

WESTERN ASSET CLAYMORE US TREASURY INFLATION PRO SEC FUND 2

Form N-Q

May 26, 2006

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-21403

**Western Asset/Claymore U.S. Treasury**

**Inflation Protected Securities Fund 2**

**(Exact Name of Registrant as Specified In Its Charter)**

Address of Principal Executive Offices:

385 East Colorado Boulevard  
Pasadena, CA 91101

Name and address of agent for service:

Gregory B. McShea  
385 East Colorado Boulevard  
Pasadena, CA 91101

Registrant's telephone number, including area code: (410) 539-0000

Date of fiscal year end: December 31, 2006

Date of reporting period: March 31, 2006

**Item 1 Schedule of Investments**

**Portfolio of Investments**

March 31, 2006 (Unaudited)

*(Amounts in Thousands)***Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund 2**

|   |        | MATURITY          |         |                      |           |
|---|--------|-------------------|---------|----------------------|-----------|
|   | RATE   | DATE              | PAR     | VALUE                |           |
| <b>Long-Term Securities 158.5%</b>                                |        |                   |         |                      |           |
| <b>U.S. Government and Agency Obligations 129.5%</b>              |        |                   |         |                      |           |
| <i>Treasury Inflation-Protected Securities<sup>A</sup> 129.5%</i> |        |                   |         |                      |           |
| United States Treasury Inflation-Protected Security               | 3.875% | 1/15/09           | 99,609  | 104,286              |           |
| United States Treasury Inflation-Protected Security               | 4.250% | 1/15/10           | 54,793  | 58,871               |           |
| United States Treasury Inflation-Protected Security               | 0.875% | 4/15/10           | 64,799  | 61,376               |           |
| United States Treasury Inflation-Protected Security               | 3.500% | 1/15/11           | 81,080  | 85,707 <sub>B</sub>  |           |
| United States Treasury Inflation-Protected Security               | 3.000% | 7/15/12           | 148,992 | 155,260 <sub>B</sub> |           |
| United States Treasury Inflation-Protected Security               | 1.875% | 7/15/15           | 462,913 | 445,193              |           |
| United States Treasury Inflation-Protected Security               | 2.000% | 1/15/16           | 85,328  | 82,771               |           |
| United States Treasury Inflation-Protected Security               | 2.000% | 1/15/26           | 45,348  | 42,974               |           |
| <b>Total U.S. Government and Agency Obligations</b>               |        |                   |         |                      | 1,036,438 |
| (Identified Cost \$1,062,249)                                     |        |                   |         |                      |           |
| <b>U.S. Government Agency Mortgage-Backed Securities 6.3%</b>     |        |                   |         |                      |           |
| Fannie Mae  | 5.500% | 9/1/35 to 12/1/35 | 51,334  | 50,123               |           |
| <b>Total U.S. Government Agency Mortgage-Backed Securities</b>    |        |                   |         |                      | 50,123    |
| (Identified Cost \$50,869)  |        |                   |         |                      |           |
| <b>Corporate Bonds and Notes 5.3%</b>                             |        |                   |         |                      |           |
| <i>Automotive 1.5%</i>  |        |                   |         |                      |           |
| Ford Motor Company  | 7.450% | 7/16/31           | 10,000  | 7,425                |           |
| General Motors Corporation  | 8.375% | 7/15/33           | 6,000   | 4,395                |           |
|   |        |                   |         |                      | 11,820    |
| <i>Electric 0.7%</i>  |        |                   |         |                      |           |
| The AES Corporation   | 8.875% | 2/15/11           | 5,000   | 5,388                |           |
| <i>Gas and Pipeline Utilities 1.3%</i>                            |        |                   |         |                      |           |
| Dynegy Holdings Inc.  | 8.750% | 2/15/12           | 5,000   | 5,225                |           |
| The Williams Companies, Inc.                                      | 7.500% | 1/15/31           | 5,000   | 5,187                |           |
|   |        |                   |         |                      | 10,412    |
| <i>Health Care 0.5%</i>   |        |                   |         |                      |           |
| Tenet Healthcare Corporation                                      | 7.375% | 2/1/13            | 5,000   | 4,563                |           |
| <i>Oil and Gas 1.3%</i>   |        |                   |         |                      |           |
| El Paso Corporation   | 7.750% | 1/15/32           | 5,000   | 5,037                |           |
| Pemex Project Funding Master Trust                                | 8.625% | 12/1/23           | 4,410   | 5,182                |           |

10,219

**Total Corporate Bonds and Notes**

(Identified Cost \$41,042)

