

Western Asset Inflation-Linked Income Fund

WIA

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** The first quarter of 2026 was characterized by elevated geopolitical risk and accelerating AI-driven disruption across the software sector and its incumbent business models. The period was shaped by a series of international developments, including the capture and indictment of Nicolás Maduro, escalating diplomatic tensions between the US and European NATO allies over Greenland, and a US-Israeli military operation against Iran.
- **Contributors:** Yield-curve positioning, along with allocations to structured products and investment-grade corporate credits were major drivers of relative performance.
- **Detractors:** Treasury inflation-protected securities (TIPS) and commodities exposure detracted during the quarter.
- **Outlook:** Geopolitical tensions remain a defining feature of the outlook, with the Middle East conflict introducing ongoing uncertainty and contributing to oil price volatility as supply routes face occasional disruption. Even with these pressures, the global economic backdrop is gradually improving as fiscal support, easier financial conditions and moderating inflation help strengthen the 2026 outlook.

Fund Characteristics

Distribution Frequency

Fund

Monthly

Performance Review

- Rates positioning had a positive impact on performance, benefiting from the underweight to the 30-year part of the yield curve.
- Investment-grade credit exposure was additive for results, benefiting from positive issue selection.
- Structured products exposure in aggregate had a positive impact as spreads were generally stable.
- Commodities exposure was a detractor, mainly due to a long position in copper.

Outlook

- In the US, policy tailwinds and deregulation continue to support activity despite signs of softer labor conditions.
- Europe and the United Kingdom face trade and labor-market challenges but easing inflation and selective fiscal measures offer stabilization.
- China's recovery remains policy-driven amid structural constraints, while Japan's persistent inflation supports further policy normalization.
- Credit markets remain supported by strong fundamentals and healthy demand, with issuance elevated by AI-related capex, M&A and refinancing needs.

Average annual total returns (%) - as of March 31, 2026

Product	Ticker	Listed Exchange	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Inception Date
Market Price Return	WIA	NYSE - XNYS	-0.43	-0.36	-0.43	4.29	6.10	0.87	3.67	3.00	9/26/2003
NAV Returns	—	—	0.17	0.45	0.17	3.82	3.54	0.48	2.85	3.14	9/26/2003
Benchmark 1	—	—	0.64	0.94	0.64	3.97	4.19	2.66	3.05	3.50	—
Benchmark 2	—	—	0.22	0.30	0.22	2.83	3.04	1.32	2.63	3.72	—

*Cumulative total returns

Benchmark(s)

Benchmark 1=Bloomberg U.S. Govt Inflation-Linked 1-10Yrs

Benchmark 2=Bloomberg U.S. Govt Inflation-Linked All Maturities

Performance shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so shares, when sold, may be worth more or less than the original cost. Returns based on Market Price or NAV, and assume the reinvestment of all distributions at the Dividend Reinvestment Plan Price or NAV, respectively. All returns include the deduction of management fees, operating expenses and all other fund expenses, and do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares. When applicable, performance would have been lower if fees had not been waived in various periods. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expense or sales charges. Returns for periods of less than one year are not annualized. Please visit franklintempleton.com for the most recent month-end performance.

Gross expenses are the fund's total annual operating expenses as of the fund's annual report available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect voluntary fee waivers, expense caps and/or reimbursements. Voluntary waivers may be modified or discontinued at any time without notice.

Distribution Rate is calculated by annualizing the most recent distribution amount paid, divided by the closing market price or NAV as of the date indicated. The Distribution Rate calculation includes income, may include return of capital and excludes special distributions. The Distribution Rate is subject to change and is not guaranteed nor a quotation of fund performance.

The difference between total assets and net assets, if any, is due primarily to the fund's use of borrowings and other liabilities; netassets do not include borrowings. The fund may employ leverage in the form of loans, preferred stock, reverse repurchase agreements and/or other instruments. When the fund engages in transactions that have a leveraging effect on the fund's portfolio, the value of the fund will be more volatile and all other risks will tend to be compounded.

What are the Risks?

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

Glossary

The **yield curve** shows the relationship between yields and maturity dates for a similar class of bonds.

Important Information

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

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The **Bloomberg U.S. Government Inflation-Linked All Maturities Index** measures the performance of the U.S. TIPS market. The Index includes TIPS with one or more years remaining maturity with total outstanding issue size of \$500 million or more. The **Bloomberg U.S. Government Inflation-Linked 1-10 Year Index** measures the performance of the intermediate U.S. TIPS market.

Source: Bloomberg Indices.

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