

Western Asset Managed Municipals Fund

Class A: SHMMX Class I: SMMYX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** The taxable fixed income market experienced periods of volatility, but posted a modest gain during the second quarter. Investor sentiment was impacted by several factors, including persistent trade uncertainty, signs of global economic strains, questions over future Federal Reserve's ("Fed") monetary policy, mounting fiscal concerns, and hostilities between Israel and Iran. Meanwhile, the U.S. economy experienced its first contraction in three years, while inflation remained higher than the Fed's target. In contrast, the municipal (muni) market modestly declined over the period amid heavy new issuance.
- **Contributors:** Overweights to Kentucky and New Hampshire securities.
- **Detractors:** Duration positioning.
- **Outlook:** Muni fundamentals remained resilient. While strong revenue collections are indicative of credit resiliency in the muni market, the pace of credit rating improvement from the three major rating agencies has slowed so far this year.

Performance Review

- Overweights to Kentucky and New Hampshire securities contributed to performance.
- Overweight duration positioning was a detractor from returns as yields slightly increased
- Security selection within the local general obligation ("GO") and transportation sectors detracted from results.
- An underweight to securities rated AA detracted from performance.
- Overweights to Illinois and New York securities negatively impacted returns.

Outlook

- Municipal fundamentals remained resilient. In June, the Census released first quarter 2025 state and local tax collection estimates, which indicated continued revenue growth for state and local governments. Twelve-month trailing collections increased 5% year-over-year to \$2.1 trillion, marking a record high level.
- While strong revenue collections are indicative of credit resiliency in the muni market, the pace of credit rating improvement from the three major rating agencies has slowed so far this year. According to Bloomberg data, total entities upgrades (620) continued to exceed downgrades (472). However, total downgrades by par value of \$122 billion outpaced upgrades of \$112 billion. Meanwhile, first-time payment defaults totaled \$1 billion, exceeding the first half of 2024 level of \$711 million.

Morningstar Rating™

Overall Rating as of June 30, 2025



(3-Star) Class A



(4-Star) Class I

As of 06/30/2025 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, 157 and 115 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	8.56 Years
30-Day SEC Yield (Class A)—With Waiver	3.84%
30-Day SEC Yield (Class A)—Without Waiver	3.84%
Taxable Equivalent Yield (Class A)—With Waiver	6.49%
Taxable Equivalent Yield (Class A)—Without Waiver	6.49%

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

State	Fund
New York	18.14
Illinois	11.96
California	10.21
Texas	6.92
Puerto Rico	5.59
Florida	5.59
New Jersey	4.66
Pennsylvania	4.38
Alabama	2.95
Other	29.59

Average annual total returns and fund expenses (%) - as of June 30, 2025

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	-0.90	-1.41	-0.18	2.28	0.91	1.93	6.54	-4.59	-5.10	-3.90	0.81	0.04	1.48	6.44	0.74	0.74	3.75	—	3/4/1981
Class I	52469J509	SMMYX	-0.85	-1.31	-0.05	2.47	1.09	2.09	4.44	-0.85	-1.31	-0.05	2.47	1.09	2.09	4.44	0.61	0.54	—	—	4/4/1995
Benchmark	—	—	-0.12	-0.35	1.11	2.50	0.51	2.20	—	-0.12	-0.35	1.11	2.50	0.51	2.20	—	—	—	—	—	—

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 12/31/2026 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.

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®, 06/30/2025. 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 3, 4 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.



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