

3Q 2021 | Separately Managed Accounts

WESTERN ASSET MUNICIPAL BOND LADDERS

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Franklin Templeton

We aim to offer the best of both worlds: global strength and boutique specialization.

Providing real customization backed by the scale and resources of a large company.
All driven by our single focus on delivering better client outcomes.



Nimble where it matters

- **Autonomous investment teams** where entrepreneurial, independent professionals practice true specialization
- **~1,300 research and investment professionals**, giving us differentiated insights and an “ear to the ground” in 20+ countries
- **At-scale capabilities** in analytics, data and servicing combined with empowered teams makes us agile



Unparalleled in our ability to customize

- **Strategy- and vehicle-agnostic approach** to solving client needs
- **Tailored support** through a global distribution platform, technological tools and value-added services, provides more than just investment returns
- **Multi-asset capabilities** that advance portfolio construction and provide true solutions



Guided by long-term value creation

















- **Closely-held public firm with a strong balance sheet**, allowing us to invest with a long-term horizon
- **Track record of product and technological innovations** fueled by our Silicon Valley roots
- **Values-based culture**, we do the right thing for our clients and our people

We offer a full range of investment strategies across asset classes and geographies

Our investment capabilities

Equity	Fixed Income
Value	Core / Core Plus
Deep Value	Credit
Core Value	Unconstrained
Blend	Emerging Market
GARP	Municipals
Growth	Specialty
Convertibles	
Sector	
Shariah	
Smart Beta	
Thematic	
Multi-Asset Solutions	Alternatives
Income	Private Debt
Real Return	Hedge Funds
Balanced/Hybrid	Private Equity
Total Return	Real Estate
Target Date/Risk	Infrastructure
Absolute Return	
Tactical Asset Allocation	
Managed Volatility	

Our investment brands

Franklin Templeton (1947)	   
Western Asset (1971)	
ClearBridge Investments (2005)	 
Brandywine Global (1986)	  
Clarion Partners (1982)	
Benefit Street Partners (2008)	
Martin Currie (1881)	 
K2 Advisors (1994)	
Royce Investment Partners (1972)	

~1,300

investment professionals in over 20 countries¹

Brandywine Global Investment Management, LLC, Royce Investment Partners, ClearBridge Investments, LLC, Martin Currie Investment Management Limited, Clarion Partners, LLC, Western Asset Management Company, LLC and Legg Mason Investor Services, LLC, are subsidiaries of Franklin Resources, Inc.

¹ As of 6/30/2021. Investment professionals include portfolio managers, research analysts, research associates, investment support and executives of Franklin Templeton, Legg Mason and subsidiary investment management groups.

Western Asset Management Approach and Philosophy

Western Asset is a global investment management firm committed to understanding the needs of each client, identifying investment solutions, and delivering superior long-term investment results.

Team-managed approach

- Team unites groups of specialists dedicated to different market sectors
- Each group of sector specialists utilizes its expertise in bottom-up analysis of each portfolio sector

Investment Philosophy

Long-term, fundamental value discipline

- Bottom-up
- Top-down

Diversified strategies

- Depth of resources
- Global

Integrated analytics and risk management

- Relative value analysis
- Transparency and communication

Objective-Driven Investing Seeks to:

- Protect from rising rates
- Protect from inflation
- Preserve capital
- Diversify globally
- Hedge liabilities
- Enhance income
- Generate tax-free income
- Generate total return
- Achieve ESG objectives

Core Fixed Income

- Intermediate
- Core
- Core Full Discretion
- Investment-Grade Credit
- Agency Mortgage-Backed

Generate Total Return

- Total Return Unconstrained
- Global Total Return
- Global Multi-Sector
- Dynamic Fixed Income
- Credit Opportunities
- MBS Opportunities
- Emerging Market Opportunities

Enhance Income

- Short-Duration High Income
- Emerging Markets Debt
- High Yield
- Diversified High Income
- Structured Products/REIT/CLO

Increase Alpha

- Global Credit Absolute Return
- Macro Opportunities

Hedge Liabilities

- Long Duration
- Long Credit
- Liability-Driven Investing
- Tail Risk Management



Western Asset Municipal Bond Ladders

Overview

The Western Asset Municipal Bond Ladders are designed to deliver tax-free income opportunities while preserving capital and reducing interest rate risk by investing in laddered municipal bonds. The strategy invests in a diversified portfolio of credit-monitored investment-grade municipal securities with equally weighted maturities from 1-15 or 1-30 years.

