

Western Asset Managed Municipals Fund

Class A: SHMMX Class I: SMMYX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** Economic uncertainties triggered a flight to quality during the first quarter of 2025, driving U.S. Treasury yields lower and their prices higher. The economy continued to expand, while inflation remained higher than the Federal Reserve's ("Fed") 2% target. Meanwhile, President Trump's plans for new reciprocal tariffs on U.S. imports, including a 25% levy on autos, led to concerns of rising inflation. All told, the overall U.S. bond market, as measured by the Bloomberg U.S. Aggregate Index, returned 2.78% during the first quarter. In contrast, the municipal ("muni") market modestly declined over the quarter. Municipal bonds generally lagged the taxable fixed-income asset classes amid heightened rate volatility, elevated supply, and weaker demand. In the first quarter of 2025, municipal bond issuance reached \$119 billion, exceeding the previous year's pace by 18%. Municipal demand was positive during the quarter as a whole, but slowed towards the end due to seasonal tax-related selling pressures.
- **Contributors:** Issue selection in the Transportation and Special Tax sectors, along with an underweight to Local General Obligation (GO), contributed to performance.
- **Detractors:** An underweight to the Housing sector and the Fund's rating biases detracted from performance.
- **Outlook:** We expect that a strong labor market and consumer spending should support tax collections and municipal credit conditions over the medium term.

Performance Review

- Issue selection within multiple sectors, including Transportation and Special Tax, was beneficial.
- On a sector basis, an underweight position in Local General Obligation (GO) contributed to performance.
- An underweight to the Housing sector detracted from returns.
- An overweight to below investment-grade securities detracted from performance.
- Rates positioning was a net detractor during the quarter.

Outlook

- Municipal fundamentals remained strong and support an attractive risk-adjusted value proposition for the asset class.
- We expect that a strong labor market and consumer spending should support tax collections and municipal credit conditions over the medium term.
- We also anticipate these direct revenue sources will play a more critical role in state and local budgets, particularly if federal spending reductions extend more broadly to municipal credit.

Morningstar Rating™

Overall Rating as of March 31, 2025



(3-Star) Class A



(4-Star) Class I

As of 03/31/2025 the fund's Class I shares received a 4 star and Class A shares received a 3 star overall Morningstar rating™, measuring risk-adjusted returns against 165, 156 and 114 Muni National Long funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

Fund Characteristics

Fund Characteristics	Fund
Distribution Frequency	Monthly
Effective Duration	8.72 Years
30-Day SEC Yield (Class A)—With Waiver	3.55%
30-Day SEC Yield (Class A)—Without Waiver	3.54%
Taxable Equivalent Yield (Class A)—With Waiver	6.00%
Taxable Equivalent Yield (Class A)—Without Waiver	5.98%

State / U.S. Territory Allocation (% of Total)

State	Fund
New York	18.85
Illinois	12.17
California	10.12
Texas	7.64
Florida	6.44
Puerto Rico	5.32
New Jersey	5.32
Pennsylvania	4.17
Alabama	2.80
Other	27.17

Average annual total returns and fund expenses (%)

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	
Class A	52469J202	SHMMX	-0.51	-0.51	1.36	1.31	1.82	1.93	6.60	-4.23	-4.23	-2.47	-0.13	0.94	1.49	6.49	0.70	0.70	3.75	—	3/4/1981
Class I	52469J509	SMMYX	-0.46	-0.46	1.56	1.50	2.00	2.09	4.51	-0.46	-0.46	1.56	1.50	2.00	2.09	4.51	0.57	0.51	—	—	4/4/1995
Benchmark	—	—	-0.22	-0.22	1.22	1.53	1.07	2.13	—	-0.22	-0.22	1.22	1.53	1.07	2.13	—	—	—	—	—	—

Benchmark(s)

Benchmark = Bloomberg Municipal Bond Index

Performance data quoted represents past performance, which does not guarantee future results. Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 12/31/2025 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

Maximum sales charges have been updated as of August 15, 2022, please refer the Fund's prospectus for more information.

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. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. An investor may be subject to the federal **Alternative Minimum Tax**, and state and local taxes may apply. These and other risks are discussed in the fund's prospectus.

Glossary

The **Bloomberg US Aggregate Index** is comprised of investment-grade, U.S. dollar-denominated government, corporate, and mortgage- and asset-backed issues having at least one year to maturity. Source: Bloomberg Indices.

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.

The **Bloomberg Municipal Bond Index** is a broad measure of the municipal bond market with maturities of at least one year. Source: Bloomberg Indices.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Effective Duration is a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change. Duration measures the sensitivity of price (the value of principal) of a fixed-income investment to a change in interest rates. The higher the duration number, the more sensitive a fixed-income investment will be to interest rate changes. The **30-day SEC yield** is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

Morningstar Rating™: Source: Morningstar®, 03/31/2025. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Class I shares received a Morningstar Rating of 4, 5 and 4 and fund's Class A shares received a Morningstar Rating of 3, 4 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class I and Class A shares only. Other share classes may have different Morningstar ratings.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.