inflation-protected securities, as they substantially outperformed U.S. Treasury Inflation Protected Securities (TIPS[iv]) during the first half of the year. We held a range of securities, including investment grade and high-yield corporate bonds and emerging market debt. Together with nominal U.S. Treasuries, they contributed to absolute performance for portions of the reporting period.

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 $11.27 per share represented a discount of 14.88% to its NAV of $13.24 per share. In each month of 2013, the Fund provided its investors with a distribution of $0.0335 per share. The most recent distribution represents an annualized distribution rate of 3.57% based on the Fund s last closing market price of $11.27 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 the Fund s investment policies, under normal market conditions and at the time of purchase, the Fund will invest:

- At least 80% of its total managed assets[v] in inflation-linked securities
- No more than 40% of its total managed assets in below investment grade securities
- Up to 100% of its total managed assets in non-U.S. dollar investments, which gives the Fund the flexibility to invest up to 100% of its total assets in non-U.S. dollar inflation-linked securities (up to 100% 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 47 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/wiw.

Sincerely,

Guggenheim Funds Investment Advisors, LLC

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] U.S. Treasury Inflation Protected Securities (TIPS) are inflation-indexed securities issued by the U.S. Treasury in five-year, ten-year and twenty-year maturities. The principal is adjusted to the Consumer Price Index, the commonly used measure of inflation. The coupon rate is constant, but generates a different amount of interest when multiplied by the inflation-adjusted principal.

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

[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. The Fund may also invest up to 40% of its total managed assets in below investment grade securities. The Fund may invest up to 100% of its total managed assets in non-U.S. dollar investments which gives the Fund flexibility to invest up to 100% of its total managed assets in non-U.S. dollar inflation-linked securities (up to 100% of its non-U.S. dollar exposure may be unhedged). The Fund currently expects that the average effective duration[ii] 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[iii] 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)[iv] 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. Treasury Inflation Protected Securities (TIPS)[v] 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.

Inflation was generally well contained during the reporting period. For the twelve months ended December 31, 2013, the seasonally unadjusted rate of inflation, as

Fund overview (cont d)

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. We also eliminated the Fund s exposure to high-yield corporate bonds. In contrast, we increased the Fund s allocation to U.S. TIPS as their yields rose, finding value in a range of maturities through the second half of the year. We also modestly increased the Fund s allocations to emerging market debt and non-agency mortgage-backed securities (MBS).

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 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 detracted from performance. Currency forwards, which were utilized to manage our currency exposures, were also additive for results.

Finally, as real yields rose sharply and remained high, we began to introduce leverage into the portfolio during the fourth quarter of 2013. We ended the period with leverage as a percentage of gross assets of roughly 19%.

Performance review

For the twelve months ended December 31, 2013, Western Asset/Claymore Inflation-Linked Opportunities & Income Fund returned -8.74% based on its net asset value (NAV[x]) and -11.77% 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 -8.85%, respectively, over the same time frame.

During the twelve-month period, the Fund made distributions to shareholders totaling $0.40 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**
$13.24 (NAV)	-8.74%
$11.27 (Market Price)	-11.77%

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**

* 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 19 of this report.

expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.

Total return assumes the reinvestment of all distributions, at NAV.

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

Q. What were the leading contributors to performance?

A. The largest contributor to the Fund s absolute performance during the reporting period was our exposures to non-inflation-protected securities, as they substantially outperformed U.S. TIPS during the first half of the year. We held a range of securities, including investment grade and high-yield corporate bonds and emerging market debt. Together with nominal U.S. Treasuries, they contributed to absolute performance for portions of the reporting period.

The Fund s allocation to non-agency MBS 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 bond yields, benign inflation and weak demand in the face of benign inflation. Given the inflation protection objective of the Fund, it will always hold significant exposure to U.S. TIPS. However, given our dislike of the level of real yields at the beginning of the year, our defensive exposure somewhat offset the weak results from our U.S. TIPS.

Elsewhere, several government-related bonds were a drag on the Fund s performance, including its allocations to sovereigns issued by the Republic of Turkey, Brazil and Peru.

Thank you for your investment in Western Asset/Claymore Inflation-Linked Opportunities & 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.

Fund overview (cont d)

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 9 through 15 for a list and percentage breakdown of the Fund s holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund s top five sector holdings (as a percentage of net assets) as of December 31, 2013 were: U.S. Treasury Inflation Protected Securities (96.6%), Corporate Bonds & Notes (14.9%), Sovereign Bonds (8.6%), Collateralized Mortgage Obligations (1.3%) 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] 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.)

[iii] 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.

[iv] 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.

[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] 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 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, 5% Barclays U.S. Credit Index and 5% JPMorgan Emerging Markets Bond Index Plus (EMBI+). 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). The EMBI+ is a total return index that tracks the traded market for U.S. dollar-denominated Brady and other similar sovereign restructured bonds traded in the emerging markets.

