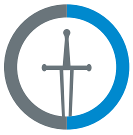


CLAYMORE®

WIA & WIW Portfolio Manager Commentary

Q1 2010

CLOSED-END FUNDS

NYSE: WIA/WIW

What is your outlook for inflation?

Economic data released in March was generally softer than data released in February, but the month was fairly uneventful in terms of economic news. Retail and capital goods sales rose while exports declined and housing data was lackluster. Although payroll figures declined in March, the 36,000 job drop was not as severe as anticipated and temporary jobs, a leading indicator, showed an increase of 48,000 jobs. February inflation prints were subdued as headline consumer price index ("CPI") came in at a flat month-over-month rate of 0%, while the annual figure fell to 2.2%.

Despite a softer tone to economic data in March, we expect economic growth to remain strong. We believe employment numbers are likely to turn positive going forward, so pressure on constrained household spending should begin to ease. Business spending is strong and should continue to be a key factor for a healthy economic recovery. The Federal Reserve Board ("Fed") recognized progress in the recovery and ended many of its supportive programs created during the crisis. However, housing remains soft, credit remains tight, and uncertainty remains about the fiscal situations of various sovereign nations.

Even with a benign inflation outlook and more normalized breakeven spreads, we believe Treasury Inflation Protected Securities ("TIPS") continue to offer an attractive opportunity. We view inflation-linked securities as a viable diversification tool that will continue to provide inflation accretion benefits in the coming months.

Can you provide a recap of recent economic activity and how WIA and WIW were affected?

The U.S. economy continued to face a number of headwinds during the first quarter, but it appears that the severe recession is likely over. The Commerce Department reported that fourth quarter 2009 gross domestic product ("GDP") growth was a positive 5.6%.This followed a 2.2% gain during the previous three months. The strengthening economy was, in part, due to the federal government's economic stimulus program. While the initial estimate for first quarter GDP won't be released until late March, another solid reading is expected.

While consumer spending, which accounts for roughly 70% of GDP, remained relatively tepid, the U.S. manufacturing sector continued to rebound during the first quarter. According to the Institute for Supply Management's Purchasing Managers Index[1], manufacturing has now expanded during each of the last seven months. There was also some positive news in the long ailing housing market. New home sales fluctuated during the quarter but, according to its most recent data, the S&P/Case-Shiller Home Price Index[2] indicated that, on a seasonally-adjusted basis, home prices rose for the eighth consecutive month in January 2010.

These positives were somewhat offset by ongoing challenges in the labor market. The unemployment rate remained elevated at 9.7% throughout the first quarter and, according to revised Department of Labor figures, roughly 600,000 more jobs were lost in 2009 than previously reported. In total, 8.4 million jobs have been lost since the recession officially began in December 2007.

As it has done since cutting short term interest rates to a record low in December 2008, the Fed, held rates steady in a range of zero to 0.25% during the first quarter. In conjunction with its March 2010 meeting, the Fed said that it "continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period." Both short- and long-term Treasury yields fluctuated during the first quarter. After moving higher in late December

2009, the yield on 2- and 10-year Treasuries began 2010 at 1.14% and 3.85%, respectively. Yields then generally trended lower during the first two months of the year and, by the end of February, the yield on 2- and 10-year Treasuries had fallen to 0.81% and 3.61%, respectively. Treasury yields then moved higher in March, due to concerns about future inflation and the amount of new issuance that would be required to fund the country's large fiscal deficit. The quarter ended with the yield on 2- and 10-year Treasuries at 1.02% and 3.84%, respectively.

As was the case during much of 2009, the taxable spread sectors (non-U.S. Treasuries) generally outperformed equal duration Treasuries during the first quarter. Over the three-month period, investor risk appetites remained robust as they looked to generate incremental income in the relatively low interest rate environment.

Headline inflation in the U.S., as measured by the CPI-U, decreased moderately, moving from 2.7 % at the end of December 2009 to 2.3% at the end of March, 2010, year over year. Core CPI (which excludes the effects of food and energy) decreased more rapidly, going from 1.8 % to 1.1 % during the same period. Personal Consumption Expenditures (PCE) core deflator, which we believe is the Federal Reserve's favorite inflation measure, also declined from 1.6% to just 1.3% over the quarter. As official inflation measures moved lower, other reflation trades also suffered. Commodities lost 5% although gold managed to gain 1.5%. Continued weakness in European economies along with the crisis in Greece led the U.S. dollar to rally strongly, gaining 4.1 % on a trade-weighted basis.

