

# WESTERN ASSET CALIFORNIA MUNICIPALS FUND

## Investment overview

Strives to provide California investors with high monthly income exempt from regular federal income taxes and California state personal income taxes; as well as preservation of capital

Focuses on sector rotation and issuer selection primarily within intermediate- and long-term investment grade municipal securities

Utilizes a time-tested, value-oriented investment process led by a deep and experienced team of municipal bond specialists

## Average annual total returns & fund expenses<sup>A</sup> (%) as of Jun. 30, 2019

	Without sales charges					With maximum sales charges					Expenses		30-day SEC yield	Inception date
	1-Yr	3-Yr	5-Yr	10-Yr	Inception	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net		
Class A	5.67	2.04	3.21	4.87	6.18	1.17	0.57	2.31	4.42	6.05	0.79	0.79	1.64	04/09/84
Class C	5.16	1.49	2.64	4.29	4.76	4.16	1.49	2.64	4.29	4.76	1.34	1.34	1.14	11/14/94
Class I	6.00	2.23	3.37	5.02	4.23	6.00	2.23	3.37	5.02	4.23	0.64	0.60	1.90	03/02/07
Benchmark	6.42	2.44	3.65	5.33	—	6.42	2.44	3.65	5.33	—				

## Cumulative total returns (%) as of Jun. 30, 2019 (without sales charges)

	3 Mo	YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010
Class A	2.37	5.19	0.41	4.91	-0.08	2.85	9.84	-3.89	9.26	12.22	1.72
Class C	2.22	4.91	-0.09	4.26	-0.65	2.34	9.17	-4.45	8.66	11.60	1.14
Class I	2.47	5.35	0.61	5.05	-0.02	3.04	9.98	-3.82	9.46	12.36	1.83
Benchmark	2.26	5.14	1.11	5.62	-0.15	3.52	9.97	-1.76	8.14	12.26	2.99

**Performance shown represents past performance and is no guarantee of future results.** Current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than the original cost. Class A shares have a maximum front-end sales charge of 4.25%. Class C shares have a one-year CDSC of 1.0%. Absent reimbursements and/or fee waivers, the Fund's 30-day SEC yield for Class I, would have been 1.88%. If sales charges were included, performance shown would be lower. Total returns assume the reinvestment of all distributions at net asset value and the deduction of all Fund expenses. Total return figures are based on the NAV per share applied to shareholder subscriptions and redemptions, which may differ from the NAV per share disclosed in Fund shareholder reports. Performance would have been lower if fees had not been waived in various periods. YTD is calculated from January 1 of the reporting year. All classes of shares may not be available to all investors or through all distribution channels. For the most recent month-end information, please visit [www.leggmasonfunds.com](http://www.leggmasonfunds.com).

Effective April 15, 2019, Class C shares became eligible for conversion to Class A shares, after the shares have been held for 10 years. Class C share performance shown has not been adjusted to reflect the conversion. Customers of certain Service Agents may be subject to different terms or conditions as set by their Service Agent, including non-conversion. Please refer to the Prospectus for more information, or contact your Service Agent directly.

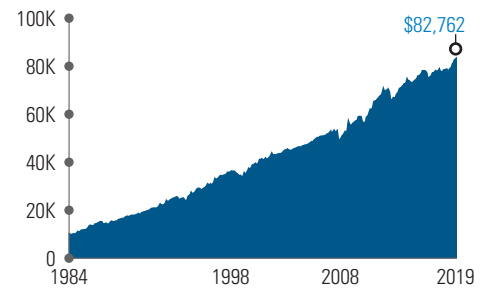
<sup>A</sup> Gross expenses are the Fund's total annual operating expenses for the share class(es) shown. Net expenses for Class(es) I & IS reflect contractual fee waivers and/or reimbursements, where these reductions reduce the Fund's gross expenses, which cannot be terminated prior to Dec 31, 2020 without Board consent. For Class(es) A & C there are currently no fee waivers in effect, so gross and net expenses are identical.

## Sector allocation (%) as of Jun. 30, 2019

Industrial Revenue	21.3	Special Tax Obligation	6.7
Pre refunded / Escrowed to Maturity	14.1	Education	5.9
Water & Sewer	11.8	Transportation	4.6
Power	7.8	Other	3.1
Lease Backed	7.7	Housing	2.9
Local	6.8	State	2.6
Health Care	6.7	Cash & Cash Equivalents	-2.1

## Growth of \$10,000

Class A shares – Inception through Jun. 30, 2019  
Excluding the effects of sales charges



## Share class codes

Symbol	CUSIP	Symbol	CUSIP
A	SHRCX 52468T102	I	LMCUX 52468T409
C	SCACX 52468T300	IS	SHRSX 52468A582
FI	SIFYX 52470V780		

## Benchmark (BM)

Bloomberg Barclays California Municipal

## Statistics as of Jun. 30, 2019

Net assets	\$432.5M
30-day SEC Yield – Class A	1.64%
30 Day Taxable equivalent yield – Class A	2.74%
Effective duration	6.0 yrs
Weighted avg life	7.4 yrs
Alternative minimum tax	6.3%

Certain investors may be subject to the federal Alternative Minimum Tax (AMT), and state and local taxes will apply. Capital gains, if any, are fully taxable. Legg Mason, Inc., its affiliates and its employees are not in the business of providing tax or legal advice to taxpayers. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any taxpayer for the purpose of avoiding tax penalties. Tax-related statements, if any, may have been written in connection with the "promotion or marketing" of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Percentages are based on total portfolio as of quarter-end and are subject to change at any time. For informational purposes only and not to be considered a recommendation to purchase or sell any security. Negative allocations and allocations in excess of 100% are primarily due to the Fund's unsettled trade activity.