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 written options, 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 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
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities
WIW	Western Asset/Claymore Inflation-Linked Opportunities & 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
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities
WIW	Western Asset/Claymore Inflation-Linked Opportunities & Income Fund

Schedule of investments

December 31, 2013

Western Asset/Claymore Inflation-Linked Opportunities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
U.S. Treasury Inflation Protected Securities 96.6%				
U.S. Treasury Bonds, Inflation Indexed	2.375%	1/15/25	7,000,915	$ 8,047,223
U.S. Treasury Bonds, Inflation Indexed	2.000%	1/15/26	37,598,441	41,622,639
U.S. Treasury Bonds, Inflation Indexed	1.750%	1/15/28	27,738,463	29,697,492
U.S. Treasury Bonds, Inflation Indexed	3.625%	4/15/28	24,549,360	32,474,188
U.S. Treasury Bonds, Inflation Indexed	2.500%	1/15/29	7,854,421	9,230,170
U.S. Treasury Bonds, Inflation Indexed	3.875%	4/15/29	18,470,010	25,312,576
U.S. Treasury Bonds, Inflation Indexed	2.125%	2/15/40	5,738,092	6,447,286
U.S. Treasury Bonds, Inflation Indexed	2.125%	2/15/41	20,883,049	23,464,069
U.S. Treasury Bonds, Inflation Indexed	0.750%	2/15/42	49,626,017	39,894,652
U.S. Treasury Bonds, Inflation Indexed	0.625%	2/15/43	11,814,917	9,084,561
U.S. Treasury Notes, Inflation Indexed	2.000%	1/15/14	2,528,120	2,526,343
U.S. Treasury Notes, Inflation Indexed	1.250%	4/15/14	33,108,900	33,320,996
U.S. Treasury Notes, Inflation Indexed	2.000%	7/15/14	4,027,075	4,115,795
U.S. Treasury Notes, Inflation Indexed	1.625%	1/15/15	6,116,050	6,300,486
U.S. Treasury Notes, Inflation Indexed	1.875%	7/15/15	156,103	164,530
U.S. Treasury Notes, Inflation Indexed	2.000%	1/15/16	153,147,451	163,209,698 [(a)]
U.S. Treasury Notes, Inflation Indexed	0.125%	4/15/16	804,194	825,744
U.S. Treasury Notes, Inflation Indexed	2.375%	1/15/17	25,144,305	27,670,528 [(a)]
U.S. Treasury Notes, Inflation Indexed	0.125%	4/15/17	12,987,808	13,349,025
U.S. Treasury Notes, Inflation Indexed	2.625%	7/15/17	540,931	608,463
U.S. Treasury Notes, Inflation Indexed	1.625%	1/15/18	33,803,465	36,737,504
U.S. Treasury Notes, Inflation Indexed	0.125%	4/15/18	40,466,921	41,273,102
U.S. Treasury Notes, Inflation Indexed	1.375%	7/15/18	3,715,136	4,026,568
U.S. Treasury Notes, Inflation Indexed	2.125%	1/15/19	5,983,285	6,681,648
U.S. Treasury Notes, Inflation Indexed	1.250%	7/15/20	15,318,227	16,388,113
U.S. Treasury Notes, Inflation Indexed	1.125%	1/15/21	13,955,100	14,667,034
U.S. Treasury Notes, Inflation Indexed	0.625%	7/15/21	26,270,205	26,666,307
U.S. Treasury Notes, Inflation Indexed	0.125%	1/15/22	58,697,316	56,413,638
U.S. Treasury Notes, Inflation Indexed	0.125%	7/15/22	7,190,944	6,888,140
U.S. Treasury Notes, Inflation Indexed	0.125%	1/15/23	91,616,521	86,527,498 [(a)]
U.S. Treasury Notes, Inflation Indexed	0.375%	7/15/23	9,283,670	8,953,663
Total U.S. Treasury Inflation Protected Securities (Cost $797,013,394)				**782,589,679**
Asset-Backed Securities 0.0%				
Bayview Financial Acquisition Trust, 2004-C A1	0.795%	5/28/44	13,133	13,120 [(b)]
Bear Stearns Asset-Backed Securities Inc., 2007-SD2 2A1	0.565%	9/25/46	122,957	98,300 [(b)]
Bear Stearns Asset-Backed Securities Trust, 2001-3 A1	1.065%	10/27/32	8,331	7,847 [(b)]
Security National Mortgage Loan Trust, 2006-3A A2	5.830%	1/25/37	300,000	238,508 [(b)(c)]
Total Asset-Backed Securities (Cost $252,114)				**357,775**

