

WESTERN ASSET CLAYMORE INFLATION-LINKED SECURITIES & INCOME FUND
Form N-CSR
March 05, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-21403

Western Asset/Claymore Inflation-Linked Securities & Income Fund

Name of Fund:

385 East Colorado Boulevard
Pasadena, CA
Address of Principal Executive Offices:

91101

Charles A. Ruys de Perez

385 East Colorado Boulevard

Pasadena, CA 91101

Name and address of agent for service:

Registrant's telephone number, including area code: (626) 844-9400

Date of fiscal year-end: December 31, 2008

Date of reporting period: December 31, 2008

Item 1. Report to Shareholders

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

Annual Report to Shareholders

December 31, 2008

Annual Report to Shareholders

Management's Discussion of Fund Performance

The year ended December 31, 2008 was a very difficult period for U.S. Treasury Inflation-Protected Securities (TIPS^A), as the rise in real yields, along with a switch in CPI^B accretion from positive to negative, combined to produce the largest underperformance since TIPS were first introduced in 1997. The Barclays U.S. Government Inflation-Linked All Maturities Index^C generated a total return of -1.71%, while the Barclays U.S. Government Breakeven Treasury Index^D returned 16.65%. Although the Federal Reserve Board (Fed) cut short-term interest rates from 4.25% to 0%, 10-year TIPS real yields rose from approximately 1.70% at the end of 2007 to approximately 2.09% at the end of December 2008. At the same time, inflation in the U.S., as measured by the Consumer Price Index for All Urban Consumers (CPI-U^E), slowed sharply from 4.1% at the end of December 2007 to 0.1% at the end of December 2008, mainly as a result of the collapse in commodity prices in the second half of the year. This combination of increasing real yields and falling inflation accretion resulted in massive underperformance for TIPS.

For the twelve months ended December 31, 2008, the Fund paid dividends of \$0.0575 per share monthly plus a year-end supplemental dividend of \$0.155 per share and generated a total return of -8.24% on a net asset value (NAV^F) basis (including reinvestment of dividends). On a market price basis, the Fund performed better, returning -0.91% during the same period (including reinvestment of dividends). The Fund underperformed U.S. Treasuries, as the Barclays U.S. Treasury Index^H returned 13.74% during the year. Agency mortgage-backed securities (MBS) suffered for a majority of the period until the U.S. Treasury took the government-sponsored enterprises (GSEs) into conservatorship in September 2008. A major rally was set off in the beginning weeks of September 2008 as spreads began to compress. Overall, for the twelve months ended December 31, 2008, the Fund's exposure to agency MBS contributed to performance. A series of bankruptcies, government conservatorships and mergers stemming from the credit crisis affected the Fund's investment grade positions. In September 2008, the federal government placed Fannie Mae and Freddie Mac, the GSEs, into conservatorship, purchased \$1 billion in senior preferred stock in each GSE, and indefinitely suspended the dividend on the existing preferred shares, thereby subordinating the interests of the existing preferred shareholders to the Treasury's. The Fund's exposure to Fannie Mae and Freddie Mac preferreds significantly detracted from performance. The Fund's exposure to Financials issues, specifically Icelandic banks *Kaupthing Bank HF* and *Glinir Banki HF*, and *Citigroup Inc.* also detracted from performance, as spreads within this sector widened through the financial crisis.

As mentioned in the December 31, 2007 annual report, the Fund removed its permanent leverage by redeeming its Auction Market Preferred Shares (AMPS) in November 2006. During the financial crisis, the decision to replace permanent leverage via AMPS, while still utilizing opportunistic leverage via repurchase agreements, was a positive for the Fund. Due to the liquidity/credit crunch in February 2008, the cost of AMPS leverage would have increased dramatically as many AMPS auctions failed and issuers were forced to pay the higher stop-out rate. At the peak of the crisis, some issuers were forced to pay double-digit annualized rates to maintain their leverage. This would have been a large detractor from performance. Instead, since TIPS are Treasury securities, the Fund was able to finance its positions at much lower general collateral repurchase rates. During the past twelve months, the Fund's opportunistic use of reverse repurchase agreements to leverage TIPS was a positive contributor to total NAV returns.