Objectives

- The strategy seeks to maintain a competitive level of tax-free income while preserving principal by investing — and reinvesting — in a well-diversified portfolio of investment-grade municipal bonds with laddered maturities.

We believe:

- Laddered portfolios may offer advantages over self-managed portfolios in creating a stable stream of income
- Ladders represent a disciplined approach that allows investors to manage changes in interest rates
- Credit monitoring may enhance income by providing opportunities to allocate across the full range of investment-grade securities
- A diversified set of municipal bonds with staggered maturities and coupon stream may provide continued opportunities for reinvestment

Key differentiators

Team-managed approach

- Team unites groups of specialists dedicated to different market sectors
- Each group of specialists draws on its distinctive expertise in the bottom-up analysis of its respective sector, to efficiently implement and monitor the portfolios

In-depth bond research

- Looks across sectors and issues to select attractive income opportunities and ensure diversification when reinvesting cash flows

Overseen by a fixed income leader

- A highly regarded proprietary credit research team that selects and monitors holdings
- Over four decades of municipal bond trading, with access to the full inventory of municipal offerings and the ability to purchase quality securities
- Exclusive focus on fixed income management
- Long tenure in managing separately managed accounts in taxable and tax-exempt markets

Risks: All investments involve risk, including the loss of principal, and there is no guarantee that investment objectives will be met.

Fixed income securities are subject to interest rate and credit risk, which is a possibility that the issuer of a security will be unable to make interest payments and repay the principal on its debt. As interest rates rise, the price of fixed income securities falls.

Fixed income securities are subject to illiquidity risk, which is the risk that securities may be difficult to sell at certain prices when no market participants are willing to purchase the securities at such prices.

For tax-exempt securities, certain investors may be subject to the Federal Alternative Minimum Tax, and state and local taxes may apply. Capital gains, if any, are fully taxable. Depends on individual tax situation. **Please see important tax information.**

State-specific and state-biased portfolios within this Portfolio focus on individual states and are more vulnerable to losses caused by adverse developments in those states than are national portfolios, which diversify investments across multiple states.



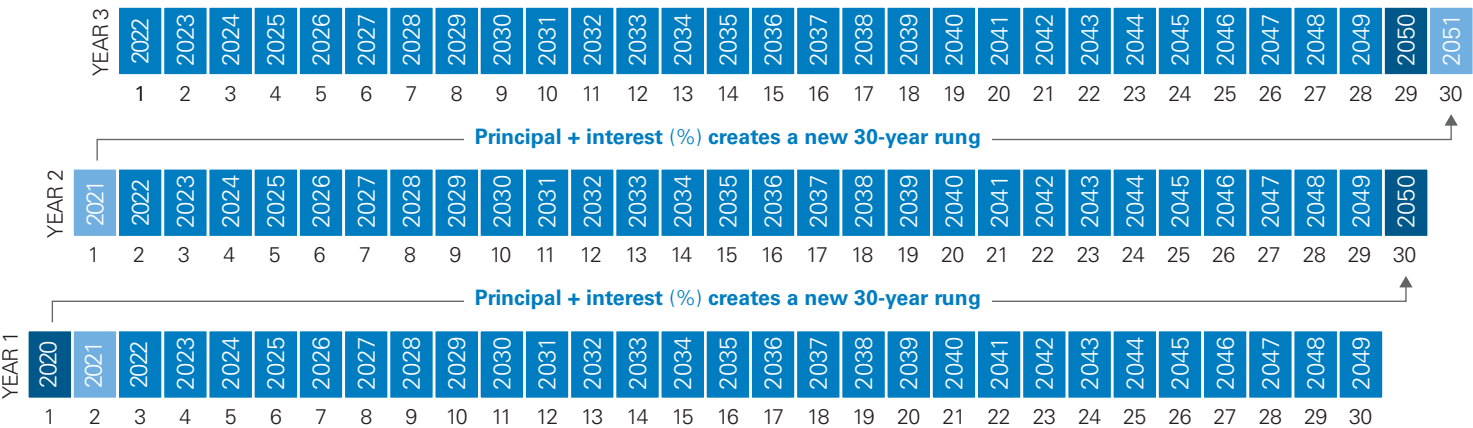
Why invest in a Municipal Bond Ladder?