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2013

Western Asset/Claymore Inflation-Linked Opportunities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations 1.3%				
Bear Stearns Adjustable Rate Mortgage Trust, 2004-1 23A1	5.420%	4/25/34	28,248	$ 27,609 (b)
Countrywide Alternative Loan Trust, 2004-33 1A1	2.719%	12/25/34	7,786	7,653 (b)
Countrywide Alternative Loan Trust, 2004-33 2A1	2.644%	12/25/34	8,624	8,455 (b)
Downey Savings & Loan Association Mortgage Loan Trust, 2004-AR1 A2B	1.006%	9/19/44	38,057	32,981 (b)
Federal Home Loan Mortgage Corp. (FHLMC), 4013 AI, IO	4.000%	2/15/39	11,898,676	2,238,939
Federal Home Loan Mortgage Corp. (FHLMC), 4057 UI, IO	3.000%	5/15/27	5,652,850	666,883
Federal Home Loan Mortgage Corp. (FHLMC), 4085, IO	3.000%	6/15/27	5,431,090	781,712
First Horizon Alternative Mortgage Securities, 2006-FA8 1A8	0.535%	2/25/37	212,166	141,950 (b)
Government National Mortgage Association (GNMA), 2011-121 IO, IO	1.048%	6/16/43	29,285,680	1,330,185 (b)
Government National Mortgage Association (GNMA), 2011-142 IO, IO	0.952%	9/16/46	27,056,848	1,448,759 (b)
Government National Mortgage Association (GNMA), 2011-152 IO, IO	1.347%	8/16/51	21,036,057	1,241,779 (b)
Government National Mortgage Association (GNMA), 2012-112 IO, IO	0.870%	2/16/53	20,331,604	1,388,466 (b)
Government National Mortgage Association (GNMA), 2012-125 IO, IO	0.856%	2/16/53	9,264,557	667,483 (b)
Harborview Mortgage Loan Trust, 2006-02	2.699%	2/25/36	438	348 (b)
Morgan Stanley Mortgage Loan Trust, 2007-11AR 2A3	2.491%	6/25/37	174,571	99,647 (b)
Nomura Asset Acceptance Corp., 2004-AR4 1A1	2.658%	12/25/34	48,298	48,608 (b)
WaMu Mortgage Pass-Through Certificates, 2004-AR08 A1	0.608%	6/25/44	26,514	24,161 (b)
Total Collateralized Mortgage Obligations (Cost $9,566,274)				**10,155,618**
Corporate Bonds & Notes 14.9%				
Consumer Discretionary 0.9%				
Automobiles 0.4%				
Chrysler Group LLC/CG Co.-Issuer Inc., Secured Notes	8.250%	6/15/21	420,000	477,750
Ford Motor Credit Co., LLC, Senior Notes	5.875%	8/2/21	1,940,000	2,199,396
Total Automobiles				*2,677,146*
Hotels, Restaurants & Leisure 0.1%				
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	11.250%	6/1/17	1,000,000	*1,017,500*
Media 0.4%				
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	6.500%	4/30/21	1,250,000	1,284,375
Nara Cable Funding Ltd., Senior Secured Notes	8.875%	12/1/18	2,000,000	2,150,000 (c)
Total Media				*3,434,375*
Total Consumer Discretionary				**7,129,021**
Consumer Staples 0.3%				
Food Products 0.0%				
Mondelez International Inc., Senior Notes	4.125%	2/9/16	20,000	*21,203*

See Notes to Financial Statements.

Security	Rate	Maturity Date	Face Amount	Value
Tobacco 0.3%				
Reynolds American Inc., Senior Notes	3.250%	11/1/22	2,700,000	$ *2,488,633*
Total Consumer Staples				**2,509,836**
Energy 3.3%				
Oil, Gas & Consumable Fuels 3.3%				
Arch Coal Inc., Senior Notes	7.250%	6/15/21	1,000,000	765,000
Continental Resources Inc., Senior Notes	7.125%	4/1/21	570,000	646,237
Continental Resources Inc., Senior Notes	4.500%	4/15/23	1,000,000	1,013,750
Dolphin Energy Ltd., Senior Secured Bonds	5.888%	6/15/19	1,010,192	1,102,625 (c)
Ecopetrol SA, Senior Notes	7.625%	7/23/19	1,020,000	1,208,700
Ecopetrol SA, Senior Notes	5.875%	9/18/23	1,000,000	1,055,000
El Paso Corp., Medium-Term Notes	7.750%	1/15/32	2,000,000	2,030,108
Enterprise Products Operating LLC, Junior Subordinated Notes	8.375%	8/1/66	1,135,000	1,257,580 (b)
Kodiak Oil & Gas Corp., Senior Notes	5.500%	2/1/22	1,900,000	1,890,500
Lukoil International Finance BV, Senior Notes	4.563%	4/24/23	1,000,000	938,500 (c)
Magnum Hunter Resources Corp., Senior Notes	9.750%	5/15/20	1,060,000	1,144,800
MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes	5.500%	2/15/23	500,000	503,750
Pacific Rubiales Energy Corp., Senior Notes	5.125%	3/28/23	1,000,000	917,500 (c)
Peabody Energy Corp., Senior Notes	6.500%	9/15/20	1,000,000	1,052,500
Peabody Energy Corp., Senior Notes	7.875%	11/1/26	650,000	659,750
Petrobras International Finance Co., Senior Notes	5.375%	1/27/21	1,250,000	1,240,485
Petrobras International Finance Co., Senior Notes	6.750%	1/27/41	500,000	465,217
Petroleos de Venezuela SA, Senior Notes	8.500%	11/2/17	1,500,000	1,248,750 (c)
Plains Exploration & Production Co., Senior Notes	6.750%	2/1/22	1,080,000	1,189,646
PT Pertamina Persero, Senior Notes	4.875%	5/3/22	2,490,000	2,284,575 (c)
QEP Resources Inc., Senior Notes	5.250%	5/1/23	2,500,000	2,343,750
Range Resources Corp., Senior Notes	5.000%	8/15/22	190,000	186,675
Reliance Holdings USA Inc., Senior Notes	5.400%	2/14/22	550,000	556,238 (c)
Samson Investment Co., Senior Notes	10.500%	2/15/20	1,250,000	1,362,500 (c)
Total Energy				**27,064,136**
Financials 4.3%				
Commercial Banks 2.4%				
BAC Capital Trust XIV, Junior Subordinated Notes	4.000%	1/31/14	5,300,000	3,898,150 (b)(d)
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	4,000,000	4,260,000
Wachovia Capital Trust III, Junior Subordinated Bonds	5.570%	2/18/14	6,060,000	5,544,900 (b)(d)
Wells Fargo & Co., Senior Notes	1.500%	1/16/18	5,500,000	5,464,470
Total Commercial Banks				*19,167,520*

