WESTERN ASSET MANAGED MUNICIPALS FUND INC.
Form N-CSR
August 04, 2010

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 811-6629

Western Asset Managed Municipals Fund Inc.
(Exact name of registrant as specified in charter)

55 Water Street, New York, NY	10041
(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: May 31, 2010

ITEM 1. REPORT TO STOCKHOLDERS.

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

May 31, 2010

Annual Report

Western Asset Managed Municipals Fund Inc.
(MMU)

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

Fund objective

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

* 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.

What s inside

Letter from the chairman

Dear Shareholder,

We are pleased to provide the annual report of Western Asset Managed Municipals Fund Inc. for the twelve-month reporting period ended May 31, 2010.

Please read on for a detailed look at prevailing economic and market conditions during the Fund s reporting period and to learn how those conditions have affected Fund performance. Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to Financial Statements included in this report.

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.leggmason.com/cef. 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,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

June 25, 2010

Investment commentary

Economic review

The lengthiest recession since the Great Depression finally appeared to have ended during the twelve-month reporting period ended May 31, 2010. This, in turn, had significant implications for the financial markets.

Looking back, the U.S. Department of Commerce reported that U.S. gross domestic product (GDP)i contracted four consecutive quarters, beginning in the third quarter of 2008 through the second quarter of 2009. Economic conditions then began to improve in the third quarter of 2009, as GDP growth was 2.2%. A variety of factors helped the economy to regain its footing, including the government s $787 billion stimulus program, its Cash for Clunkers car rebate program, which helped spur an increase in car sales, and tax credits for first-time home buyers. Economic growth then accelerated during the fourth quarter of 2009, as GDP growth was 5.6%. The Commerce Department cited a slower drawdown in business inventories and renewed consumer spending as contributing factors spurring the economy s higher growth rate. The recovery continued during the first quarter of 2010, as GDP growth was 2.7%. The ongoing economic expansion was largely the result of increased consumer spending, which grew 3.0% during the quarter, versus a tepid 1.6% advance during the last three months of 2009.

Even before GDP growth turned positive, there were signs that the economy was on the mend. The manufacturing sector, as measured by the Institute for Supply Management s PMIii, rose to 52.8 in August 2009, the first time it surpassed 50 since January 2008 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). According to PMI data, manufacturing has now expanded ten consecutive months. May 2010 s PMI reading of 59.7 indicated that the manufacturing sector s growth was broad-based, as sixteen of the eighteen industries tracked by the Institute for Supply Management grew during the month.

There was also some positive news in the labor market. The U.S. Department of Labor reported that employers added 431,000 jobs in May, the largest monthly gain in more than ten years. However, the vast majority of jobs created during the month 411,000 were temporary government positions tied to the 2010 Census. Nevertheless, during the first five months of the calendar year, an average of nearly 200,000 new positions was created per month. In addition, the unemployment rate fell to 9.7% in May compared to 9.9% in April.

There was mixed news in the housing market during the period. According to the National Association of Realtors, after existing home sales fell from December 2009 through February 2010, sales increased 7.0% and 8.0% in March and April, respectively. The rebound was largely attributed to people rushing to take advantage of the government s $8,000 tax credit for first-time home buyers that expired at the end of April. However, with the end of the tax credit, existing home sales then declined 2.2% in May. Looking at home prices, the S&P/Case-Shiller Home Price Indexiii indicated that month-to-month U.S. home prices rose 0.8% in April. This marked the first increase following six consecutive monthly declines.

Financial market overview

The twelve-month period ended May 31, 2010 was largely characterized by a return to more normal conditions and generally robust investor risk appetite. However, the market experienced a sharp sell-off in May 2010, triggered, in large part, by the sovereign debt crisis in Greece and uncertainties regarding new financial reforms in the U.S.

In the fixed-income market, riskier sectors, such as high-yield bonds and emerging market debt, significantly outperformed U.S. Treasuries during the reporting period. There were a number of factors contributing to the turnaround in the financial markets, including improving economic conditions, renewed investor confidence and the accommodative monetary policy by the Federal Reserve Board (Fed)[iv].