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## Credit quality allocation (%) as of Jun. 30, 2019

AAA	8.5
AA	51.6
A	21.7
BBB	10.3
BB	0.6
CCC	0.8
CC	0.5
Not Rated	6.1

## Fund facts as of Jun. 30, 2019

Dividend frequency, if any	Daily, paid monthly
Morningstar category	Muni California Long
Lipper category	California Municipal Debt Funds
Turnover (fiscal yr)	20%

## Risk statistics as of Jun. 30, 2019

Measures based on a trailing 10-year period  
Class A shares

	Fund
Beta	0.97
R-squared	0.92
Sharpe ratio	1.04
Standard deviation(%)	4.22

## Portfolio management

Western Asset Management is one of the world's leading fixed-income managers. With a focus on long-term fundamental value investing that employs a top-down and bottom-up approach, the firm has nine offices around the globe and deep experience across the range of fixed-income sectors. Founded in 1971, Western Asset has been recognized for an approach emphasizing team management and intensive proprietary research, supported by robust risk management.

Legg Mason's unique structure provides you with access to this specialized expertise. We offer a powerful portfolio of solutions through our independent investment management firms.

## What should I know before investing?

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. The Fund is more vulnerable to unfavorable developments in the state and its municipalities than are Funds that invest in securities of many states. The California economy continues to be impacted by the slowdown in the national economy and particularly a decline in its housing market. The real estate downturn could affect the revenues and credit quality of municipal issuers in those markets. Only a more detailed examination of the finances of each issuer can determine the quality of its obligations held by the Fund. More detailed information about the economy of this state may be found in the Fund's Statement of Additional Information. High yield bonds are subject to greater price volatility, illiquidity, and possibility of default. As a non-diversified Fund, it is permitted to invest a higher percentage of its assets in any one issuer than a diversified fund, which may magnify the Fund's losses from events affecting a particular issuer. Derivatives, such as options and futures, can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. An investor may be subject to the federal Alternative Minimum Tax, and state and local taxes may apply. Capital gains, if any, are fully taxable.

## Where can I find more information?

You'll find the most current performance data, commentary, prospectus and more information on each of our managers and products at [www.leggmasonfunds.com](http://www.leggmasonfunds.com).

*Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.*

**Credit quality** is a measure of a bond issuer's ability to repay interest and principal in a timely manner. The credit ratings shown are based on each portfolio security's rating as provided by Standard and Poor's, Moody's Investors Service and/or Fitch Ratings, Ltd. and typically range from AAA (highest) to D (lowest), or an equivalent and/or similar rating. For this purpose, if two or more of the agencies have assigned differing ratings to a security, the highest rating is used. Securities that are unrated by all three agencies are reflected as such. The credit quality of the investments in the Fund's portfolio does not apply to the stability or safety of the Fund. These ratings are updated monthly and may change over time. **Please note, the Fund itself has not been rated by an independent rating agency.**

**Beta** measures the sensitivity of an investment to the movement of its benchmark. A beta higher than 1.0 indicates the investment has been more volatile than the benchmark and a beta of less than 1.0 indicates that the investment has been less volatile than the benchmark. **R-squared** measures the strength of the linear relationship between the Fund and its benchmark. R Squared at 1 implies perfect linear relationship and zero implies no relationship exists. **Sharpe ratio** refers to a risk-adjusted measure calculated using standard deviation and excess returns to determine reward per unit of risk. The higher the ratio, the greater the risk-adjusted performance. **Standard deviation** indicates the percentage by which a fund's performance has varied from its average performance in any given month during the period indicated. The higher the standard deviation, the greater the range of performance, indicating greater volatility. **Turnover** is a measure of the Fund's trading activity which represents the portion of the Fund's holdings that has changed over a year. There is no assurance that the Fund will maintain its current level of turnover.

**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**, calculated pursuant to the standard SEC formula, is based on a Fund's investments over an annualized trailing 30-day period and not on the distributions paid by the Fund, which may differ. The **taxable equivalent yield (TEY)** is based on the 40.08% income tax bracket (highest Federal individual income tax rate). TEY may be higher or lower, depending on an individual's tax bracket.

The **Bloomberg Barclays California Municipal Bond Index** is a market value-weighted index of California investment-grade fixed-rate municipal bonds with maturities of one year or more. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

A general rise in interest rates may lead to increased portfolio volatility.

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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, which is available at [www.leggmasonfunds.com](http://www.leggmasonfunds.com). Please read it carefully.