U.S. TIPS underperformed as real yields rose slightly while nominal yields remained flat and fears of inflation taking hold in the short term subsided. Breakeven rates, the difference between nominal yields and real yields, fell with 10-year TIPS now pricing in average inflation of 2.26% at the end of March vs. 2.41% in December.

The 10-year U.S. TIPS real yield rose from approximately 1.43 % at the end of December 2009 to approximately 1.57% at the end of March 2010 generating -.35% of total return for the first quarter. The 10-year U.S. Treasury, on the other hand, had a total return of 1.00 % for the fourth quarter.

What is your outlook for the Funds' primary investments – U.S. TIPS, inflation-linked securities, high-yield (WIW) and corporate bonds (WIA)? What is your outlook for inflation and short-term interest rates?

Despite a softer tone to economic data in March, we expect economic growth to remain strong. Business spending is strong and should continue to be a key factor for a healthy economic recovery. Employment numbers are likely to turn positive going forward, so pressure on constrained household spending should begin to ease. The Fed recognized progress in the recovery and closed many of its supportive programs created during the crisis. However, credit remains tight, housing remains soft and uncertainty remains about the fiscal situations of various sovereign nations.

We continue to believe that growth will be driven by businesses rather than consumers. Restocking of inventories has been a key driver for growth in the last few months. As inventories return to normal levels, we believe the resulting increase in capital expenditures and exports will propel businesses forward. While consumers have cut back expenses and saved more, spending has recently begun to pick up. This appears to be due to increased income. An uptick in temporary jobs was seen in the last few months; this usually indicates a pending increase in permanent private sector jobs, which would help to improve household balance sheets. This should also help the unemployment rate begin to moderate from its current 9.7%.

After ending many of the special liquidity programs and direct agency mortgage purchases, the Fed may look to raising the key Fed funds rate as the next step in reducing monetary accomodation. The Fed has already increased the discount rate by 25 basis points (bps)—many took this as a signal that an increase in the Fed funds rate may not be far away. There are already concerns that the current rate environment is too low, and that creating an incentive to increase borrowing

rather than saving could lead to the next asset bubble. We find these concerns premature; the January Fed survey on bank lending showed that credit remains tight although banks have started to loosen their strict terms for new loans.

In housing, home prices were flat on a year-over-year (YoY) basis, but continued to see month-to-month gains according to the latest S&P/Case Shiller data. The hoped for housing rebound may be affected by the expiry of the federal tax credit program for homebuyers in April. New government initiatives to promote short sales over foreclosures were announced but we remained cautious over their effects.

Uncertainty remains about the fiscal situations of various sovereign nations. The Greece debt crisis highlights the importance of fiscal discipline and the need for better policy coordination in the eurozone. In the US, concern is focused on whether financial markets will begin demanding a higher premium on new Treasury issuance. The government's spending programs and large fiscal deficits are worrisome but so far investors still view them as necessary to address the recession. Thus, we believe higher Treasury yields are more a function of investors reallocating to other sectors in search of better risk-adjusted returns.

In terms of portfolio strategy, we remain positive on spread products (with the exception of agency mortgages) as we continue to see value in the majority of these sectors. Based on a thorough analysis of underlying housing market fundamentals, we believe that prices in the non-agency mortgage market are still below intrinsic values. We favor credit, particularly opportunities within the financial sector, as we believe the market continues to discount specific issues too severely. However, we do recognize that certain issuers are close to reaching their fundamental values after a strong year of recovery, and we will reduce exposure accordingly.

Investment Grade Credit

Corporate bond spreads (ex-financials) are approaching pre-crisis levels as fundamentals continue to show improvement and new issuance is robust in the sector. In June 2007, the option-adjusted spread on the Industrial component of the Index stood at +104bps. As the financial crisis peaked in the aftermath of the Lehman Brothers failure these spreads blew out to +548bps in the Fall of 2008. March 2010's month end reading was +126bps. As we approach 1st quarter earnings season, we would not be surprised to see a near term back up in spreads. However, we expect corporate fundamentals to show improvement throughout the year and that credit spreads will be tighter by the end of 2010.