While economic data often surpassed expectations during the reporting period, the Fed remained cautious. At its meeting in June 2010 (after the end of the reporting period), the Fed said it will maintain the target range for the federal funds rate[v] at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

However, the Fed did take a first step in reversing its accommodative monetary stance. On February 18, 2010, the Fed raised the discount

Investment commentary (cont d)

rate, the interest rate it charges banks for temporary loans, from 1/2 to 3/4 percent. The Fed also concluded its $1.25 trillion mortgage securities purchase program at the end of the first quarter of 2010. In addition, the Fed has now closed nearly all of the special liquidity facilities that it created to support the financial markets during the credit crisis.

Fixed-income market review

While somewhat overshadowed by a flight to quality in May 2010, investor demand for riskier and higher-yielding fixed-income securities was strong for the majority of the reporting period. Overall, investor confidence was high given encouraging economic data, continued low interest rates, benign inflation, rebounding corporate profits and a rapidly rising stock market. However, in May, the sovereign debt crisis in Greece then triggered increased volatility in the global financial markets, causing the spread sectors (non-Treasuries) to give back some of their earlier gains.

Both short- and long-term Treasury yields fluctuated during the reporting period as investors analyzed incoming economic data and theorized about the Fed s future actions. When the period began, Treasury yields were relatively low, with two- and ten-year Treasury yields at 0.92% and 3.47%, respectively. Two- and ten-year Treasury yields then gyrated, rising as high as 1.42% and 4.01%, and falling as low as 0.67% and 3.18%, respectively. Short- and long-term yields declined toward the end of the reporting period given concerns regarding the escalating debt crisis in Greece. As of May 31, 2010, two- and ten-year Treasury yields were 0.76% and 3.31%, respectively.

The municipal bond market outperformed its taxable bond counterpart over the twelve months ended May 31, 2010. Over that period, the Barclays Capital Municipal Bond Index[vi] and the Barclays Capital U.S. Aggregate Index[vii] returned 8.52% and 8.42%, respectively. Despite falling tax receipts and budgetary challenges, the municipal market generated solid results due to strong demand from investors seeking tax-free income. The decline in new issuance of tax-free bonds also fed the market s demand.

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

June 29, 2010

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

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 Institute for Supply Management s PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.

iii The S&P/Case-Shiller Home Price Index measures the residential housing market, tracking changes in the value of the residential real estate market in twenty metropolitan regions across the United States.

iv The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

v 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.

vi The Barclays Capital Municipal Bond Index is a market value weighted index of investment grade municipal bonds with maturities of one year or more.

vii The Barclays Capital 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.

Fund overview

Q. What is the Fund s investment strategy?

A. The Fund seeks to maximize current income exempt from federal income tax as is consistent with the preservation of principal. We select securities primarily by identifying undervalued sectors and individual securities, while also selecting securities that we believe will benefit from changes in market conditions.

Under normal market conditions, the Fund invests primarily in investment grade municipal bonds, but it can also invest up to 20% of its total assets in municipal bonds rated below investment grade by a nationally recognized statistical rating organization or, if unrated, determined to be of equivalent quality. The Fund may also use a variety of derivative instruments for investment purposes, as well as for hedging or risk-management purposes.

At Western Asset Management Company (Western Asset), the Fund s subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset s senior portfolio managers, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. S. Kenneth Leech, Stephen A. Walsh, Robert E. Amodeo, David T. Fare and Joseph P. Deane are the co-leaders of the portfolio management team of this Fund. They are responsible for the day-to-day strategic oversight of the Fund s investments and/or supervising the day-to-day operations of the various sector specialist teams dedicated to the specific asset classes in which the Fund invests.

Q. What were the overall market conditions during the Fund s reporting period?

A. During the twelve months ended May 31, 2010, the fixed-income market largely recovered from the financial crisis in 2008 and returned to more normal conditions. This was the result of a variety of factors, including the aggressive actions taken by the Federal Reserve Board (Fed)i, improving economic conditions and generally robust investor risk appetite.

In the spring of 2009, conditions in the credit markets improved, there were signs that the economy was stabilizing and corporate profits were often better than expected. Collectively, this caused investor risk aversion to abate, leading to a strong rally in the spread sectors (non-U.S. Treasuries). Also supporting the spread sectors was solid demand from investors seeking incremental yields given the low rates available from short-term fixed-income securities. The spread sectors then continued to rally during most of the remainder of the reporting period, with a notable exception being in May 2010. Nevertheless, in sharp contrast to calendar year 2008 when Treasuries were the performance leaders, the spread sectors outperformed Treasuries during the fiscal year.