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2013

Western Asset/Claymore Inflation-Linked Opportunities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Consumer Finance 0.4%				
Ally Financial Inc., Senior Notes	5.500%	2/15/17	1,090,000	$ 1,179,925
American Express Credit Corp., Senior Notes	2.750%	9/15/15	2,170,000	2,245,640
Total Consumer Finance				*3,425,565*
Diversified Financial Services 1.5%				
Bank of America Corp., Junior Subordinated Notes	5.200%	6/1/23	3,250,000	2,860,000 (b)(d)
Bank of America Corp., Senior Notes	4.500%	4/1/15	1,990,000	2,081,890
Citigroup Inc., Junior Subordinated Bonds	5.350%	5/15/23	3,250,000	2,853,500 (b)(d)
Citigroup Inc., Senior Notes	6.010%	1/15/15	1,724,000	1,815,446
JPMorgan Chase & Co., Junior Subordinated Bonds	5.150%	5/1/23	3,250,000	2,916,875 (b)(d)
Total Diversified Financial Services				*12,527,711*
Total Financials				**35,120,796**
Health Care 0.5%				
Health Care Providers & Services 0.2%				
Fresenius Medical Care U.S. Finance II Inc., Senior Notes	5.875%	1/31/22	1,000,000	1,055,000 (c)
Tenet Healthcare Corp., Senior Secured Notes	6.000%	10/1/20	750,000	782,812 (c)
Total Health Care Providers & Services				*1,837,812*
Pharmaceuticals 0.3%				
Teva Pharmaceutical Finance Co. BV, Senior Notes	2.950%	12/18/22	2,050,000	*1,856,013*
Total Health Care				**3,693,825**
Industrials 0.3%				
Construction & Engineering 0.1%				
Odebrecht Finance Ltd., Senior Notes	4.375%	4/25/25	1,000,000	*872,500* (c)
Machinery 0.2%				
Dematic SA/DH Services Luxembourg Sarl, Senior Notes	7.750%	12/15/20	1,080,000	*1,147,500* (c)
Total Industrials				**2,020,000**
Materials 1.9%				
Chemicals 0.2%				
LyondellBasell Industries NV, Senior Notes	6.000%	11/15/21	1,400,000	*1,610,157*
Construction Materials 0.2%				
Cemex Finance LLC, Senior Secured Notes	9.375%	10/12/22	1,000,000	1,127,500 (c)
Cemex SAB de CV, Senior Secured Notes	9.000%	1/11/18	760,000	834,100 (c)
Total Construction Materials				*1,961,600*
Metals & Mining 1.4%				
Evraz Group SA, Senior Notes	9.500%	4/24/18	650,000	709,313 (c)
Evraz Group SA, Senior Notes	6.750%	4/27/18	500,000	497,750 (c)
FMG Resources (August 2006) Pty Ltd., Senior Notes	7.000%	11/1/15	88,000	91,300 (c)
FMG Resources (August 2006) Pty Ltd., Senior Notes	6.875%	4/1/22	1,360,000	1,482,400 (c)
Freeport-McMoRan Copper & Gold Inc., Senior Notes	3.550%	3/1/22	2,700,000	2,566,080

See Notes to Financial Statements.

Western Asset/Claymore Inflation-Linked Opportunities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Metals & Mining continued				
Samarco Mineracao SA, Senior Notes	4.125%	11/1/22	1,000,000	$ 900,000 (c)
Southern Copper Corp., Senior Notes	5.250%	11/8/42	1,000,000	810,977
Vale Overseas Ltd., Notes	6.875%	11/21/36	1,230,000	1,270,286
Vale SA, Senior Notes	5.625%	9/11/42	800,000	726,226
Vedanta Resources PLC, Senior Notes	7.125%	5/31/23	2,000,000	1,832,500 (c)
Total Metals & Mining				*10,886,832*
Paper & Forest Products 0.1%				
Fibria Overseas Finance Ltd., Senior Notes	6.750%	3/3/21	695,000	*757,550* (c)
Total Materials				**15,216,139**
Telecommunication Services 3.0%				
Diversified Telecommunication Services 2.4%				
UPCB Finance V Ltd., Senior Secured Notes	7.250%	11/15/21	980,000	1,063,300 (c)
UPCB Finance VI Ltd., Senior Secured Notes	6.875%	1/15/22	150,000	159,375 (c)
Verizon Communications Inc., Senior Notes	3.650%	9/14/18	4,080,000	4,318,941
Verizon Communications Inc., Senior Notes	5.150%	9/15/23	7,030,000	7,548,055
Verizon Communications Inc., Senior Notes	6.550%	9/15/43	4,080,000	4,773,433
Wind Acquisition Holdings Finance SpA, Senior Notes	12.250%	7/15/17	746,251	785,429 (c)(e)
Windstream Corp., Senior Notes	7.500%	4/1/23	750,000	753,750
Total Diversified Telecommunication Services				*19,402,283*
Wireless Telecommunication Services 0.6%				
America Movil SAB de CV, Senior Notes	3.125%	7/16/22	850,000	784,676
Sprint Capital Corp., Senior Notes	8.750%	3/15/32	1,000,000	1,072,500
Sprint Communications Inc., Senior Notes	9.000%	11/15/18	860,000	1,036,300 (c)
VimpelCom Holdings BV, Senior Notes	7.504%	3/1/22	1,730,000	1,807,192 (c)
Total Wireless Telecommunication Services				*4,700,668*
Total Telecommunication Services				**24,102,951**
Utilities 0.4%				
Electric Utilities 0.1%				
Centrais Eletricas Brasileiras SA, Senior Notes	5.750%	10/27/21	1,000,000	*971,250* (c)
Independent Power Producers & Energy Traders 0.3%				
Calpine Corp., Senior Secured Notes	7.875%	1/15/23	1,039,000	1,135,107 (c)
Colbun SA, Senior Notes	6.000%	1/21/20	300,000	321,859 (c)
Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes	10.000%	12/1/20	1,000,000	1,062,500
Total Independent Power Producers & Energy Traders				*2,519,466*
Total Utilities				**3,490,716**
Total Corporate Bonds & Notes (Cost $119,315,227)				**120,347,420**

