

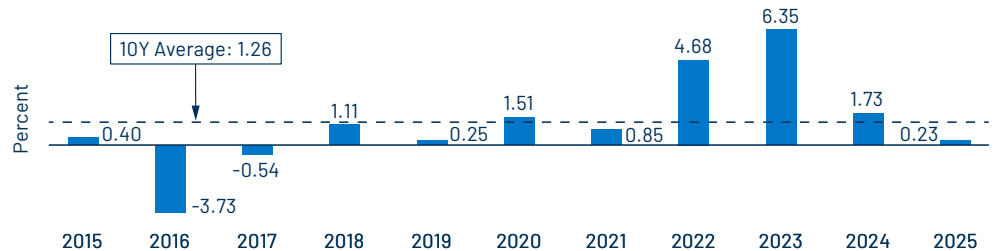
Muni Monthly

Performance Overview

Munis posted below average returns in November.

Municipals posted positive returns in November as indicated by the Bloomberg Municipal Bond Index total return of 0.23%, which was below the prior 10-year average November return of 1.16% during this seasonally stronger month. Munis generally underperformed Treasuries and corporates, which returned 0.62% and 0.58%, respectively, with those sectors reacting more favorably to weaker-than-anticipated economic data released during the month.

Exhibit 1: Bloomberg Municipal Bond Index Returns



Source: Bloomberg, Western Asset. As of 30 Nov 25.

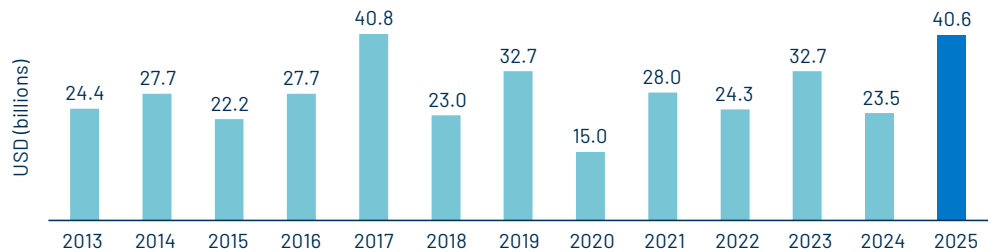
Supply and Demand Technicals

Tax-exempt muni supply maintained an elevated pace throughout the year.

A softer supply-and-demand technical backdrop was a key contributor to municipals' November underperformance. New-issue volume remained robust amid a record issuance year, with total volume reaching \$45 billion, nearly double the level seen in November 2024. The \$40.6 billion of tax-exempt supply marked the second-highest November on record over the past decade.

On the demand side, investor flows decelerated heading into year-end. Lipper reported \$2.3 billion of net inflows into municipal mutual funds, down sharply from October's \$6.5 billion. Demand continued to concentrate in longer-maturity funds, with the long-term category attracting \$1.5 billion of net inflows.

Exhibit 2: Historical Municipal Supply



Source: ICI, Western Asset, Bloomberg. As of 30 Nov 25.

Fundamentals

Upgrades continued to outpace downgrades in November.

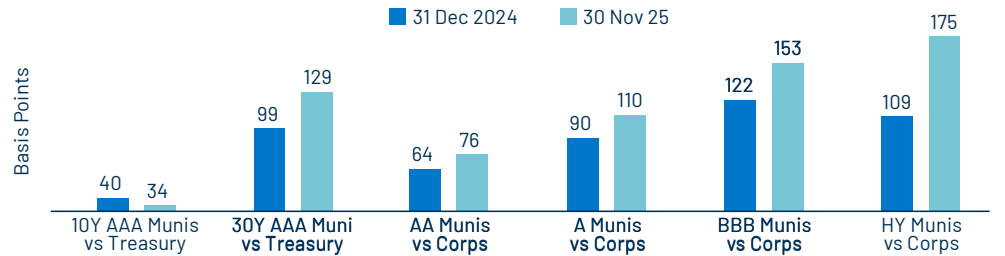
Despite a modest slowdown in upgrade momentum relative to downgrades, upgrades continued to outpace downgrades by nearly a 2-to-1 margin in November. A notable highlight was Moody's upgrade of the School District of Philadelphia's general obligation bonds to Baa1 from Baa2, driven by sustained operating improvement and strengthened liquidity. The upgrade extends a decade-long credit recovery for the district, which was rated as low as Ba3 in 2014 and has now achieved four successive upgrades from the agency.