Western Asset Management Company

January 20, 2009

^A U.S. Treasury Inflation-Protected Securities ("TIPS") are inflation-indexed securities issued by the U.S. Treasury in 5-year, 10-year and 20-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.

- B The Consumer Price Index (CPI) measures the average change in U.S. consumer prices over time in a fixed market basket of goods and services determined by the U.S. Bureau of Labor Statistics.*
- C 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.*
- D The Barclays U.S. Government Breakeven Treasury Index is composed of nominal U.S. Treasuries corresponding to the maturity of each TIPS issue.*
- E 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.*
- F 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.*
- G 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 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.*
- H The Barclays Capital U.S. Treasury Index is a measure of the public obligations of the U.S. Treasury.*

Annual Report to Shareholders

Fund Highlights

	December 31,	
	2008	2007
Net Asset Value	\$334,566,563	\$389,980,044
Per Share	\$11.48	\$13.38
Market Value Per Share	\$10.80	\$11.73
Net Investment Income	\$23,779,618	\$20,475,534
Per Common Share	\$0.82	\$0.70
Dividends Paid to Common Shareholders	\$24,635,209	\$20,165,006
Per Common Share from Net Income	\$0.85	\$0.69

The Fund

Western Asset/Claymore Inflation-Linked Securities & Income Fund (WIA or the Fund) is a diversified, closed-end management investment company which seeks to provide current income for its shareholders. Capital appreciation, when consistent with current income, is a secondary investment objective. Substantially all of the Fund's net investment income (after payment of any interest expense in connection with forms of leverage (if applicable)) is distributed to the Fund's shareholders. A Dividend Reinvestment Plan is available to those shareholders of record desiring it. The Fund's common shares are listed on the New York Stock Exchange (NYSE) where they are traded under the symbol WIA.

Performance Information

Total return on market value measures investment performance in terms of appreciation or depreciation in market value per share, plus dividends and any capital gain distributions. Total return on net asset value measures investment performance in terms of appreciation or depreciation in net asset value per share, plus dividends and any capital gain distributions. Total return on market value assumes that dividends and distributions were reinvested on payment date at prices obtained under the Fund's dividend reinvestment plan. Total return on net asset value assumes that dividends and distributions were reinvested on payment date at net asset value. Average annual returns tend to smooth out variations in a fund's return, so that they differ from actual year-to-year results. No adjustment has been made for any income taxes payable by shareholders.

	Fourth Quarter 2008	Year Ended December 31, 2008	Three Years	Average Annual Return	
				Five Years	Since Inception ^A
Total Return Based on:					
Market Value	+5.93%	(0.91)%	+2.72%	(0.24)%	+0.07%
Net Asset Value	(3.39)%	(8.24)%	+0.21%	+1.57%	+1.60%
Barclays U.S. Government Inflation-Linked 1-10 year Index ^{B,C}	(4.43)%	(1.74)%	+3.64%	+3.97%	+3.85%
Barclays U.S. Government Inflation-Linked All Maturities Index ^{C,D}	(2.66)%	(1.71)%	+3.35%	+4.26%	+4.35%

The performance data quoted represents past performance and does not guarantee future results. The performance stated may have been due to extraordinary market conditions, which may not be duplicated in the future. Current performance may be lower or higher than the performance data quoted. The investment return and principal value of the Fund will fluctuate so that an investor's shares, when sold, may be worth more or less than the original cost. Calculations assume reinvestment of dividends and capital gain distributions. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

^A *The Fund's inception date is September 30, 2003.*

^B *This index is the U.S. component of the 1 to 10 year Barclays Global Inflation-Linked Bond Index, which measures the performance of the major government inflation-linked bond markets. Although it is not possible to invest directly in an index, it is possible to purchase investment vehicles designed to track the performance of certain indexes. The performance of the index does not reflect deductions for fees, expenses or taxes.*

