

WESTERN ASSET MANAGED MUNICIPALS FUND INC.

Form N-CSRS

January 25, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-06629

Western Asset Managed Municipals Fund Inc.

(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY 10018

(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

Registrant's telephone number, including area code: (888) 777-0102

Date of fiscal year end: May 31

Date of reporting period: November 30, 2015

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ITEM 1. REPORT TO STOCKHOLDERS.

The **Semi-Annual** Report to Stockholders is filed herewith.

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Semi-Annual Report

November 30, 2015

WESTERN ASSET

MANAGED MUNICIPALS FUND INC. (MMU)

INVESTMENT PRODUCTS: NOT FDIC INSURED NO BANK GUARANTEE MAY LOSE VALUE

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Fund objective	

The Fund seeks to maximize current income exempt from federal income tax* as is consistent with preservation of principal.

The Fund seeks to achieve its objective by investing primarily in long-term investment grade municipal debt securities issued by state and local governments, political subdivisions, agencies and public authorities (municipal obligations). Under normal market conditions, the Fund will invest at least 80% of its total assets in municipal obligations rated investment grade at the time of investment.

*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. Please consult your personal tax or legal adviser.

Letter from the chairman

Dear Shareholder,

We are pleased to provide the semi-annual report of Western Asset Managed Municipals Fund Inc. for the six-month reporting period ended November 30, 2015. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

I am pleased to introduce myself as the new Chairman, President and Chief Executive Officer of the Fund, succeeding Kenneth D. Fuller. I am honored to have been appointed to my new role. During my 27 year career with Legg Mason, I have seen the investment management industry evolve and expand. Throughout these changes, maintaining an unwavering focus on our shareholders and their needs has remained paramount.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, www.lmcef.com. Here you can gain immediate access to market and investment information, including:

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

December 31, 2015

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Investment commentary

Economic review

The pace of U.S. economic activity was mixed during the six months ended November 30, 2015 (the reporting period). Looking back, the U.S. Department of Commerce reported that second quarter 2015 U.S. gross domestic product (GDP) growth was 3.9%. Relatively solid growth was driven by increasing exports, accelerating personal consumption expenditures (PCE), declining imports, expanding state and local government spending, and rising nonresidential fixed investment. The U.S. Department of Commerce's final reading for third quarter 2015 GDP growth released after the reporting period ended was 2.0%. Decelerating growth was primarily due to a downturn in private inventory investment and decelerations in exports, PCE, nonresidential fixed investment, state and local government spending, and residential fixed investment.

The labor market was a tailwind for the economy during the reporting period. When the period began, unemployment was 5.3%, as reported by the U.S. Department of Labor. By November 2015, unemployment was 5.0%, equaling its lowest level since April 2008.

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Investment commentary (cont d)

Market review

Q. How did the Federal Reserve Board (Fed) respond to the economic environment?

A. The Fed maintained the federal funds rateⁱⁱⁱ at a historically low range between zero and 0.25% during the six months ended November 30, 2015. However, at its meeting that ended on December 16, 2015, after the reporting period ended, the Fed raised the federal funds rate for the first time since 2006. In particular, the U.S. central bank raised the federal funds rate to a range between 0.25% and 0.50%. At its meeting that concluded on October 28, 2015, the Fed said, "In determining whether it will be appropriate to raise the target range at its next meeting, the Committee will assess progress both realized and expected toward its objectives of maximum employment and 2 percent inflation." However, in its official statement after the December meeting, the Fed said, "The stance of monetary policy remains accommodative after this increase, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation. The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run."

Q. Did Treasury yields trend higher or lower during the six months ended November 30, 2015?

A. Both short- and long-term Treasury yields moved higher during the reporting period. When the period began, the yield on the two-year Treasury note was 0.61%. Its low for the period was 0.55% on July 8, 2015, and it peaked at 0.94% on November 23, 2015, as well as on the last day of the reporting period on November 30, 2015. The yield on the ten-year Treasury note began the period at 2.12%. Its low for the period of 2.01% occurred on August 24, 2015. Its peak of 2.50% was on June 10, 2015 and the ten-year Treasury note concluded the reporting period at 2.21%.