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2013

Western Asset/Claymore Inflation-Linked Opportunities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Non-U.S. Treasury Inflation Protected Securities 1.2%				
Canada 1.2%				
Government of Canada, Bonds (Cost $11,356,398)	4.250%	12/1/26	7,633,325 CAD	**$ 10,035,531**
U.S. Government & Agency Obligations 0.1%				
U.S. Government Obligations 0.1%				
U.S. Treasury Notes (Cost $561,121)	2.500%	8/15/23	560,000	**537,775**
Sovereign Bonds 8.6%				
Argentina 0.2%				
Republic of Argentina, Senior Bonds	7.000%	10/3/15	1,370,000	*1,339,438*
Brazil 3.6%				
Federative Republic of Brazil, Notes	10.000%	1/1/21	21,000,000 BRL	7,737,026
Federative Republic of Brazil, Notes	6.000%	8/15/22	39,211,086 BRL	16,499,446
Federative Republic of Brazil, Senior Notes	4.875%	1/22/21	4,440,000	4,684,200
Total Brazil				*28,920,672*
Colombia 0.3%				
Republic of Colombia, Senior Bonds	4.375%	7/12/21	2,075,000	*2,137,250*
Indonesia 0.1%				
Republic of Indonesia, Notes	3.750%	4/25/22	1,380,000	*1,243,725* (c)
Mexico 1.3%				
United Mexican States, Bonds	6.500%	6/9/22	95,195,000 MXN	7,370,586
United Mexican States, Medium-Term Notes	6.050%	1/11/40	2,656,000	2,888,400
Total Mexico				*10,258,986*
Panama 0.0%				
Republic of Panama, Senior Bonds	6.700%	1/26/36	270,000	*301,725*
Peru 0.2%				
Republic of Peru, Senior Bonds	8.750%	11/21/33	1,050,000	*1,493,625*
Philippines 0.2%				
Republic of the Philippines, Senior Bonds	5.500%	3/30/26	1,620,000	*1,786,050*
Russia 0.7%				
Russian Foreign Bond Eurobond, Senior Bonds	7.500%	3/31/30	3,793,075	4,419,691 (c)
Russian Foreign Bond Eurobond, Senior Bonds	4.875%	9/16/23	1,400,000	1,414,000 (c)
Total Russia				*5,833,691*
South Africa 1.0%				
Republic of South Africa, Senior Notes	5.875%	9/16/25	7,850,000	*8,164,000*
Turkey 0.6%				
Republic of Turkey, Senior Bonds	5.625%	3/30/21	4,325,000	4,342,300
Republic of Turkey, Notes	4.875%	4/16/43	1,000,000	765,500
Total Turkey				*5,107,800*

See Notes to Financial Statements.

Western Asset/Claymore Inflation-Linked Opportunities & Income Fund

Security	Rate	Maturity Date	Face Amount	Value
Venezuela 0.4%				
Bolivarian Republic of Venezuela, Senior Notes	7.750%	10/13/19	4,305,000	$ *3,207,225* (c)
Total Sovereign Bonds (Cost $75,383,480)				**69,794,187**
		Expiration Date	Contracts	
Purchased Options 0.0%				
U.S. Treasury 10-Year Notes Futures, Put @ $122.50 (Cost $162,269)		1/24/14	429	*160,875*
Total Investments 122.7% (Cost $1,013,610,277#)				**993,978,860**
Liabilities in Excess of Other Assets (22.7)%				(183,749,750)
Total Net Assets 100.0%				**$ 810,229,110**

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

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

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

(c) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Trustees, unless otherwise noted.

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

(e) Payment-in-kind security for which the issuer has the option at each interest payment date of making interest payments in cash or additional debt securities.

Aggregate cost for federal income tax purposes is $1,018,126,363.

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 $52,231)	1/24/14	$ 120.50	429	$ 20,109

See Notes to Financial Statements.