^C *This return does not include reinvestment of dividends or capital gain distributions.*

^D *This index is the U.S. component of the all maturities Barclays Global Inflation-Linked Bond Index, which measures the performance of the major government inflation-linked bond markets.*

Annual Report to Shareholders

General Market Performance

	Fourth Quarter 2008	Year Ended December 31, 2008	Average Annual Returns Three Years	Since Inception
S&P 500 Index ^E	(21.94)%	(37.00)%	(8.36)%	+0.08%
Barclays Capital U.S. Aggregate Index ^F	+4.58%	+5.24%	+5.51%	+4.49%
Barclays Capital U.S. Mortgaged Back Securities Index ^G	+4.34%	+8.34%	+6.81%	+5.45%
Barclays Capital U.S. Credit Index ^H	+4.03%	(3.08)%	+2.03%	+2.62%

The performance data quoted represents past performance and does not guarantee future results. The performance stated may have been due to extraordinary market conditions, which may not be duplicated in the future. Current performance may be lower or higher than the performance data quoted. The investment return and principal value of the Fund will fluctuate so that an investor's shares, when sold, may be worth more or less than the original cost. Calculations assume reinvestment of dividends and capital gain distributions. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

Investment Policies

As previously announced, effective November 26, 2007, the Fund's investment policies were revised to include, among others, that, under normal market conditions and at the time of purchase, its portfolio be invested as follows:

At least 80% of its total managed assets^I in inflation-linked securities

At least 60% of its total managed assets in U.S. Treasury Inflation Protected Securities

No more than 40% of its total managed assets in non-U.S. dollar investments (no more than 20% of its non-U.S. dollar exposure may be unhedged)

Each of the foregoing policies is a non-fundamental policy that may be changed without shareholder approval. The Fund has also adopted the following non-fundamental policy, which, to the extent required by applicable law, may only be changed after notice to shareholders: under normal market conditions, the Fund will invest at least 80% of its total managed assets in inflation protected securities and non-inflation protected securities and instruments with the potential to enhance the Fund's income. Pursuant to these new policies, the Fund is expected to expand its use of credit default swaps.

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. In addition, 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.

Due to the investment policy changes described above, an investment in the Fund is now subject to the following additional risks:

Currency Risk. The risk that the value of the Fund's portfolio holdings that are denominated in non-U.S. currencies can be affected by changes in the rates of exchange between those currencies and the U.S. dollar. Although the Fund may at times seek to hedge its foreign currency risk, suitable hedges either may not be available or, if used, may not be effective and may result in losses.

Emerging Markets Risk. The risk that the value of the Fund's investments in emerging market countries are subject to economic and political developments in countries that are typically less fully developed and less stable. Additionally,

^E *The S&P 500 Index is a market capitalization-weighted index of 500 widely held common stocks. Please note that an investor cannot invest directly in an index.*

^F *The Barclays Capital 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. Please note that an investor cannot invest directly in an index.*

^G *The Barclays U.S. Mortgaged Back Securities Index covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.*

^H *The Barclays Capital U.S. Credit Index is an index composed of corporate and non-corporate debt issues that are investment grade (rated Baa3/BBB- or higher). An investor cannot invest directly in an index.*

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

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Fund Highlights Continued

emerging market countries may have policies that restrict investment by foreigners, or that prevent foreign investors from withdrawing their money at will.

Dividend Reinvestment Plan

The Fund and American Stock Transfer and Trust Company LLC (Agent), as the Transfer Agent (previously ComputershareTrust Company N.A.) and Registrar of WIA, offer a convenient way to add shares of WIA to your account. WIA offers to all common shareholders a Dividend Reinvestment Plan (Plan). Under the Plan, cash distributions (e.g., dividends and capital gains) on the common shares are automatically invested in shares of WIA unless the shareholder elects otherwise by contacting the Agent at the address set forth below.