Q. What factors impacted the spread sectors (non-Treasuries) during the reporting period?

A. The spread sectors posted mixed results during the reporting period. High-yield corporate bonds and U.S. Treasury Inflation-Protected Securities (TIPS^v) were among the weakest performers over the six months ended November 30, 2015. In contrast, sectors that are generally less sensitive to rising interest rates, such as asset-backed securities, posted positive results. Performance fluctuated with investor sentiment given the uncertainties regarding future Fed monetary policy, along with concerns over global growth and geopolitical issues.

Q. How did the municipal bond market perform versus the taxable bond market over the reporting period?

A. The municipal bond market outperformed its taxable bond counterpart during the six months ended November 30, 2015, as the Barclays Municipal Bond Index^v and the Barclays U.S. Aggregate Index^{vi} returned 2.37% and -0.12%, respectively. The municipal market was supported by overall positive investor demand and largely improving fundamentals.

Performance review

For the six months ended November 30, 2015, Western Asset Managed Municipals

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Fund Inc. returned 1.85% based on its net asset value (NAV^{vii}) and 3.86% based on its New York Stock Exchange (NYSE) market price per share. The Fund’s unmanaged benchmark, the Barclays Municipal Bond Index, returned 2.37% for the same period. The Lipper General & Insured Municipal Debt (Leveraged) Closed-End Funds Category Average^{viii} returned 3.80% over the same time frame. Please note that Lipper performance returns are based on each fund’s NAV.

Certain investors may be subject to the federal alternative minimum tax, and state and local taxes will apply. Capital gains, if any, are fully taxable. Please consult your personal tax or legal adviser.

During this six-month period, the Fund made distributions to common stock shareholders totaling \$0.39 per share. As of November 30, 2015, the Fund estimates that all of the distributions were sourced from net investment income.* The performance table shows the Fund’s six-month total return based on its NAV and market price as of November 30, 2015. **Past performance is no guarantee of future results.**

Performance Snapshot as of November 30, 2015
(unaudited)

	6-Month
Price Per Share	Total Return**
\$14.27 (NAV)	1.85%
\$14.10 (Market Price)	3.86%

All figures represent past performance and are not a guarantee of future results. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

**** Total returns are based on changes in NAV or market price, respectively. Returns reflect the deduction of all Fund expenses, including management fees, operating expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.**

Total return assumes the reinvestment of all distributions, including return of capital, if any, at NAV.

Total returns assume the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund’s Dividend Reinvestment Plan.

Looking for additional information?

The Fund is traded under the symbol MMU and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol XMMUX on most financial websites. *Barron’s* and the *Wall Street Journal’s* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as www.lmcef.com

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund’s current NAV, market price and other information.

*These estimates are not for tax purposes. The Fund will issue a Form 1099 with final composition of the distributions for tax purposes after year-end. A return of capital is not taxable and results in a reduction in the tax basis of a shareholder’s investment. For more information about a distribution’s composition, please refer to the Fund’s distribution press release or, if applicable, the Section 19 notice located in the press release section of our website, www.lmcef.com.

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Investment commentary (cont d)

Thank you for your investment in Western Asset Managed Municipals Fund Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

December 31, 2015

***RISKS:** The Fund's investments are subject to a number of risks such as liquidity risk, interest rate risk, credit risk, leveraging risk and management risk. As interest rates rise, the price of fixed-income investments declines. Lower rated, higher-yielding bonds, known as "high yield" or "junk" bonds, are subject to greater credit risk than higher-rated investment grade securities. Municipal securities purchased by the Fund may be adversely affected by changes in the financial condition of municipal issuers and insurers, regulatory and political developments, uncertainties and public perceptions, and other factors. The Fund may make significant investments in derivative instruments. Derivative instruments can be illiquid, may disproportionately increase losses and could have a potentially large impact on Fund performance. Leverage may result in greater volatility of NAV and market price of common shares and may increase a shareholder's risk of loss.*

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

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- i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Federal Reserve Board (Fed) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- iii The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- iv U.S. Treasury Inflation-Protected Securities (TIPS) are inflation-indexed securities issued by the U.S. Treasury in five-year, ten-year and twenty-year maturities. The principal is adjusted to the Consumer Price Index, the commonly used measure of inflation. The coupon rate is constant, but generates a different amount of interest when multiplied by the inflation-adjusted principal.
- v The Barclays Municipal Bond Index is a market value weighted index of investment grade municipal bonds with maturities of one year or more.
- vi The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- vii Net asset value (NAV) is calculated by subtracting total liabilities, including liabilities associated with financial leverage (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- viii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended November 30, 2015, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 76 funds in the Fund's Lipper category.