Rising rates will dilute corporate bond absolute returns in 2010 but we expect they will outperform duration-matched US Treasuries for the balance of the year. Our view is predicated on broader economic recovery and balance sheet improvement. Recently completed 4Q09 earnings season saw a sharp improvement as revenues climbed 8.6%. Companies had raised their cash levels to record highs during the downturn, bolstering their liquidity. Debt/EBITDA ratios declined for the first time since 1Q07. We expect this trend to continue.

As the market continues to show signs of normalizing (dealers willing to position bonds, large new issuance absorbed at relatively small concessions and narrowing bid/offer spreads) it isn't surprising to see companies putting cash to work for the shareholders. To conserve cash many companies had to cut dividends and suspend share re-purchase programs. This trend is in the early stage of reversing. In 2008-2009 S&P companies reduced common stock dividends paid by $58bn and share re-purchase announcements declined from $200bn in 4Q07 to $15bn in 3Q09. For 1Q10 dividends paid rose more than $5bn on a year-over-year basis and share re-purchase announcements increased to $100bn. That said, we believe the majority of companies will continue to operate in a conservative manner which should result in balance sheet improvement for the next few quarters.

High Yield

Going into 2010, we expected the strong underlying fundamental condition in the high-yield market to drive total return to approximately 9% for the entire year. With the first quarter behind us, we are already more than half way there. Unlike 2009, the dispersion by rating category has been minimal, with CCC's slightly outperforming, followed by BB's and then B's. Despite the impressive 1Q10 performance, our return expectation has not changed. In other words, we expect an average quarterly return of approximately 1.5% for the remainder of the year. In all likelihood, this will not be a smooth and gradual move and we expect to see some volatility along the way. Given the robust new issue environment along with some slippage in underwriting standards, we anticipate the high-yield market will take a pause or even trade off over the next few months to digest the supply. Retail money, which has been entering the market at a furious pace over the past 18 months, could become nervous with the loss of performance momentum and be vulnerable to outflows. We expect any sell-off in the market over the next few months to be relatively minor, as heavy institutional demand will offset such weakness. Specifically, overall valuations (the high yield market has an average yield of 8.47% as of March 31st) continue to look compelling versus other fixed-income asset classes. Furthermore, we see limited risk that the current trajectory of fundamental improvement in the market gets derailed over the next few quarters.

Outside of U.S. TIPS, where are you finding value in the inflation-linked securities market?

We realized profits on our position in Canada in the first quarter as Canadian real yields traded through comparable US TIPS. Recall that when we initiated this trade last April Canadian real yields were ~2% and the Canadian dollar was ~1.22 versus the US dollar. Since then real yields have fallen to ~1.3% and the Canadian dollar has rallied to near parity. Both the Canadian economy and financial sector have held up much better than most through this recession and, given these moves, we felt that there was not much more room for outperformance versus the US.

We continue to hold our position in Australia where recent economic data has been strong and central bank rhetoric has been hawkish. This has caused the market to price in sustained increases in short rates which we do not think will be realized. With real rates remaining above 2.5% continue to see value versus other global markets.

How do the Funds make strategic use of credit default swaps?

Credit default swaps can be used to increase or decrease exposure to the corporate sector. As a bond investor, the Funds can increase exposure to corporate bonds by selling protection on an issuer or a basket. In this scenario the Funds accept the risk of default in exchange for a periodic payment (the coupon) just as if they had bought a bond. Conversely, Western could buy protection in the credit default swap market to reduce corporate exposure. Either way, credit default swaps are often more liquid and easier to transact in than the underlying corporate bonds. As such they are a valuable tool for managing the desired risk level and position on the yield curve for the Funds' corporate bond exposure.

What factors may affect the Funds' dividend rates?

Both WIA and WIW invest at least 80% of their total managed assets in inflation-linked securities. In addition, the Fund's may each invest in non-inflation-linked securities and instruments with the potential to enhance the Fund's income. There are some important differences between investing directly in inflation-linked securities and investing in inflation-linked securities through an actively-managed closed-end fund, such as WIA or WIW. Among these differences are the ways in which investors receive distributions from their investments. Whereas individual inflation-linked securities pay a semi-annual coupon based on a principal value that adjusts for inflation (using CPI-U), WIA and WIW pay monthly dividends based on the income derived from the underlying investments in U.S. TIPS, inflation linked securities and other fixed-income securities.