The yields on two- and ten-year Treasuries began the fiscal year at 0.92% and 3.47%, respectively. Treasury yields fluctuated during the twelve-month reporting period given changing perceptions regarding the economy, interest rates, inflation and deflation. During the period, two-year Treasury yields moved as low as 0.67% and as high as 1.42%, and ended the period at 0.76%. In contrast, ten-year Treasuries fell as low as 3.18% and rose as high as 4.01%, and ended the fiscal year at 3.31%.

Both short- and long-term yields fell during the twelve-month period due, in part, to a flight to quality that occurred in May 2010. This was triggered by concerns regarding the debt crisis in Greece and fears that it could spread to other European countries. In addition, investor sentiment was negatively impacted by uncertainties surrounding potential financial reform legislation in the U.S. Collectively, this caused investors to flock to the relative safety of Treasury securities, driving their yields lower and prices higher during the month.

Municipal bonds posted solid returns during the fiscal year. Although the fundamentals in the municipal market did not significantly change, tax-free bond prices rallied during much of the reporting period. This was due, in part, to improving technical factors, including less forced selling and better liquidity. Demand for tax-free bonds also increased, as investors were drawn to their attractive yields. All told, the Barclays Capital Municipal Bond Indexii returned 8.52% for the twelve months ended May 31, 2010. Over the same period, the overall taxable bond market, as measured by the Barclays Capital U.S. Aggregate Indexiii, returned 8.42%.

Q. How did we respond to these changing market conditions?

A. A general theme for the Fund throughout the fiscal year was its minimal exposures to State General Obligation bonds (GOs) and Local GOs. These securities are typically economically

Fund overview (cont d)

sensitive, in that the issuing municipality repays bondholders from tax revenues. We avoided GOs given declining tax revenues, ongoing budget challenges and the likelihood of further agency rating downgrades.

In contrast, we continued to emphasize essential service revenue bonds and, within this area, we made several tactical adjustments during the reporting period. We increased the Fund s exposure to Transportation and Health Care bonds, as we continued to find them to be attractively valued. In contrast, we allowed the Fund s exposure to the Pre-refunded[iv] sector to fall in order to pursue more attractive opportunities.

The Fund employed U.S. Treasury futures during the reporting period to manage duration[v]. Overall, this strategy detracted from the Fund s performance.

Performance review

For the twelve months ended May 31, 2010, Western Asset Managed Municipals Fund Inc. returned 15.44% based on its net asset value (NAV)[vi] and 23.29% based on its New York Stock Exchange (NYSE) market price per share. The Fund s unmanaged benchmark, the Barclays Capital Municipal Bond Index, returned 8.52% for the same period. The Lipper General Municipal Debt (Leveraged) Closed-End Funds Category Average[vii] returned 18.69% 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 twelve-month period, the Fund made distributions to shareholders totaling $0.72 per share. The performance table shows the Fund s twelve-month total return based on its NAV and market price as of May 31, 2010. **Past performance is no guarantee of future results.**

Performance Snapshot as of May 31, 2010

Price Per Share	12-Month Total Return*
$12.84 (NAV)	15.44%

$12.90 (Market Price)	23.29%

All figures represent past performance and are not a guarantee of future results.

*** Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions in additional shares in accordance with the Fund s Dividend Reinvestment Plan.**

Q. What were the leading contributors to performance?

A. The largest contributor to the Fund s relative performance during the reporting period was our longer duration than that of the benchmark. This duration strategy positively impacted performance as municipal yields declined over the period. The Fund s yield curveviii positioning was also beneficial. In particular, the Fund was rewarded for its underweight to the two- to five-year portion of the curve and its overweight to securities with 20+ year maturities. This positioning was beneficial because longer-term municipal securities price appreciation was greater than that of their shorter-term counterparts.

Our overweight to the Industrial Revenue sector also significantly enhanced results. Within the sector, the Fund s gas prepayix securities significantly contributed to performance. These securities, which are backed by certain broker/dealers, had performed poorly during much of 2008 given the turmoil in the financial markets. However, as a number of broker/dealers changed their status to bank holding companies and government initiatives such as the Troubled Asset Relief Program (TARP) added confidence in the financial system, gas prepay securities rebounded sharply.

Elsewhere, an overweight to the strong-performing Health Care sector and an underweight to the underperforming State and Local GO sectors contributed to relative performance.

Finally, the Fund s use of leverage contributed to results as the leverage amplified the positive performance in the municipal market during the reporting period.

