

# Western Asset Inflation-Linked Opportunities & Income Fund

Commentary | as of September 30, 2025

## Key Takeaways

- **Markets:** During the third quarter, volatility in both equity and Treasury markets remained relatively subdued. Risk assets performed well, with the S&P 500 Index reaching new highs and credit spreads tightening. US job growth weakened in August, with nonfarm payrolls rising by 22,000 jobs—lower than July's upwardly revised figure of 79,000 (from 73,000). The Federal Open Market Committee lowered its policy rate by 25 bps at its September meeting, setting the target range for the federal funds rate at 4.00% to 4.25%.
- **Contributors:** Rates positioning and corporate credit exposure were the most significant contributors.
- **Detractors:** There were no notable detractors during the quarter.
- **Outlook:** U.S. financial conditions are largely supportive, which, alongside fiscal loosening and solid household balance sheets, points toward a positive foundation for growth. Headwinds remain, including doubts over the state of the U.S. labor market, core inflation lingering close to 3% and the potential lagged impact of tariffs. This backdrop should keep the Federal Reserve on a rate-cutting path, albeit with a cautious view of the inflation outlook.

## Fund Characteristics

Distribution Frequency

## Fund

Monthly

## Performance Review

- Rates positioning had a positive impact on performance as yields fell and the curve steepened.
- Corporate credit exposures (both investment-grade and high-yield) were additive for results, benefiting from tightening spreads and high yield credit default index swap (CDX) exposure.
- Emerging market exposures were additive to returns as USD-denominated spreads tightened.
- Structured products exposure in aggregate had a positive impact as spreads generally tightened.

## Outlook

- Western Asset's outlook remains constructive, though we recognize that growth momentum is tempered by uncertainty in areas such as inflation, central bank policy, geopolitics and fiscal sustainability.
- Fiscal vulnerabilities and persistent inflation may see the yield curve steepen further. European growth is expected to benefit from German and E.U. fiscal support with the European Central Bank judging the eurozone economy to be "in a good place."
- We continue to focus on disciplined, fundamental, relative value investing, seeking pockets of opportunity in fixed income while remaining mindful of technical and macroeconomic risks.

Average annual total returns (%) - as of September 30, 2025

Product	Ticker	Listed Exchange	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Inception Date
Market Price Return	WIW	NYSE - XNYS	3.65	5.55	14.56	9.45	9.27	4.03	4.76	3.21	2/25/2004
NAV Returns	—	—	2.35	3.51	9.03	4.50	6.33	1.59	3.12	3.29	2/25/2004
Benchmark 1	—	—	1.94	3.00	7.05	5.33	5.45	2.79	3.24	3.47	—
Benchmark 2	—	—	2.13	2.51	6.78	3.62	4.84	1.22	3.00	3.65	—

\*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](http://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. 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 agreementsand/or other instruments. When the fund engages in transactions that have a leveraging effect on the fund's portfolio, the value of thefund 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. **Liquidity risk** exists when securities or other investments become more difficult to sell, or are unable to be sold, at the price at which they have been valued. **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. **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 **federal funds rate** is the interest rate at which a depository institution lends funds maintained at the Federal Reserve to another depository institution overnight. Also known as the "fed funds rate".

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

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

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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. Source: Bloomberg Indices. 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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