

# Western Asset Municipal Bond Ladders (1-30 Years)

Commentary | as of September 30, 2025

## Key Takeaways

- 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 (YTD) new issue supply of \$439 billion is 18% higher from the prior year, with tax-exempt issuance up 19% year-over-year and taxable issuance in line with prior year levels.
- Tax-exempt municipal demand was positive in the third quarter as funds and ETFs recorded \$20 billion of net inflows according to ICI. This led YTD net inflows to \$38 billion. While demand has been positive, fund inflows have been relatively limited following prior post-outflow periods.
- Municipal fundamentals remained resilient in the first half of the year. In September, the Census released 2Q25 state and local tax collection estimates, which coincided with the end of the fiscal year for most state and local governments. Second quarter major state and local government tax collections increased 5% from 2Q24 levels to \$562 billion. The continued growth of state and local tax collections highlights the resilience of state and local revenues despite the lower economic growth trends observed earlier in the year.

## Performance Review

- Exposure to revenue-backed municipals contributed to performance.
- Exposure to 10-30 Years contributed to 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.

## Average annual total returns (%) - as of September 30, 2025-PRELIMINARY

Composite	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	20-Yr	25-Yr	Inception	Inception Date
Net of Fees	2.28	1.95	1.05	-0.57	2.76	-1.59	0.56	—	—	—	0.46	3/31/2015
Pure Gross of Fees	2.75	2.89	2.46	1.29	4.68	0.25	2.44	—	—	—	2.34	3/31/2015

\*Cumulative total returns

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward).

Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit [www.franklintempleton.com](http://www.franklintempleton.com) for the latest performance figures. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Fees: Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net Composite returns referenced above represent Pure Gross composite performance of the portfolio reduced by an annual fee of 1.84%, the maximum fee charged by Primerica Advisors to clients invested in the strategy through the Lifetime Investment Program wrap fee program. The Net of fee composite returns presented in the strategy GIPS report are calculated by reducing each monthly composite pure gross rate of return by the highest "bundled" fee charged (3.00%) annually, prorated to a monthly ratio.

The composite is comprised of accounts that are separately managed accounts (SMAs) managed in accordance with the strategy.

For fee schedules, contact your financial professional, or if you enter into an agreement directly with Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), refer to FTPPG's Form ADV Part 2A disclosure document. Management and performance of individual accounts may vary for reasons that include the existence of different implementation practices and model requirements in different investment programs.

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.

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.

### 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. 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.

### Glossary

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 portfolio. 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 portfolio's selection process. Holdings are subject to change.

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.

Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com). All data is subject to change.

Separately Managed Accounts (SMAs) are investment services provided by Franklin Templeton Private Portfolio Group, LLC (FTPPG), a federally registered investment advisor. Client portfolios are managed based on investment instructions or advice provided by one or more of the following Franklin Templeton affiliated sub-advisors: Western Asset Management Company, LLC. Management is implemented by FTPPG, the designated sub-advisor or, in the case of certain programs, the program sponsor or its designee.

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

© Franklin Templeton. All rights reserved.

This material is intended for informational purposes only, and it is not intended to be relied on to make any investment decision.