42,402

**Asset-Backed Securities 0.1%**

Mutual Fund Fee Trust XIII Series 2000-3

9.070%

7/1/08

4,868

813<sub>C,D</sub>

|  |         |          |                    |  |                     |
|--|---------|----------|--------------------|--|---------------------|
| <b>Total Asset-Backed Securities (Identified Cost \$884)</b>                                       |         |          |                    |  | <b>813</b>          |
| <b>Yankee Bonds<sup>E</sup> 17.3%</b>  |         |          |                    |  |                     |
| <i>Foreign Governments 16.3%</i>   |         |          |                    |  |                     |
| Federative Republic of Brazil  | 7.875%  | 3/7/15   | 657                |  | 709                 |
| Federative Republic of Brazil  | 8.875%  | 4/15/24  | 3,430              |  | 3,965               |
| Federative Republic of Brazil  | 10.125% | 5/15/27  | 662                |  | 858                 |
| Federative Republic of Brazil  | 12.250% | 3/6/30   | 3,984              |  | 6,066               |
| Federative Republic of Brazil  | 11.000% | 8/17/40  | 24,582             |  | 31,539              |
| Republic of Colombia   | 11.750% | 2/25/20  | 10,080             |  | 14,364              |
| Republic of Ecuador  | 9.000%  | 8/15/30  | 3,030              |  | 3,030 <sub>F</sub>  |
| Republic of El Salvador  | 8.250%  | 4/10/32  | 3,240              |  | 3,661 <sub>G</sub>  |
| Republic of Panama   | 6.700%  | 1/26/36  | 11,263             |  | 11,240              |
| Republic of Peru   | 8.750%  | 11/21/33 | 12,860             |  | 14,339              |
| Russian Federation   | 5.000%  | 3/31/30  | 30,110             |  | 33,037 <sub>F</sub> |
| United Mexican States  | 8.300%  | 8/15/31  | 1,900              |  | 2,296               |
| United Mexican States  | 7.500%  | 4/8/33   | 4,480              |  | 4,995               |
|  |         |          |                    |  | 130,099             |
| <i>Special Purpose 0.9%</i>  |         |          |                    |  |                     |
| Petrozuata Finance, Inc.   | 8.220%  | 4/1/17   | 7,325              |  | 7,215 <sub>G</sub>  |
| <i>Telecommunications N.M.</i>   |         |          |                    |  |                     |
| Axtel SA   | 11.000% | 12/15/13 | 325                |  | 369                 |
| <i>Transportation 0.1%</i>   |         |          |                    |  |                     |
| Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V.(TFM)                                       | 9.375%  | 5/1/12   | 1,010              |  | 1,111               |
| <b>Total Yankee Bonds (Identified Cost \$124,845)</b>  |         |          |                    |  | <b>138,794</b>      |
| <b>Total Long-Term Securities (Identified Cost \$1,279,889)</b>                                    |         |          |                    |  | <b>1,268,570</b>    |
| <b>Short-Term Securities 0.4%</b>  |         |          |                    |  |                     |
| <i>Options Purchased N.M.</i>  |         |          |                    |  |                     |
| Eurodollar Futures Call, October 2006, Strike Price \$94.75  |         |          | 680 <sub>H</sub>   |  | 221                 |
| U.S. Treasury Note Futures Call, May 2006, Strike Price \$110.00                                   |         |          | 3,250 <sub>H</sub> |  | 51                  |
| <b>Total Options Purchased</b>   |         |          |                    |  | <b>272</b>          |
| <i>Repurchase Agreements 0.4%</i>  |         |          |                    |  |                     |
| Lehman Brothers, Inc.<br>4.75%, dated 3/31/06, to be repurchased at \$3,326 on 4/3/06 (Collateral: |         |          |                    |  |                     |
| \$3,520 Federal Home Loan Bank notes, 3.69%, due 7/8/09, value \$3,392)                            |         |          | 3,325              |  | 3,325               |
| <b>Total Short-Term Securities (Identified Cost \$3,917)</b>                                       |         |          |                    |  | <b>3,597</b>        |
| <b>Total Investments (Identified Cost \$1,283,806) 158.9%</b>                                      |         |          |                    |  | <b>1,272,167</b>    |
| <b>Other Assets Less Liabilities (7.7)%</b>  |         |          |                    |  | <b>(61,586)</b>     |
| <b>Liquidation of Preferred Shares (51.2)%</b>   |         |          |                    |  | <b>(410,000)</b>    |
| <b>Net Assets 100.0%</b>   |         |          |                    |  | <b>\$ 800,581</b>   |

|   | Expiration | Actual<br>Contracts | Appreciation/<br>(Depreciation) |
|---|------------|---------------------|---------------------------------|
| <i>Futures Contracts Written</i>                    |            |                     |                                 |
| U.S. Treasury Note Futures                          | June 2006  | 1,174               | \$ 678                          |
| <i>Options Written</i>                              |            |                     |                                 |
| U.S. Treasury Note Futures Call, Strike Price \$107 | May 2006   | 3,050               | \$ 926                          |
| U.S. Treasury Note Futures Call, Strike Price \$108 | May 2006   | 200                 | 52                              |
|   |            |                     | \$ 978                          |

