



Western Asset Municipal Bond Ladders (1-15 Years)

Separately Managed Accounts

December 31, 2024

Product Commentary

Performance Review

- With interest rates rising sharply, the US fixed income market generated weak results during the fourth quarter and posted a modest gain for the year. The economy remained largely resilient and inflation continued to moderate, although it remained higher than the US Federal Reserve's (Fed) 2% target. While the US central bank lowered interest rates twice during the quarter, it moderated its expectations for rate cuts in 2025. All told, both short- and long-term Treasury yields rose sharply and the overall US bond market, as measured by the Bloomberg U.S. Aggregate Index¹, returned -3.06% during the quarter. The municipal (muni) bond market also posted a negative return, with the Bloomberg Municipal Bond Index² declining 1.22% over the quarter amid elevated supply conditions. However, it outperformed the overall bond market.

QUARTERLY KEY PERFORMANCE DRIVERS

	Allocation	Security Selection
HELPED	Underweight water & sewer sector	Local general obligation bonds
		Transportation sector
HURT	Overweight local general obligation bonds	
	Overweight Georgia securities	

- Security selection within the local general obligation (GO) and transportation sectors was additive.
- An underweight to the water & sewer sector was beneficial as the sector underperformed during the period.
- An overweight to local GO bonds slightly detracted from returns as the sector underperformed.
- An overweight to Georgia securities was a headwind for results as they underperformed.

Outlook & Strategy

- Muni fundamentals have remained resilient, supported by elevated tax collections. In 2024, elevated rate volatility and record municipal supply contributed to higher tax-exempt income opportunities and improved relative value compared to other fixed income asset classes. Compared to Treasuries and investment-grade fixed income, the after-tax relative yield pickup from munis remains above the five-year averages.
- As the Fed is expected to continue its rate-cutting cycle into 2025, we anticipate the municipal investor base will expand as they seek higher after-tax income opportunities as front-end, cash-equivalent rates move lower.

Product Details³

Inception Date	03/19/2015
Benchmark	-

Investment Team

Western Asset is one of the world's leading active fixed-income managers, delivering long-term fundamental value investment solutions to clients for over half a century. Founded in 1971, Western Asset offers clients deep expertise across the range of global fixed-income sectors from nine offices located in key financial markets.

Glossary of Terms

The **Federal Reserve ("Fed")** is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

1. 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 data provider notices and terms available at www.franklintempletondatasources.com.

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

3. Information is based on Western Asset Municipal Bond Ladders (1-15 Years). A composite is an aggregation of one or more portfolios into a single group that represents a particular investment objective or strategy.

Important Information

The information contained in this piece is not a complete analysis of every material fact regarding the market and any industry, sector, security or portfolio. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to their completeness or accuracy. Because market and economic conditions are subject to rapid change, opinions provided are valid only as of the date of the material, and are subject to change without notice. The manager's opinions are intended solely to provide insight into how the manager analyzes securities, may differ from that of other affiliated managers, and are not a recommendation or individual investment advice for any particular security, strategy or investment product. Any securities discussed may not represent an account's entire portfolio and in the aggregate may represent a small percentage of an account's portfolio holdings. There is no assurance that any such securities will remain in an account's portfolio, or that securities sold have not been repurchased. It should not be assumed that any securities transactions discussed were or will prove to be profitable. The information provided should not be considered a recommendation to purchase, sell or hold any particular security. All indexes are unmanaged and cannot accommodate direct investment. Investors should review their investment objectives, risk tolerance and liquidity needs before choosing a manager. There is no guarantee that investment strategies will work under all market conditions, and investors should evaluate their ability to invest for the long term, especially during periods of market downturns. Please refer to www.franklintempleton.com for more information about the portfolio, including objective, risks and investment process.

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. **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. Portfolios focused on a **single state** are subject to greater risk of adverse economic and regulatory changes than a geographically diversified portfolio.

To obtain specific information on available products and services or a GIPS Report, contact your Franklin Templeton separately managed account sales team at (800) DIAL BEN/342-5236. Western Asset Management Company, LLC claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Western Asset Management Company, LLC is a Franklin Templeton affiliated company.

These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your Financial Professional or contact your sponsor firm.

Franklin Templeton (FT) is not undertaking to provide impartial advice. Nothing herein is intended to provide fiduciary advice. FT has a financial interest. This material is intended for informational purposes only, and it is not intended to be relied on to make any investment decision.



**FRANKLIN
TEMPLETON**

One Franklin Parkway
San Mateo, CA 94403-1906
(800) DIAL BEN/342-5236
franklintempleton.com