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Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund's investments as of November 30, 2015 and May 31, 2015 and does not include derivatives such as futures contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

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Spread duration (unaudited)

Economic exposure November 30, 2015

Total Spread Duration

MMU	6.41
Benchmark	5.95

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund's portfolio and the exposure relative to the selected benchmark as of the end of the reporting period.

Benchmark	Barclays Municipal Bond Index
MMU	Western Asset Managed Municipals Fund Inc.

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Effective duration (unaudited)

Interest rate exposure November 30, 2015

Total Effective Duration
MMU 6.25 years
Benchmark 6.15 years

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark Barclays Municipal Bond Index
MMU Western Asset Managed Municipals Fund Inc.

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November 30, 2015

Western Asset Managed Municipals Fund Inc.

			Face	
Security	Rate	Maturity Date	Amount	Value
Municipal Bonds 136.0%				
<i>Alabama 4.6%</i>				
Jefferson County, AL, Sewer Revenue:				
AGM	5.500%	10/1/53	\$ 1,400,000	\$ 1,563,408
Convertible CAB, Subordinated Lien	0.000%	10/1/50	11,580,000	7,969,703 (a)
Subordinated Lien Warrants	6.000%	10/1/42	9,230,000	10,473,281
Subordinated Lien Warrants	6.500%	10/1/53	6,900,000	7,989,717
<i>Total Alabama</i>				<i>27,996,109</i>
<i>Arizona 5.0%</i>				
Greater Arizona Development Authority, Development Authority				
Infrastructure Revenue, Pinal County Road Project, NATL	5.000%	8/1/19	3,705,000	3,817,632 (b)
Navajo Nation, AZ, Revenue	5.500%	12/1/30	950,000	1,033,771 (c)
Phoenix, AZ, Civic Improvement Corp. Airport Revenue	5.000%	7/1/40	5,000,000	5,498,750
Salt Verde, AZ, Financial Corp. Senior Gas Revenue	5.250%	12/1/28	2,000,000	2,362,920
Salt Verde, AZ, Financial Corp. Senior Gas Revenue	5.000%	12/1/32	10,000,000	11,451,600
Salt Verde, AZ, Financial Corp. Senior Gas Revenue	5.000%	12/1/37	5,500,000	6,195,695
<i>Total Arizona</i>				<i>30,360,368</i>
<i>California 20.9%</i>				
Anaheim, CA, Public Financing Authority Lease Revenue	5.000%	5/1/46	2,000,000	2,224,600
Bay Area Toll Authority, CA, Toll Bridge Revenue:				
San Francisco Bay Area	1.110%	4/1/24	5,500,000	5,447,145 (a)(d)
San Francisco Bay Area	5.125%	4/1/39	21,700,000	24,629,934 (b)
California Health Facilities Financing Authority Revenue, Stanford Hospital & Clinics	5.150%	11/15/40	2,000,000	2,256,220
California Housing Finance Agency Revenue, Home Mortgage	4.700%	8/1/24	2,110,000	2,128,167 (e)
California State PCFA, Water Furnishing Revenue	5.000%	11/21/45	12,500,000	13,231,125 (c)(e)
California State PCFA, Water Furnishing Revenue	5.000%	11/21/45	5,000,000	5,142,700 (c)
California State, GO	0.834%	12/1/17	4,000,000	4,007,400 (a)(d)
California Statewide CDA Revenue, Methodist Hospital Project, FHA	6.625%	8/1/29	5,235,000	6,162,590
California Statewide CDA, Student Housing Revenue, Provident				
Group-Pomona Properties LLC	5.750%	1/15/45	1,770,000	1,733,149
Imperial Irrigation District, CA, Electric Revenue	5.500%	11/1/41	2,750,000	3,198,030
Inland Valley, CA, Development Agency, Successor Agency Tax Allocation Revenue	5.000%	9/1/44	2,405,000	2,612,816
Los Angeles County, CA, Public Works Financing Authority, Lease Revenue:	&nb			