

# WESTERN ASSET MANAGED MUNICIPALS FUND

## Investment overview

Seeks to maximize current monthly income exempt from regular federal income taxes

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

Uses Western Asset's value-oriented investment process led by a deep and experienced team of municipal bond specialists

## Average annual total returns & fund expenses<sup>^</sup> (%) as of Dec. 31, 2018

	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	0.43	1.99	3.87	5.91	7.40	-3.86	0.53	2.98	5.45	7.27	0.68	0.68	2.27	03/04/81
Class C	-0.12	1.42	3.29	5.32	4.90	-1.09	1.42	3.29	5.32	4.90	1.24	1.24	1.83	11/09/94
Class I	0.65	2.13	3.99	6.04	5.16	0.65	2.13	3.99	6.04	5.16	0.55	0.55	2.51	04/04/95
Benchmark	1.28	2.30	3.82	4.85	-	1.28	2.30	3.82	4.85	-				

## Cumulative total returns (%) as of Dec. 31, 2018 (without sales charges)

	3 Mo	YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010
Class A	0.94	0.43	0.43	5.52	0.11	2.75	10.92	-4.35	10.13	12.90	0.07
Class C	0.80	-0.12	-0.12	4.92	-0.45	2.17	10.29	-4.94	9.58	12.26	-0.49
Class I	0.98	0.65	0.65	5.55	0.27	2.85	11.01	-4.30	10.34	13.04	0.14
Benchmark	1.69	1.28	1.28	5.45	0.25	3.30	9.05	-2.55	6.78	10.70	2.38

**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 2.51%. Numbers may be the same due to rounding. 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).

<sup>^</sup> Gross expenses are the Fund's total annual operating expenses for the share class(es) shown. Net expenses for Class(es) I reflect contractual fee waivers and/or reimbursements, where these reductions reduce the Fund's gross expenses, which cannot be terminated prior to Dec 31, 2019 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 Dec. 31, 2018

Transportation	20.2	Education	6.3	Local	3.3
Pre refunded / Escrowed to Maturity	18.8	Special Tax Obligation	6.0	Housing	1.1
Industrial Revenue	15.9	State	4.3	Other	1.1
Water & Sewer	9.0	Lease Backed	4.3	Solid Waste/Res Recovery	0.3
Health Care	6.4	Power	3.6	Cash & Cash Equivalents	-0.4

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.

## Morningstar Rating™

Overall Rating as of December 31, 2018



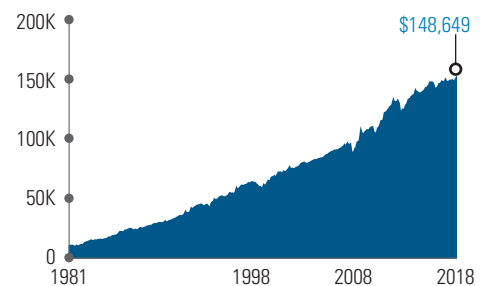
Class A

Class C

As of 12/31/18, Class A and C shares rated 4 and 3 stars, respectively, among 146 Muni National Long funds, based upon risk-adjusted returns derived from a weighted average of the performance figures associated with 3-, 5- and 10-year (if applicable) Morningstar Ratings metrics.†

## Growth of \$10,000

Class A shares – Inception through Dec. 31, 2018  
Excluding the effects of sales charges



## Share class codes

	Symbol	CUSIP	Symbol	CUSIP	
A	SHMMX	52469J202	I	SMMYX	52469J509
C	SMMCX	52469J400	IS	SSMMX	52468A616
F	SMMFX	52470V723			

## Benchmark (BM)

Bloomberg Barclays Municipal Bond Index

## Statistics as of Dec. 31, 2018

Net assets	\$4.4B
30-day SEC yield – Class A	2.27%
30 Day Taxable equivalent yield – Class A	3.79%
Effective duration	6.0 yrs
Weighted avg life	7.9 yrs
Alternative minimum tax	9.3%

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.

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.

## WESTERN ASSET MANAGED MUNICIPALS FUND

## Credit quality allocation (%) as of Dec. 31, 2018

AAA	6.3
AA	34.8
A	38.0
BBB	15.2
Below BBB	2.7
Not Rated	3.1

## Risk statistics as of Dec. 31, 2018

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

	Fund
Beta	1.20
R-squared	0.87
Sharpe ratio	1.12
Standard deviation(%)	4.95

## Top states &amp; territories (%)

California	18.9
New York	9.0
Illinois	8.7
Texas	8.6
Florida	6.9

## Fund facts as of Dec. 31, 2018

Dividend frequency, if any	Daily, paid monthly
Morningstar category	Muni National Long
Lipper category	General & Insured Municipal Debt Funds
Turnover (fiscal yr)	14%

## 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. High yield bonds are subject to greater price volatility, illiquidity, and possibility of default. 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.

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

## 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).

<sup>†</sup> The Morningstar Rating™ for funds, or "star rating", is as of December 31, 2018 and is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history, and subject to change monthly. Current monthly ratings can be found at [leggmason.com](http://leggmason.com). Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product 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 Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total return, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total return. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effects of sales charges and loads. Class A and C shares of the Fund were rated against 146, 130, and 107 Muni National Long funds over the 3-, 5- and 10-year periods, respectively. With respect to these funds, Class A and C shares of the Fund received Morningstar Ratings of 3, 3, and 4; 2, 2, and 3 stars for the 3-, 5- and 10-year periods, respectively. Ratings shown are for the highest and lowest rated share classes only, when available. Morningstar Rating is for the specified share class(es) only; other classes may have different performance characteristics. A 4- or 5-star rating does not necessarily imply that a fund achieved positive results for the period.

**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 Municipal Bond Index** is a broad measure of the municipal bond market with maturities of at least one year. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

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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.