Statement of assets and liabilities

December 31, 2013

Assets:	
Investments, at value (Cost $1,013,610,277)	$ 993,978,860
Foreign currency, at value (Cost $638,157)	643,770
Cash	196,262
Interest receivable	7,515,507
Deposits with brokers for open futures contracts	3,895,165
Deposits with brokers for OTC swap contracts	2,100,000
Receivable from broker variation margin on open futures contracts	562,253
Foreign currency collateral for open futures contracts, at value (Cost $365,636)	371,442
Unrealized appreciation on forward foreign currency contracts	153,925
Principal paydown receivable	2,519
Prepaid expenses	29,058
Total Assets	***1,009,448,761***
Liabilities:	
Payable for open reverse repurchase agreements (Note 3)	196,240,561
OTC swaps, at value (premiums received $635,029)	2,165,904
Investment advisory fee payable	514,695
Interest payable	57,510
Payable for open OTC swap contracts	37,917
Unrealized depreciation on forward foreign currency contracts	35,055
Administration fee payable	34,313
Written options, at value (premiums received $52,231)	20,109
Accrued expenses	113,587
Total Liabilities	***199,219,651***
Total Net Assets	**$ 810,229,110**
Net Assets:	
Common shares, no par value, unlimited number of shares authorized, 61,184,134 shares issued and outstanding (Note 5)	844,376,761
Overdistributed net investment income	(510,599)
Accumulated net realized loss on investments, futures contracts, written options, swap contracts and foreign currency transactions	(14,800,668)
Net unrealized depreciation on investments, futures contracts, written options, swap contracts and foreign currencies	(18,836,384)
Total Net Assets	**$ 810,229,110**
Shares Outstanding	61,184,134
Net Asset Value	$13.24

See Notes to Financial Statements.

Statement of operations

For the Year Ended December 31, 2013

Investment Income:	
Interest	***$ 16,056,298***
Expenses:	
Investment advisory fee (Note 2)	5,402,225
Administration fees (Note 2)	360,148
Transfer agent fees	168,545
Legal fees	125,751
Trustees fees	101,666
Fund accounting fees	78,886
Interest expense (Note 3)	74,040
Stock exchange listing fees	49,614
Shareholder reports	46,440
Audit and tax	41,685
Insurance	18,717
Custody fees	17,793
Miscellaneous expenses	11,508
Total Expenses	***6,497,018***
Net Investment Income	**9,559,280**
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	5,984,104
Futures contracts	(924,431)
Written options	3,984,159
Swap contracts	(3,211,553)
Foreign currency transactions	1,447,522
Net Realized Gain	***7,279,801***
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	(96,195,659)
Futures contracts	1,817,464
Written options	48,397
Swap contracts	(1,686,377)
Foreign currencies	760,734
Change in Net Unrealized Appreciation (Depreciation)	***(95,255,441)***
Net Loss on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign Currency Transactions	**(87,975,640)**
Decrease in Net Assets from Operations	**$ (78,416,360)**

See Notes to Financial Statements.

Statements of changes in net assets

For the Years Ended December 31,	2013	2012
Operations:		
Net investment income	$ 9,559,280	$ 17,227,661
Net realized gain	7,279,801	53,215,856
Change in net unrealized appreciation (depreciation)	(95,255,441)	(7,294,205)
Increase (Decrease) in Net Assets From Operations	***(78,416,360)***	***63,149,312***
Distributions to Shareholders From (Note 1):		
Net investment income	(9,574,393)	(19,450,312)
Net realized gains	(15,021,629)	(3,096,042)
Decrease in Net Assets From Distributions to Shareholders	***(24,596,022)***	***(22,546,354)***
Increase (Decrease) in Net Assets	***(103,012,382)***	***40,602,958***
Net Assets:		
Beginning of year	913,241,492	872,638,534
End of year*	**$ 810,229,110**	**$ 913,241,492**
* Includes overdistributed net investment income of:	$(510,599)	$(857,120)

See Notes to Financial Statements.

Financial highlights

For a share of common stock outstanding throughout each year ended December 31:	2013	2012	2011	2010	2009
Net asset value, beginning of year	$14.93	$14.26	$13.27	$12.94	$11.39
Income (loss) from operations:					
Net investment income[1]	0.16	0.28	0.51	0.36	0.40
Net realized and unrealized gain (loss)	(1.45)	0.76	1.01	0.45	1.65
Total income (loss) from operations	***(1.29)***	***1.04***	***1.52***	***0.81***	***2.05***
Less distributions from:					
Net investment income	(0.16)	(0.32)	(0.53)	(0.41)	(0.44)
Net realized gains	(0.24)	(0.05)			
Return of capital				(0.07)	(0.06)
Total distributions	***(0.40)***	***(0.37)***	***(0.53)***	***(0.48)***	***(0.50)***
Net asset value, end of year	$13.24	$14.93	$14.26	$13.27	$12.94
Market price, end of year	$11.27	$13.20	$12.61	$12.53	$12.04
Total return, based on NAV[2,3]	***(8.74)%***	***7.35%***	***11.61%***	***6.30%***	***18.40%***
Total return, based on Market Price[4]	***(11.77)%***	***7.64%***	***4.90%***	***8.12%***	***19.91%***
Net assets, end of year (000s)	$810,229	$913,241	$872,639	$811,717	$791,708
Ratios to average net assets:[5]					
Gross expenses	0.75%	0.69%	0.68%	0.75%	0.95%
Net expenses[6]	0.75	0.69	0.68	0.75	0.95
Net investment income	1.11	1.92	3.70	2.75	3.27
Portfolio turnover rate	**112%**	**91%**	**61%**	**48%**	**41%**

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 Opportunities & 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 February 25, 2004.