Q. What were the leading detractors from performance?

A. The largest detractor from relative performance for the period was the Fund s higher overall credit quality than that of the benchmark. This was, in part, due to the Fund s lack of exposure to securities in the low-quality Tobacco and Airline sectors. Had the Fund increased its exposure to lower-quality/higher-risk securities, it would have boosted its relative outperformance even further. However, given the ongoing economic and fiscal challenges in the U.S., we did not believe that assuming more risk for the portfolio was appropriate.

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.leggmason.com/cef.

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 Standard Time, for the Fund s current NAV, market price and other information.

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,

Western Asset Management Company

June 15, 2010

RISKS: *Fixed-income investments are subject to interest rate risk. As interest rates rise, the price of fixed-income investments declines. Lower-rated, higher-yielding bonds are subject to greater credit risk than higher-rated investment grade securities. Derivatives are subject to a number of risks such as liquidity risk, interest rate risk, credit risk, leveraging risk, management risk, and 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.*

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. Portfolio holdings are subject to change at any time and may not be representative of the portfolio managers current or future investments. The Fund s portfolio composition is subject to change at any time.

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.

i The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

ii The Barclays Capital Municipal Bond Index is a market value weighted index of investment grade municipal bonds with maturities of one year or more.

iii The Barclays Capital 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.

iv A pre-refunded bond is a bond in which the original security has been replaced by an escrow, usually consisting of treasuries or agencies, which has been structured to pay principal and interest and any call premium, either to a call date (in the case of a pre-refunded bond), or to maturity (in the case of an escrowed to maturity bond).

v 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.

vi Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (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.

vii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended May 31, 2010, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 62 funds in the Fund s Lipper category.

viii The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.

ix Gas prepay bonds are issued to enable a municipal utility to contract for a stated amount of natural gas supply over an extended period of time. The utility contracts with a natural gas supplier to purchase gas at a discount to the spot price of gas at the time of delivery. The bonds are issued to fund future purchases of the gas supplier. Bonds are repaid by the utility from gas sales to its customers, though the ratings are primarily driven by the credit strength of the financial firm that guarantees the performance of the gas supplier.

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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 May 31, 2010 and May 31, 2009 and does not include derivatives. The Fund is actively managed. As a result, the composition of the Fund s investments is subject to change at any time.

Schedule of investments

May 31, 2010

Western Asset Managed Municipals Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Municipal Bonds 99.8%				
Arizona 3.6%				
Greater Arizona Development Authority, Development Authority Infrastructure Revenue, Pinal County Road Project, NATL	5.000%	8/1/19	$ 3,705,000	$ 3,970,130
Phoenix, AZ, Civic Improvement Corp. Airport Revenue, Senior Lien, FGIC	5.250%	7/1/22	3,000,000	3,046,410(a)
Phoenix, AZ, GO	5.000%	7/1/27	1,000,000	1,046,980(b)
Salt Verde, AZ, Financial Corp. Gas Revenue	5.000%	12/1/32	10,000,000	9,069,700
Salt Verde, AZ, Financial Corp. Gas Revenue	5.000%	12/1/37	10,040,000	8,912,508
Salt Verde, AZ, Financial Corp. Senior Gas Revenue	5.250%	12/1/28	2,000,000	1,937,900
Total Arizona				***27,983,628***
California 16.1%				
Bay Area Toll Authority, CA, Toll Bridge Revenue, San Francisco Bay Area	5.125%	4/1/39	21,700,000	22,533,497
California EFA Revenue	5.625%	7/1/23	1,170,000	977,945
California Health Facilities Financing Authority Revenue, Cedars-Sinai Medical Center	5.000%	8/15/39	4,500,000	4,274,640
California Housing Finance Agency Revenue:				
Home Mortgage	4.700%	8/1/24	3,100,000	2,811,111(a)
Home Mortgage	4.800%	8/1/37	10,000,000	8,017,300(a)
California State Department of Veterans Affairs, Home Purchase Revenue, AMBAC	5.350%	12/1/27	5,000,000	5,064,700
California Statewide CDA Revenue:				
Methodist Hospital Project, FHA	6.625%	8/1/29	5,885,000	6,748,271
St. Joseph Health System, FGIC	5.750%	7/1/47	3,000,000	3,044,340
Garden Grove, CA, Agency for Community Development, Tax Allocation, Refunding, AMBAC	5.000%	10/1/29	7,375,000	6,758,229
Golden State Tobacco Securitization Corp., CA, Tobacco Settlement Revenue	6.750%	6/1/39	6,000,000	6,970,800(b)
Los Angeles, CA, Convention & Exhibition Center Authority, Lease Revenue	5.125%	8/15/22	7,250,000	7,721,032
Los Angeles, CA, Department of Airports Revenue, Los Angeles International Airport	5.000%	5/15/40	7,500,000	7,647,075
M-S-R Energy Authority, CA, Gas Revenue	6.500%	11/1/39	12,000,000	13,269,000
Modesto, CA, Irrigation District, COP, Capital Improvements	6.000%	10/1/39	6,500,000	7,109,245
Rancho Cucamonga, CA, RDA, Tax Allocation, Rancho Redevelopment Projects, NATL	5.125%	9/1/30	3,340,000	3,133,621
Sacramento County, CA, COP, Unrefunded Balance, Public Facilities Project, NATL	5.375%	2/1/19	1,145,000	1,148,286
San Bernardino County, CA, COP, Arrowhead Project	5.125%	8/1/24	5,185,000	5,231,821