Historically, CPI-U figures (which are utilized for U.S. TIPS' principal value accretion) have fluctuated from month to month. As a result of this seasonality of inflation, the Funds' monthly distributions may be greater than or less than the amount of income generated by each Fund's underlying portfolio of investments. Although such shortfalls and excesses may occur, the Funds seek to avoid a net return of capital during the course of any given taxable year. In an effort to provide current income and a relatively stable monthly distribution, the Funds attempt to set their dividend rates based on current and projected net investment income at a level that is believed to be sustainable over a period of time.

Each Fund intends to continue to qualify as a regulated investment company for U.S. federal income tax purposes and to meet all other requirements necessary to be relieved of federal taxes on income and gains distributed in a timely manner to shareholders. Each Fund will distribute substantially all of its net investment income and net realized capital gains to its shareholders on a current basis. Accordingly, each Fund will be able to retain for use in the following year very little, if any, of its net investment income and net realized capital gains in excess of its regular monthly distributions for the current year. This means that the Funds may begin each calendar year without a significant "cushion" of undistributed income and gains.

What effect does the seasonality of inflation have on the Funds' income?

U.S. and non-U.S. inflation generally exhibits a normal seasonal pattern of being high in the first half of the year and lower in the second half. By maintaining a stable dividend, the Funds attempt to mitigate the effects of the seasonality of inflation. We will look forward to the spring months because we believe they generally provide good inflation accretion for U.S. TIPS holders.

Inflation-linked securities may provide a hedge against inflation. What are some of the hedging strategies the Funds have pursued to address risks not directly associated with inflation?

We again did not implement any hedging strategies during the third quarter, consistent with the quarter ended December 31, 2009. Therefore these strategies did not impact the Funds' yields and had no impact on the total return of WIA and WIW, respectively.
When hedging strategies are implemented in the Funds' portfolios, it is primarily through the use of short futures and long put options. In the past, we have also been opportunistic sellers of calls.
Recall that one of our goals is to maintain a relatively stable NAV – so in bull markets, hedging strategies may cause us to underperform published indices on a total return basis. In bear markets, hedging strategies are designed to help protect the NAV against a significant decline in value. However, there can be no assurance such hedging strategies, if implemented, will be successful.

What are the key reasons you believe investors should hold WIA and WIW in their portfolio?

The key reasons investors should hold WIA and WIW in their portfolio are as follows:

- Current income potential.
- Opportunity for long-term inflation protection: The inflation-linked securities in which WIA and WIW currently invest continue to be one of the few yield-bearing securities that are directly linked to inflation. (The positive effects of inflation on the inflation-linked securities may not necessarily be reflected in the share prices of the Funds.)
- Diversification within investors' fixed-income portfolios.
- Any portion of the Funds' dividends directly attributable to U.S. TIPS principal adjustments is exempt from state and local income tax in certain states.

CLOSED-END FUNDS

NYSE: WIA/WIW

- An investment in WIA or WIW, as compared to a direct investment in individual U.S. TIPS, may help avoid the "phantom income" * concern.

We continue to believe that:

- Inflation-linked securities, such as those currently held by the Funds, can be an excellent diversifier for a fixed-income portfolio.

*"Phantom income" is generally any income that is reportable as taxable income but that does not generate cash flow for the investor. In the case of a direct investment in U.S. TIPS, phantom income exists because the investor receives the coupon income in cash but is taxed on both the coupon income and the accretion of principal (resulting from inflation).

How have the NAVs and share prices of WIA and WIW performed?

Net Asset Value

	NAV Per Share ($)					NAV Performance: Total Return			
	Inception	12/29/06	12/31/07	12/31/08	12/31/09	Quarter Ended 3/31/2010	1 Year 3/31/2010	5 Year 3/31/2010	Inception Through 3/31/2010[1]
WIA	14.33	12.83	13.38	11.48	12.85	1.12%	12.32%	3.71%	3.86%
WIW	14.33	13.03	13.53	11.39	12.94	1.24%	14.74%	4.88%	4.36%