How reinvesting can advance the ladder

- Help minimize impact of rising rates by allowing municipal bonds to roll down curve until maturity
- May provide greater income from investing at potentially higher rates
- May benefit from owning well-diversified portfolio of individual bonds, and ongoing professional credit monitoring

Initial principal investment \$200K (\$6.6K per year x 30 years)

As bonds in each rung of the ladder mature, the principal plus interest are typically reinvested into longer-maturing, higher-yielding securities.



The investment process may change over time. There is no guarantee that the manager's investment process will be successful. For illustrative purposes only. Minimum initial investment may vary.

The investment process may change over time. There is no guarantee that investment objectives will be achieved.
Diversification does not assure a profit or protect against market loss.
The chart shown is for illustrative purposes only.

Western Asset Municipal Bond Ladders investment process

STEP 1

Identify term structure of ladder

Term structure

- Purchase municipal bonds maturing at regular intervals from 1-15 or 1-30 years¹
- Hold securities to maturity and reinvest back out at longest maturity rung of ladder
- Manage reinvestment risk by staggering maturities and coupon streams across a diverse mix of sectors and issuers

STEP 2

Identify attractive sectors and industries

Sector and issue decision

- Employ in-depth research to uncover yield opportunities across the investment-grade rating spectrum
- Winnow portfolio candidates using proprietary credit analysis

STEP 3

Build portfolio from credit-monitored approved list

Review/sell process

- Monitor credits constantly, despite intent to hold all securities until maturity
- Reexamine whether a particular investment should continue to be held when the issuer's ability to pay the coupon or repay upon maturity is in doubt

¹ Other options may be available.

The investment process may change over time. The characteristics set forth are intended as a general illustration of some of the criteria the strategy team considers in selecting securities for client portfolios. There is no guarantee investment objectives will be achieved.

Municipal Bond Ladders 1-15 Years portfolio characteristics as of September 30, 2021

Maturity (%)

0 - 1	3.35
1 - 2	3.33
2 - 3	7.03
3 - 4	13.65
4 - 5	6.70
5 - 6	3.99
6 - 7	5.91
7 - 8	9.88
8 - 9	3.46
9 - 10	6.92
10 - 11	6.80
11 - 12	9.84
12 - 13	6.37
13 - 14	3.46
14 - 15	9.33
15+	0.00

Credit Quality (%)

AAA	9.69
AA	52.22
A	34.63
BBB	3.46

Characteristics (%)

Effective Duration (Years)	5.70
Yield to Maturity (%)	1.53
Average Maturity (Years)	7.73
Average Coupon Rate (%)	3.76
Yield to Worst (%)	1.12

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 the following Nationally Recognized Statistical Rating Organizations ("NRSRO"): Standard and Poor's ("S&P"), Moody's Investors Service ("Moody's"), Fitch Ratings, Ltd. In the event a portfolio security is rated by more than one NRSRO, the higher rating is shown. In the case where a security is not rated by an NRSRO, these are listed as "Non Rated". The credit quality of the investments in the Portfolio does not apply to the stability or safety of the Portfolio. These ratings may change over time. The Portfolio itself has not been rated by an NRSRO.

Source: Western Asset. Portfolio characteristics are based on a representative account and are subject to change at any time. Portfolio characteristics of individual client portfolios in the program may differ, sometimes significantly, from those shown above. **Please see appendix for term definitions.**

This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the credit qualities or maturity structures listed and should not be used as a sole basis to make any investment decisions.

Municipal Bond Ladders 1-30 Years portfolio characteristics as of September 30, 2021

Maturity (%)

	Portfolio		Portfolio
0 - 1	0.00	16 - 17	3.42
1 - 2	3.70	17 - 18	3.04
2 - 3	6.23	18 - 19	2.97
3 - 4	3.57	19 - 20	1.79
4 - 5	3.20	20 - 21	4.77
5 - 6	1.08	21 - 22	3.35
6 - 7	2.31	22 - 23	3.22
7 - 8	7.28	23 - 24	0.00
8 - 9	3.29	24 - 25	6.63
9 - 10	3.36	25 - 26	3.41
10 - 11	0.00	26 - 27	3.40
11 - 12	6.12	27 - 28	0.00
12 - 13	3.25	28 - 29	7.59
13 - 14	3.36	29 - 30	3.05
14 - 15	3.32	30+	0.00
15 - 16	3.31		

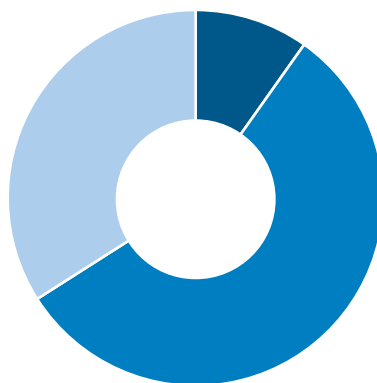
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Municipal Bond Ladders 1-30 Years portfolio characteristics as of September 30, 2021