Valuations

Municipals generally offer higher after-tax yield advantages now than at the start of the year.

The muni underperformance in November aligns with themes observed throughout much of 2025: weaker technicals, rather than deteriorating fundamentals, have created attractive long-term income opportunities. While yields on the Bloomberg US Treasury and Corporate Indexes declined 63 basis points (bps) and 57 bps year-to-date (YTD) through November 30, 2025, respectively, the Bloomberg Municipal Bond Index yield fell only 16 bps and the Bloomberg Long Municipal Bond Index yield rose 19 bps over the same period. As a result, the after-tax income advantage of munis relative to comparable taxable fixed-income alternatives has increased across most maturities and credit quality structures. We believe this attractive relative value should continue to support steady demand, particularly if the Federal Reserve continues to reduce front-end rates in the near term.

Exhibit 4: YTD Changes in After-Tax Yield Pickup



Source: Bloomberg, Western Asset. As of 30 Nov 25.
 10- and 30-Year comparison reflects Bloomberg Valuation Service (BVAL) AAA Muni Curve and US On-/Off-the-Run Sovereign Curve. AA Muni reflects the Bloomberg AA Muni Bond Index. A Muni reflects the Bloomberg A Muni Bond Index. BBB Muni reflects the Bloomberg BBB Muni Bond Index. HY Muni reflects the Bloomberg High Yield Muni Bond Index. AA Corp reflects the Bloomberg AA Corporate Bond Index. A Corp reflects the Bloomberg A Corporate Bond Index. BBB Corp reflects the Bloomberg BBB Corporate Bond Index. After-tax yield considers top marginal tax rate of 40.8%.
 Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges. Past performance is not an indicator or a guarantee of future

Munis and the Macro¹

	Prior Month (Revised From)	Consensus	Actual
Unemployment Rate (Sept)	4.30%	4.30%	4.40%
Change in Nonfarm Payrolls	-4k (22k)	52k	119k

Yield and Curve Changes – AAA Munis vs. Treasuries³

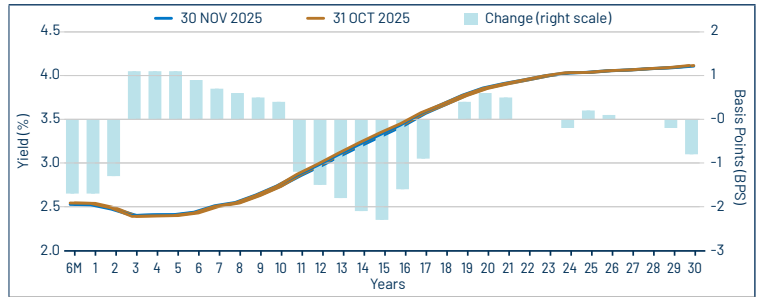
	2-Yr	5-Yr	10-Yr	30-Yr
11/30/2025				
AAA Muni	2.46%	2.41%	2.75%	4.14%
Treasury	3.49%	3.60%	4.02%	4.66%
M/T Ratio	70%	67%	68%	89%
Change				
Muni Δ (bps)	—	▲ 3	▲ 2	▼ -1
Treasury Δ (bps)	▼ -8	▼ -9	▼ -6	▲ 1
Ratio Δ (%)	▲ 2	▲ 3	▲ 2	▼ -0.4
10-Yr Average				
AAA Muni	1.55%	1.69%	2.07%	3%
Treasury	2.29%	2.43%	2.68%	3%
Ratio	67%	69%	77%	92%

After-Tax Yield Pickup⁵

Quality/Maturity Segment	Muni YTW	Taxable Equivalent YTW	Taxable YTW	Taxable Equivalent Muni Yield Pickup	5-Yr Average
10-Yr AAA Munis vs Treasuries	2.72%	4.59%	4.02%	58	62
30Y AAA Muni vs Treasury	4.05%	6.84%	4.66%	218	173
AA Munis vs Corps	3.45%	5.83%	4.54%	129	77
A Munis vs Corps	3.83%	6.46%	4.61%	185	108
BBB Munis vs Corps	4.47%	7.55%	4.96%	259	163
HY Munis vs Corps	5.64%	9.53%	6.57%	296	151