As a participant in the Dividend Reinvestment Plan, you will automatically receive your dividend or net capital gains distribution in newly issued shares of WIA, if the market price of the shares on the date of the distribution is at or above the net asset value (NAV) of the shares, minus estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market. The number of shares to be issued to you will be determined by dividing the amount of the cash distribution to which you are entitled (net of any applicable withholding taxes) by the greater of the NAV per share on such date or 95% of the market price of a share on such date. If the market price of a share on such distribution date is below the NAV, less estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market, the Agent will, as agent for the participants, buy shares of WIA through a broker on the open market. All common shares acquired on your behalf through the Plan will be automatically credited to an account maintained on the books of the Agent.

Additional Information Regarding the Plan

WIA will pay all costs applicable to the Plan, except for brokerage commissions for open market purchases by the Agent under the Plan, which will be charged to participants. All shares acquired through the Plan receive voting rights and are eligible for any stock split, stock dividend, or other rights accruing to shareholders that the Board of Trustees may declare.

You may terminate participation in the Plan at any time by giving notice to the Agent. Such termination shall be effective prior to the record date next succeeding the receipt of such instructions or by a later date of termination specified in such instructions. Upon termination, a participant will receive a certificate for the full shares credited to his or her account or may request the sale of all or part of such shares. Fractional shares credited to a terminating account will be paid for in cash at the current market price at the time of termination.

Dividends and other distributions invested in additional shares under the Plan are subject to income tax just as if they had been received in cash. After year end, dividends paid on the accumulated shares will be included in the Form 1099-DIV information return to the Internal Revenue Service and only one Form 1099-DIV will be sent to participants each year.

Inquiries regarding the Plan, as well as notices of termination, should be directed to American Stock Transfer and Trust Company LLC, P.O. Box 922, Wall Street Station, New York, NY 10269-0560. Investor Relations telephone number (888) 888-0151.

Annual Certifications

In May 2008, the Fund submitted its annual CEO certification to the NYSE in which the Fund's principal executive officer certified that he was not aware, as of the date of the certification, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related Securities and Exchange Commission (SEC) rules, the Fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures and internal control over financial reporting.

Schedule of Portfolio Holdings

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. You may obtain a free copy of the Fund's Form N-Q by calling 1-800-345-7999, by visiting the Fund's website (<http://www.westernclaymore.com>), or by writing to the Fund, or you may obtain a copy of this report (and other information

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relating to the Fund) from the SEC's website (<http://www.sec.gov>). Additionally, the Fund's Form N-Q can be viewed or copied at the SEC's Public Reference Room in Washington D.C. Information about the operation of the Public Reference Room can be obtained by calling 1-800-732-0330.

Proxy Voting

You may request a free description of the policies and procedures that the Fund uses to determine how proxies relating to the Fund's portfolio securities are voted by calling 1-800-345-7999 or by writing to the Fund, or you may obtain a copy of these policies and procedures (and other information relating to the Fund) from the SEC's website (<http://www.sec.gov>). You may request a free report regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30, by calling 1-800-345-7999 or by writing to the Fund, or you may obtain a copy of this report (and other information relating to the Fund) from the SEC's website (<http://www.sec.gov>).

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Portfolio Diversification

December 31, 2008

The pie and bar charts above represent the Fund's portfolio as of December 31, 2008 and do not include derivatives such as Futures Contracts and Swaps. The Fund's portfolio is actively managed, and its portfolio composition, credit quality breakdown, and other portfolio characteristics will vary from time to time. U.S. Treasury Inflation Protected Securities are unrated, but are backed by the full faith and credit of the government of the United States of America and are therefore considered by the Fund's investment adviser to be comparable to bonds rated AAA/Aaa.