Share Price

	Price Per Share ($)					Price Performance: Total Return			
	Inception	12/29/06	12/31/07	12/31/08	12/31/09	Quarter Ended 3/31/2010	1 Year 3/31/2010	5 Year 3/31/2010	Inception Through 3/31/2010[1]
WIA	15.00	11.42	11.73	10.80	12.32	5.09%	16.98%	5.31%	3.45%
WIW	15.00	11.57	11.76	10.49	12.04	-1.01%	14.52%	4.20%	2.54%

[1] Annualized
Inception date of WIA is 9/25/2003; inception date of WIW is 2/24/2004

Since Inception returns assume a purchase of common shares at the initial offering price of $15.00 per share for share price returns and initial net asset value (NAV) of $14.33 per share for NAV returns. Returns for periods of less than one year are not annualized. All distributions are assumed to be reinvested either in accordance with the dividend reinvestment plan (DRIP) for share price returns or NAV for NAV returns. Until the DRIP price is available from the Plan Agent, dividends are assumed to be paid in cash for total return purposes.

Western Asset Management Company
March 31, 2010

[1]The Institute for Supply Management's Purchasing Managers Index is a leading indicator for economic activity. the index reflects the percentage of purchasing managers in a certain economic sector that reported better business conditions than in the previous month.

[2] The S&P/Case-Shiller Home Price Indices measures the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States.

Risks and Other Considerations of the Funds

This document may contain forward-looking statements representing Western Asset Management Company's beliefs concerning future operations, strategies, financial results or other developments. Investors are cautioned that such forward-looking statements involve risks and uncertainties. Because these-forward looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond Western Asset Management Company's control or are subject to change, actual results could be materially different. Other risks are detailed from time to time in the Funds' period reports filed with the Securities and Exchange Commission.

This document is not an offer to sell securities of the Funds and it is not soliciting an offer to buy securities of the Funds.
There can be no assurance that a Fund will achieve its investment objectives. The net asset value of each Fund will fluctuate with the value of the underlying securities. It is important to note that closed-end funds trade on their market value, not net asset value, and closed-end funds often trade at a discount to their net asset value. Past performance is not an indication of future performance.
There can be no guarantee that the Funds' hedging strategies will be employed under all market conditions or will be successful.
Additionally, the cost paid for the hedging strategies may result in a reduction of the net asset value of a Fund and, as a result, could make the Fund worse off than if such hedging strategies had not been used.

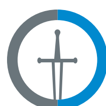
Certain risks are associated with the leveraging of a Fund's common shares. Both the net asset value and the market value of the common shares may be subject to higher volatility and a decline in value. A Fund's leveraging strategy may not be successful.

An investment in a Fund is subject to certain risks and other considerations. Such risks and considerations include, but are not limited to: Investment Risk, Market Discount Risk, Interest Rate Risk, U.S. TIPS Risk, Credit Risk, Lower Grade and Unrated Securities Risk, Leverage Risk, Issuer Risk, Country Risk, (WIW only) Emerging Markets Risk, Prepayment Risk, Reinvestment Risk, Derivatives Risk, Inflation/Deflation Risk, Mortgage-Related Securities Risk, Management Risk, Turnover Risk, Anti-Takeover Provisions, Smaller Company Risk, and Market Disruption and Geopolitical Risk. Investors should consider the risks, expenses and fees of the Funds prior to investing.

Risks Relating to Inflation-Linked Securities: The Fund invest in inflation-protected securities with other structures or characteristics as such securities become available in the market. It is currently expected that other types of inflation-protected securities would have characteristics similar to U.S. TIPS. The value of inflation-protected securities such as U.S. TIPS generally fluctuates in response to changes in real interest rates, which are in turn tied to the relationship between nominal interest rates and the rate of inflation.

Additional Leverage Risk: Certain risks are associated with the leveraging of common stock. Both the net asset value and the market value of shares of common stock may be subject to higher volatility and a decline in value.

NOT FDIC-INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE



CLAYMORE®
A GUGGENHEIM PARTNERS COMPANY

Consider the investment objectives, risks, charges and ongoing expenses of any CEF carefully before investing. The prospectus contains this and other information about the CEF. Please read the prospectus carefully before investing. To obtain a prospectus, visit www.claymore.com or contact a securities representative or Claymore Securities, Inc. 2455 Corporate West Drive, Lisle, IL 60532, 800-345-7999.

Member FINRA/SIPC 5/2010