Municipal Supply⁶

Year	\$B	Month	2024 Issuance	2025 Issuance	YoY	Calls/Maturities	Net
2018	356	January	31.1	37.1	19%	-31.0	6.2
2019	449	February	31.9	39.6	24%	-31.0	1.0
2020	496	March	37.7	43.4	15%	-22.8	14.9
2021	488	April	45.0	52.8	17%	-18.5	26.6
2022	375	May	47.1	53.7	14%	-29.5	17.6
2023	366	June	47.6	58.4	23%	-48.7	-1.0
2024	500	July	40.2	56.6	41%	-44.5	-4.4
2025 YTD	598	August	49.0	49.7	1%	-48.3	0.8
Annualized		September	48.9	48.6	-1%	-26.7	22.3
		October	64.5	62.5	-3%	-32.8	31.7
		November	25.1	45.4	81%	-33.5	-8.4
		December	31.7				
		Total	499.9	547.9	37%	-367.0	107.2

AAA Municipal Yield Curve²Index Returns⁴

	1-Mo Total Return	YTD Total Return
Bloomberg Municipal Bond Index	0.23%	4.15%
Returns by Maturity		
Bloomberg Municipal Bond 1-Year Index	0.28%	3.13%
Bloomberg Municipal Bond 5-Year Index	0.23%	4.73%
Bloomberg Municipal Bond 10-Year Index	0.27%	5.66%
Bloomberg Municipal Bond 20-Year Total Return Index	0.21%	3.32%
Bloomberg Municipal Bond Long Bond Index	0.12%	2.28%
Returns by Credit Quality		
Bloomberg Municipal AAA Index	0.23%	4.13%
Bloomberg Municipal AA Index	0.21%	4.09%
Bloomberg Municipal A Index	0.24%	4.33%
Bloomberg Municipal BBB Index	0.38%	4.07%
Bloomberg Muni High Yield Index	0.39%	2.71%
Returns by Sector		
GO Bond Index	0.21%	4.14%
Revenue Bond Index	0.24%	4.15%
Taxable Muni Returns		
Bloomberg Taxable Municipal Bond Index	0.64%	8.27%
Bloomberg Global Aggregate Index	0.23%	7.89%
Bloomberg U.S. Treasury Index	0.62%	6.67%
Bloomberg U.S. Corporate Index	0.65%	7.99%

Demand Technicals – Municipal Mutual Fund Flows⁷

Year	Flows (\$M)	2025	Flows (\$M)
2018	8,843	January	6,104
2019	102,554	February	5,826
2020	54,468	March	264
2021	105,480	April	-6,305
2022	-116,469	May	6,848
2023	-5,695	June	5,695
2024	45,091	July	6,994
2025 YTD	53,180	August	5,006
		September	7,683
		October	10,883
		November	4,182
		December	

¹Source: Bloomberg; GDP, CPI, PCE: BEA; Unemployment, NFP: BLS. As of 19 Nov 25.²Source: Bloomberg, Western Asset. As of 19 Nov 25. Bloomberg Valuation Service (BVAL) AAA Muni Curve and US On-/Off-the-Run Sovereign Curve.³Source: Muni Yields: Thomson Reuters MMD 2-Year, 5-Year, 10-Year and 30-Year AAA Scales; Treasury Yields: 2-Year, 5-Year, 10-Year, and 30-Year Tenors of the US On/Off The Run Sovereign Curve.⁴Source: Bloomberg Municipal Bond Index, Bloomberg Taxable Municipal Bond Index. As of 19 Nov 25. Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges. Past performance is not an indicator or a guarantee of future results.⁵Source: Bloomberg, Western Asset. As of 19 Nov 25. 10- and 30-Year comparison reflects Bloomberg Valuation Service (BVAL) AAA Muni Curve and US On-/Off-the-Run Sovereign Curve. AA Muni reflects the Bloomberg AA Muni Bond Index. A Muni reflects the Bloomberg A Muni Bond Index. BBB Muni reflects the Bloomberg BBB Muni Bond Index. HY Muni reflects the Bloomberg High Yield Muni Bond Index. AA Corp reflects the Bloomberg AA Corporate Bond Index. A Corp reflects the Bloomberg A Corporate Bond Index. BBB Corp reflects the Bloomberg BBB Corporate Bond Index. Taxable equivalent yield considers top marginal tax rate of 40.8%. Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges. Past performance is not an indicator or a guarantee of future results.⁶Source: Bloomberg. As of 19 Nov 25.⁷Source: Bloomberg, ICI. As of 19 Nov 25.



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