Quarterly Comparison of Market Price and Net Asset Value (NAV), Discount or Premium to NAV and Average Daily Volume of Shares Traded

	Market Price	Net Asset Value	Premium/ (Discount)	Average Daily Volume (Shares)
March 31, 2008	\$ 11.99	\$ 13.82	(13.24)%	139,256
June 30, 2008	\$ 12.39	\$ 13.54	(8.49)%	118,694
September 30, 2008	\$ 10.51	\$ 12.23	(14.06)%	124,711
December 31, 2008	\$ 10.80	\$ 11.48	(5.92)%	124,385

^A Ratings shown are expressed as a percentage of the portfolio. Standard & Poor's Ratings Services provide capital markets with credit ratings for the evaluation and assessment of credit risk.

^B Expressed as a percentage of the portfolio.

^C Yankee Bond - A dollar-denominated bond issued in the U.S. by foreign entities.

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Portfolio of Investments

December 31, 2008

Western Asset/Claymore Inflation-Linked Securities & Income Fund

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Long-Term Securities	112.5%				
U.S. Government and Agency Obligations	98.2%				
<i>Treasury Inflation-Protected Securities^A</i>	<i>98.2%</i>				
United States Treasury Inflation-Protected Security		0.875%	4/15/10	\$ 25,558,790	\$ 24,021,275
United States Treasury Inflation-Protected Security		2.375%	4/15/11	47,402,976	46,295,690
United States Treasury Inflation-Protected Security		2.000%	4/15/12	16,388,121	15,980,974
United States Treasury Inflation-Protected Security		3.000%	7/15/12	24,459,876	23,972,586 _B
United States Treasury Inflation-Protected Security		1.875%	7/15/13	23,957,067	22,555,195
United States Treasury Inflation-Protected Security		1.625%	1/15/15	22,464,882	20,832,674
United States Treasury Inflation-Protected Security		2.000%	1/15/16	22,812,977	21,846,984
United States Treasury Inflation-Protected Security		2.375%	1/15/17	10,581,658	10,498,158
United States Treasury Inflation-Protected Security		1.625%	1/15/18	22,285,286	21,151,879
United States Treasury Inflation-Protected Security		1.375%	7/15/18	14,718,269	13,765,026
United States Treasury Inflation-Protected Security		2.375%	1/15/25	8,045,310	7,907,027
United States Treasury Inflation-Protected Security		2.000%	1/15/26	74,507,838	70,182,881 _C
United States Treasury Inflation-Protected Security		1.750%	1/15/28	17,781,693	16,428,613 _B
United States Treasury Inflation-Protected Security		3.875%	4/15/29	10,476,828	12,939,700 _B
Total U.S. Government and Agency Obligations (Cost \$334,960,311)					328,378,662

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Portfolio of Investments Continued

Western Asset/Claymore Inflation-Linked Securities & Income Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
U.S. Government Agency Mortgage-Backed Securities	4.9%				
<i>Fixed Rate Securities</i>	4.9%				
Fannie Mae		6.000%	1/1/37 to 6/1/37	\$ 15,962,587	\$ 16,451,396 _D
Total U.S. Government Agency Mortgage-Backed Securities (Cost \$15,670,455)					16,451,396
Corporate Bonds and Notes	6.2%				
<i>Automobiles</i>	0.9%				
Ford Motor Co.		7.450%	7/16/31	7,435,000	2,081,800
General Motors Corp.		8.375%	7/15/33	6,000,000	1,050,000
					3,131,800
<i>Consumer Finance</i>	0.5%				
SLM Corp.		6.220%	2/1/10	2,000,000	1,566,580 _E
<i>Diversified Financial Services</i>	0.9%				
Bank of America Corp.		8.000%	12/29/49	1,740,000	1,251,561 _F
JPMorgan Chase and Co.		7.900%	12/31/49	1,940,000	1,613,750 _F
					2,865,311
<i>Diversified Telecommunication Services</i>	0.3%				
AT&T Inc.		5.600%	5/15/18	1,000,000	1,018,144
<i>Health Care Providers and Services</i>	0.7%				
HCA Inc.		5.750%	3/15/14	4,000,000	2,420,000
<i>Media</i>					