FRANKLIN TEMPLETON

WESTERN ASSET

Western Asset Intermediate-Term Municipals Fund

Class A: SBLTX Class I: SBTYX | **Commentary | as of September 30, 2025**

Key Takeaways

- **Markets:** During the third quarter, volatility in both equity and Treasury markets remained relatively subdued. The U.S. Treasury yield curve bull-steepened, reflecting market expectations for slower growth, moderation in economic data and potential rate cuts. Risk assets performed well, with the S&P 500 Index reaching new highs and credit spreads tightening. Municipal supply conditions continue at a record pace as municipal issuance reached $155 billion in 3Q25, up 12% from 3Q24 levels. Tax-exempt issuance fell 2% quarter-over-quarter (QoQ) to $145 billion and taxable issuance fell 40% QoQ to $10 billion. Year-to-date new-issue supply of $439 billion is 18% higher than the prior year, with tax-exempt issuance up 19% year-over-year and taxable issuance in line with prior year levels.
- **Contributors**: Overweight to the industrial revenue sector contributed to performance.
- **Detractors**: Security selection in the leasing sector detracted from performance.
- **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

- Duration positioning contributed to performance.
- Overweight to the industrial revenue sector contributed to performance.
- Security selection within the power sector contributed to performance.
- Security selection in the leasing and local GO sectors detracted from performance.
- Issue selection to IL securities detracted from performance.

Outlook

- Western Asset believes longer maturities continue to offer attractive relative value for long-term investors, considering elevated absolute muni yield levels and rolldown opportunities from the curve which remains relatively steep versus taxable fixed income markets.
- We anticipate that a strong labor market and consumer spending will support tax collections and municipal credit conditions over the medium term. However, we expect the potential for tax collections to be more critical for budgets if federal spending reductions extend more broadly to state and local budgets.

Morningstar Rating™

Overall Rating as of September 30, 2025

★★★ **(3-Star)** Class A

★★★★ **(4-Star)** Class I

As of 09/30/2025 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 262, 243 and 184 Muni National Intermediate 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
Distribution Frequency	Monthly
30-Day SEC Yield (Class A)—With Waiver	3.26%
30-Day SEC Yield (Class A)—Without Waiver	3.26%
Taxable Equivalent Yield (Class A)—With Waiver	5.51%
Taxable Equivalent Yield (Class A)—Without Waiver	5.51%

Not FDIC Insured | No Bank Guarantee | May Lose Value

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

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	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	Date
Class A	52469L884	SBLTX	2.69	2.62	1.41	4.48	1.48	2.05	4.25	0.32	0.29	-0.85	3.70	1.01	1.82	4.19	0.67	0.67	2.25	—	11/28/1988
Class I	52469L843	SBTYX	2.74	2.76	1.58	4.65	1.65	2.21	3.13	2.74	2.76	1.58	4.65	1.65	2.21	3.13	0.54	0.50	—	—	9/28/2007
Benchmark	—	—	2.59	3.71	2.61	4.49	1.15	2.24	—	2.59	3.71	2.61	4.49	1.15	2.24	—	—	—	—	—	—

Benchmark(s)

Benchmark =Bloomberg Municipal 1-15 Year 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.

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

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

The **yield curve** shows the relationship between yields and maturity dates for a similar class of bonds.

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 1-15 Year Bond Index** is a market value weighted index of investment-grade fixed-rate municipal bonds with maturities of 1-15 years. Source: Bloomberg Indices.

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

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®, 09/30/2025. 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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