



Western Asset Managed Municipals Portfolios

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: Security selection in NY and TX contributed to performance.
- Detractors: Underweight to local GO 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.
- Issue selection in the electric and special tax sectors contributed to performance.
- Security selection in NY and TX contributed to performance.
- Underweight to local GO detracted from performance.
- Overweight to IL 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.

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

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	2.63	1.91	1.13	-0.55	3.07	-0.25	1.02	2.02	2.56	3.06	3.47	5/31/1994
Pure Gross of Fees	3.01	2.67	2.27	0.94	4.61	1.25	2.54	3.55	4.09	4.60	5.01	5/31/1994
Benchmark	3.00	2.87	2.64	1.39	4.74	0.86	2.34	2.94	3.48	4.05	4.50	_

^{*}Cumulative total returns

Benchmark(s)

Benchmark = Bloomberg Municipal Bond Index

Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit 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-of-fee returns is reduced by a model "wrap fee" (1.5% is the maximum anticipated wrap fee for fixed income portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.

For fee schedules, contact your financial professional, or if you enter into an agreement directly with Franklin Templéton 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. Investments in underlying funds are subject to the same risks as, and indirectly bear the fees and expenses of, the underlying funds. Low-rated, high-yield bonds are subject to greater price volatility, illiquidity and possibility of default.

Glossary

The Federal Reserve Board ("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.

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.

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.

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.