- <sup>A</sup> *Treasury Inflation-Protected Security* Treasury security whose principal value is adjusted daily in accordance with changes to the Consumer Price Index for All Urban Consumers. Interest is calculated on the basis of the current adjusted principal value.
- <sup>B</sup> *All or a portion of this security is collateral to cover futures and option contracts.*
- <sup>C</sup> *Indexed Security* - The rate of interest earned on this security is tied to the London Interbank Offered Rate ( LIBOR ). The coupon rate is the rate as of March 31, 2006.
- <sup>D</sup> *Private placement*
- <sup>E</sup> *Yankee Bond* A dollar-denominated bond issued in the U.S. by foreign entities.
- <sup>F</sup> *Stepped coupon security* A security with a predetermined schedule of interest or dividend rate changes, at which time it begins to accrue interest or pay dividends.
- <sup>G</sup> *Rule 144a Security* A security purchased pursuant to Rule 144a under the Securities Act of 1933 which may not be resold subject to that rule except to qualified institutional buyers. These securities represent 1.4% of net assets.
- <sup>H</sup> *Par* represents actual number of contracts.
- N.M. Not Meaningful

### Security Valuation

The Fund's securities are valued on the basis of readily available market quotations or, lacking such quotations, at fair value as determined under policies approved by and under the general oversight of the Board of Trustees. In determining fair value, all relevant qualitative and quantitative factors available are considered. These factors are subject to change over time and are reviewed periodically. The fund may use fair value pricing instead of market quotations to value one or more securities if the Fund believes that, because of special circumstances, doing so would more accurately reflect the prices the Fund expects to realize on the current sale of those securities. Further, because of the inherent uncertainty of valuation, those estimated values may differ significantly from quoted or published values or from the values that would have been used had a ready market for the investments existed, and the differences could be material.

With respect to the Fund, where a security is traded on more than one market, which may include foreign markets, the securities are generally valued on the market considered by the Fund's adviser to be the primary market. The Fund will value its foreign securities in U.S. dollars on the basis of the then-prevailing exchange rates.

### Options, Futures and Swap Agreements

The current market value of an exchange traded option is the last sale price or, in the absence of a sale, the price obtained by reference to broker-dealer quotations. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. Futures contracts are marked-to-market on a daily basis. As the contract's value fluctuates, payments known as variation margin are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. The daily changes in contract value are recorded as unrealized gains or losses, and the Fund recognizes a gain or loss when the contract is closed. Swap agreements are generally priced daily based upon quotations from brokers and the change, if any, is recorded as unrealized appreciation or depreciation.

Other information regarding the Funds is available in the Funds' most recent Report to Shareholders. This information is available on the Securities and Exchange Commission's website ([www.sec.gov](http://www.sec.gov)).

**Item 2 Controls and Procedures**

- (a) Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund 2 (the Registrant ) principal executive and principal financial officers have concluded, based on their evaluation of the Registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the Registrant's disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the Registrant on Form N-Q is recorded, processed, summarized and reported within the required time periods in the Securities and Exchange Commission's rules and forms and that information required to be disclosed by the Registrant in the reports that it files or submits on Form N-Q is accumulated and communicated to the Registrant's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.
  
- (b) There were no changes in the Registrant's internal control over financial reporting during the Registrant's last fiscal quarter that have materially affected,



or are reasonably likely to materially affect, the internal control over financial reporting.

**Item 3 Exhibits**

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 filed as an exhibit hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Western Asset/Claymore U.S. Treasury Inflation Protected  
Securities Fund 2

By: /s/ Randolph L. Kohn  
Randolph L. Kohn  
President  
Western Asset/Claymore U.S. Treasury Inflation Protected  
Securities Fund 2  
Date: May 23, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Randolph L. Kohn  
Randolph L. Kohn  
President  
Western Asset/Claymore U.S. Treasury Inflation Protected  
Securities Fund 2  
Date: May 23, 2006

By: /s/ Marie K. Karpinski  
Marie K. Karpinski  
Treasurer and Principal Financial and Accounting Officer  
Western Asset/Claymore U.S. Treasury Inflation Protected  
Securities Fund 2  
Date: May 23, 2006