Credit Quality (%)

■ AAA	9.5
■ AA	54.3
■ A	32.9



Characteristics (%)

Effective Duration (Years)	8.85
Yield to Maturity (%)	2.27
Average Maturity (Years)	15.20
Average Coupon Rate (%)	3.18
Yield to Worst (%)	1.57

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 the following Nationally Recognized Statistical Rating Organizations ("NRSRO"): Standard and Poor's ("S&P"), Moody's Investors Service ("Moody's"), Fitch Ratings, Ltd. In the event a portfolio security is rated by more than one NRSRO, the higher rating is shown. In the case where a security is not rated by an NRSRO, these are listed as "Non Rated". The credit quality of the investments in the Portfolio does not apply to the stability or safety of the Portfolio. These ratings may change over time. The Portfolio itself has not been rated by an NRSRO.

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Investment management team

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

Definitions

Term definitions

Maturity is the date at which a debt instrument is due and payable. A bond due to mature on January 1, 2021, will return the bondholder's principal and final interest payment when it reaches maturity on that date. Bond yields are frequently calculated on a yield-to-maturity basis.

Duration (Modified Duration) is the measure of the price sensitivity of a fixed income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.

Yield to Worst (YTW) is based on a portfolio's current holdings on one specific day, is gross of all portfolio expenses, and is calculated based on assumptions that prepayment occurs if the bond has call or put provisions and the issuer can offer a lower coupon rate based on current market rates. If market rates are higher than the current yield of a bond, the YTW calculation will assume no prepayments are made, and YTW will equal the yield to maturity. The YTW will be the lowest of yield to maturity or yield to call (if the bond has prepayment provisions). The YTW of a bond portfolio is the market-weighted average of the YTWs of all the bonds in the portfolio.

Insured municipal bonds are ones where scheduled interest and principal payments are guaranteed by AAA-rated municipal bond insurers.

General Obligation municipal bonds are backed by the credit and taxing power of the issuing jurisdiction rather than the revenue of a given project.

Revenue bonds are municipal bonds supported by the revenue from a specific project.

Pre-refunded bonds are municipal bonds that are generally backed or secured by U.S. Treasury bonds.

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.

Average Maturity is the average length of maturity for all fixed-rate debt instruments held in a portfolio.

Average Coupon based on the portfolio's underlying holdings, which may differ and are subject to change. Coupon rate is the annual coupon payments paid by the issuer relative to a bond's face or par value.

Yield to Maturity - The rate of return anticipated on a bond if it is held until the maturity date. The calculation of YTM takes into account the current market price, par value, coupon interest rate and time to maturity.

The **Sharpe Ratio** is a risk-adjusted measure that is calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical adjusted performance.

Alpha is a measure of the difference between actual returns and expected performance, given the level of risk as measured by Beta, where Beta measures sensitivity to benchmark movements.

R-Squared measures the strength of the linear relationship between the portfolio and its benchmark. R-squared at 1.0 implies perfect linear relationship and zero implies no relationship exists. Standard deviation is based on quarterly data.

Standard Deviation is a measure of the variability of returns; the higher the standard deviation, the greater the range of performance (i.e., volatility).

The **Capture Ratios** measure a manager's composite performance relative to the benchmark, considering only those quarters that are either positive (Up) or negative (Down) for the benchmark.

An **Up Market Capture Ratio** greater than 1.0 indicates a manager who has outperformed the benchmark in the benchmark's positive quarters.

A **Down Market Capture Ratio** of less than 1.0 indicates a manager who has outperformed the relative benchmark in the benchmark's negative quarters.

At Franklin Templeton, everything we do has a single focus: to deliver better client outcomes.

- We have deep expertise across equity, fixed income, alternatives, multi-asset solutions and cash strategies
- We offer an unmatched range of specialist investment managers, consisting of more than 1,300 investment professionals
- Over 70 years of experience in identifying opportunities and delivering investment solutions to clients.

Investments for the program(s) discussed herein are traded primarily in U.S. markets and unless otherwise noted, equity and fixed-income investments for such program(s) are primarily of U.S. issuers. In addition, unless otherwise noted, indexes referred to herein represent groups of securities that are issued primarily by U.S. issuers.

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