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

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

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

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

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

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

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

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

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

Level 1 quoted prices in active markets for identical investments

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

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

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

Notes to financial statements (cont d)

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

ASSETS

Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Long-term investments :				
U.S. Treasury inflation protected securities		$ 782,589,679		$ 782,589,679
Asset-backed securities		357,775		357,775
Collateralized mortgage obligations		10,155,618		10,155,618
Corporate bonds & notes		120,347,420		120,347,420
Non-U.S. Treasury inflation protected securities		10,035,531		10,035,531
U.S. government & agency obligations		537,775		537,775
Sovereign bonds		69,794,187		69,794,187
Purchased options	$ 160,875			160,875
Total investments	**$ 160,875**	**$ 993,817,985**		**$ 993,978,860**
Other financial instruments:				
Futures contracts	$ 3,008,879			$ 3,008,879
Forward foreign currency contracts		$ 153,925		153,925
Total other financial instruments	**$ 3,008,879**	**$ 153,925**		**$ 3,162,804**
Total	**$ 3,169,754**	**$ 993,971,910**		**$ 997,141,664**

LIABILITIES

Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other financial instruments:				
Written options	$ 20,109			$ 20,109
Futures contracts	806,223			806,223
Forward foreign currency contracts		$ 35,055		35,055
OTC credit default swaps on credit indices buy protection		2,165,904		2,165,904
Total	**$ 826,332**	**$ 2,200,959**		**$ 3,027,291**

See Schedule of Investments for additional detailed categorizations.

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

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

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

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

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

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

(e) Written options. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the premium

Notes to financial statements (cont d)

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

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

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

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

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

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

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

The Fund s maximum exposure in the event of a defined credit event on a credit default swap to sell protection is the notional amount. As of December 31, 2013, the Fund did not hold any credit default swaps to sell protection.

For average notional amounts of swaps held during the year ended December 31, 2013, see Note 4.

Credit default swaps

The Fund enters into credit default swap (CDS) contracts for investment purposes, to manage its credit risk or to add leverage. CDS agreements involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party, typically corporate or sovereign issuers, on a specified obligation, or in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising a credit index. The Fund may use a CDS to provide protection against defaults of the issuers (i.e., to reduce risk where the Fund has exposure to an issuer) or to take an active long or short position with respect to the likelihood of a particular issuer s default. As a seller of protection, the Fund generally receives an upfront payment or a stream of payments throughout the term of the swap provided that there is no credit event. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the maximum potential amount of future payments (undiscounted) that the Fund could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. These amounts of potential payments will be partially offset by any recovery of values from the respective referenced obligations. As a seller of protection, the Fund effectively adds leverage to its portfolio because, in addition to its total net assets, the Fund is subject to investment exposure on the notional amount of the swap. As a buyer of protection, the Fund generally receives an amount up to the notional value of the swap if a credit event occurs.

Notes to financial statements (cont d)

Implied spreads are the theoretical prices a lender receives for credit default protection. When spreads rise, market perceived credit risk rises and when spreads fall, market perceived credit risk falls. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to enter into the agreement. Wider credit spreads and decreasing market values, when compared to the notional amount of the swap, represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. Credit spreads utilized in determining the period end market value of credit default swap agreements on corporate or sovereign issues are disclosed in the Notes to Financial Statements and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for credit derivatives. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values, particularly in relation to the notional amount of the contract as well as the annual payment rate, serve as an indication of the current status of the payment/performance risk.

The Fund s maximum risk of loss from counterparty risk, as the protection buyer, is the fair value of the contract (this risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund s exposure to the counterparty). As the protection seller, the Fund s maximum risk is the notional amount of the contract. Credit default swaps are considered to have credit risk-related contingent features since they require payment by the protection seller to the protection buyer upon the occurrence of a defined credit event.

Entering into a CDS agreement involves, to varying degrees, elements of credit, market and documentation risk in excess of the related amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreement may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreement, and that there will be unfavorable changes in net interest rates.

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

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

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

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

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

(j) Loan participations. The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund s investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement related to the loan, or any rights of off-set against the borrower and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

The Fund assumes the credit risk of the borrower, the lender that is selling the participation and any other persons interpositioned between the Fund and the borrower. In the event of the insolvency of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not benefit from any off-set between the lender and the borrower.

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

The yield to maturity on IO s is sensitive to the rate of principal repayments (including prepayments) on the related underlying debt obligation and principal payments may have a

Notes to financial statements (cont d)

material effect on yield to maturity. If the underlying debt obligation experiences greater than anticipated prepayments of principal, the Fund may not fully recoup its initial investment in IO s.

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

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

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

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

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

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

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

As of December 31, 2013, the Fund held written options, forward foreign currency contracts and OTC credit default swaps with credit related contingent features which had a liability position of $2,221,068. If a contingent feature in the master agreements would have been triggered, the Fund would have been required to pay this amount to its derivatives counterparties. As of December 31, 2013, the Fund had posted with its counterparties cash and/or securities as collateral to cover the net liability of these derivatives amounting to $2,100,000, which could be used to reduce the required payment.

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

(p) Distributions to shareholders. Distributions from net investment income of the Fund, if any, are declared and paid on a monthly basis. Distributions of net realized gains, if any, are declared at least annually. Pursuant to its Managed Distribution Policy, the Fund intends to make regular monthly distributions to shareholders at a fixed rate per common

Notes to financial statements (cont d)

share, which rate may be adjusted from time to time by the Fund s Board of Trustees. Under the Fund s Managed Distribution Policy, if, for any monthly distribution, the value of the Fund s net investment income and net realized capital gain is less than the amount of the distribution, the difference will be distributed from the Fund s net assets (and may constitute a return of capital). Shareholders will be informed of the tax characteristics of the distributions after the close of the 2013 fiscal year. The Board of Trustees may modify, terminate or suspend the Managed Distribution Policy at any time, including when certain events would make part of the return of capital taxable to shareholders. Any such modification, termination or suspension could have an adverse effect on the market price of the Fund s shares. Distributions to shareholders of the Fund are recorded on the ex-dividend date and are determined in accordance with income tax regulations, which may differ from GAAP.

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

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

Management has analyzed the Fund s tax positions taken on income tax returns for all open tax years and has concluded that as of December 31, 2013, no provision for income tax is required in the Fund s financial statements. The Fund s federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

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

	Undistributed Net Investment Income	Undistributed Realized Gain
(a)	$ 361,634	$ (361,634)

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

2. Investment management agreement and other transactions with affiliates

The Fund has entered into an Investment Advisory Agreement with Guggenheim Funds Investment Advisors, LLC (Investment Adviser), which provides for payment of a monthly fee computed at the annual rate of 0.60% of the Fund s average weekly assets. The

Investment Adviser has, in turn, entered into an Investment Management Agreement with Western Asset Management Company (Investment Manager), pursuant to which the Investment Manager provides investment management services to the Fund. In exchange for the services provided by the Investment Manager, the Investment Adviser pays a portion of the fees it receives from the Fund to the Investment Manager, at the annual rate of 0.27% of the Fund s average weekly assets. Average weekly assets means the average weekly value of the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage). For purposes of calculating average weekly assets, liabilities associated with any instrument or transactions used by the Investment Manager to leverage the Fund s portfolio (whether or not such instruments or transactions are covered as described in the prospectus) is considered a liability.

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

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

3. Investments

During the year ended December 31, 2013, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) and U.S Government & Agency Obligations were as follows:

	Investments	U.S. Government & Agency Obligations
Purchases	$ 176,103,619	$ 1,031,627,722
Sales	141,904,565	868,123,749

At December 31, 2013, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

Gross unrealized appreciation	$ 16,342,151
Gross unrealized depreciation	(40,489,654)
Net unrealized depreciation	**$ (24,147,503)**

Notes to financial statements (cont d)

Transactions in reverse repurchase agreements for the Fund during the year ended December 31, 2013 were as follows:

Average Daily Balance*	Weighted Average Interest Rate*	Maximum Amount Outstanding
$150,055,435	0.18%	$ 262,155,757

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

Interest rates on reverse repurchase agreements ranged from 0.14% to 0.25% during the year ended December 31, 2013. Interest expense incurred on reverse repurchase agreements totaled $74,040.

At December 31, 2013, the Fund had the following open reverse repurchase agreements:

Counterparty	Rate	Effective Date	Maturity Date	Face Amount
Barclays Capital	0.22%	10/16/2013	1/15/2014	$ 28,753,355
Deutsche Bank	0.25%	10/16/2013	1/15/2014	37,050,000
Morgan Stanley	0.15%	10/28/2013	1/15/2014	27,247,500
Deutsche Bank	0.17%	11/26/2013	2/12/2014	37,050,000
Morgan Stanley	0.17%	11/26/2013	2/12/2014	37,279,412
Barclays Capital	0.18%	11/26/2013	2/12/2014	28,860,294
				$ 196,240,561

On December 31, 2013, the total market value of underlying collateral (refer to the Schedule of Investments for positions held at the counterparty as collateral for reverse repurchase agreements) for open reverse repurchase agreements was $199,352,522.

During the year ended December 31, 2013, written option transactions for the Fund were as follows:

	Number of Contracts	Premiums
Written options, outstanding as of December 31, 2012	200	$ 146,225
Options written	15,731	4,865,386
Options closed	(11,477)	(3,696,141)
Options exercised	(1,517)	(530,038)
Options expired	(2,508)	(733,201)
Written options, outstanding as of December 31, 2013	**429**	**$ 52,231**

At December 31, 2013, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Gain (Loss)
Contracts to Buy:					
U.S. Treasury 5-Year Notes	857	3/14	$ 103,057,035	$ 102,250,812	$ (806,223)
Contracts to Sell:					
U.S. Treasury 10-Year Notes	873	3/14	108,489,945	107,419,922	1,070,023
U.S. Treasury Ultra Long-Term Bonds	1,049	3/14	136,538,669	134,599,813	1,938,856
					3,008,879
Net unrealized gain on open futures contracts					**$ 2,202,656**

At December 31, 2013, the Fund had the following open forward foreign currency contracts:

Foreign Currency	Counterparty