San Mateo County Community College District, COP, NATL	5.000%	10/1/25	3,000,000	3,471,090(b)
Santa Clara, CA, RDA, Tax Allocation, Bayshore North Project, NATL	5.000%	6/1/23	2,500,000	2,467,100
Walnut, CA, Energy Center Authority Revenue	5.000%	1/1/40	7,745,000	7,832,828(c)
Total California				***126,231,931***
Colorado 8.8%				
Colorado Health Facilities Authority Revenue, Sisters Leavenworth	5.000%	1/1/35	6,000,000	6,054,300
Denver, CO, City & County Airport Revenue	6.125%	11/15/25	10,945,000	13,652,902(a)(d)
Denver, CO, City & County Airport Revenue, Unrefunded Balance	6.125%	11/15/25	13,630,000	13,666,392(a)

See Notes to Financial Statements

Western Asset Managed Municipals Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Colorado continued				
El Paso County, CO, COP, Detention Facility Project, AMBAC	5.000%	12/1/23	$ 1,700,000	$ 1,747,294
Garfield County, CO, GO:				
School District No. 2, AGM, State Aid Withholding	5.000%	12/1/23	2,300,000	2,408,077
School District No. 2, AGM, State Aid Withholding	5.000%	12/1/25	1,000,000	1,042,820
Public Authority for Colorado Energy, Natural Gas Purchase Revenue	6.500%	11/15/38	20,000,000	21,938,400
University of Colorado, COP, Master Lease Purchase Agreement, AMBAC	5.000%	6/1/28	7,320,000	8,151,772(b)
Total Colorado				***68,661,957***
Connecticut 0.1%				
Connecticut State HEFA Revenue, Child Care Facilities Project, AMBAC	5.625%	7/1/29	970,000	***978,167***
Delaware 1.3%				
Delaware State EDA Revenue, PCR, Refunding, Delmarva Project, AMBAC	5.200%	2/1/19	10,000,000	***10,126,200***
District of Columbia 2.0%				
District of Columbia, Hospital Revenue, Children s Hospital Obligation, AGM	5.450%	7/15/35	14,800,000	***15,271,084***
Florida 8.3%				
Florida State Board of Education Capital Outlay, GO, Public Education, Refunding, AGM	5.000%	6/1/24	5,000,000	5,189,900
Florida State Department of Transportation, GO, Right of Way Project, FGIC	5.000%	7/1/25	1,465,000	1,544,330
Jacksonville, FL, Electric Authority, Electric System Revenue	5.000%	10/1/28	3,305,000	3,347,172
Jacksonville, FL, Health Facilities Authority Revenue, Brooks Health System	5.250%	11/1/38	5,620,000	5,497,934
Martin County, FL, IDA Revenue, Indiantown Cogeneration Project	7.875%	12/15/25	6,500,000	6,526,520(a)
Miami Beach, FL, Stormwater Revenue, FGIC	5.375%	9/1/30	1,290,000	1,298,449
Miami-Dade County, FL, Aviation Revenue	5.500%	10/1/41	10,000,000	10,218,700
Miami-Dade County, FL, Aviation Revenue, Miami International Airport	5.375%	10/1/35	10,705,000	10,929,698
Orange County, FL, Health Facilities Authority Revenue, Hospital-Orlando Regional Healthcare	5.000%	11/1/35	4,545,000	4,461,417
Orange County, FL, School Board, COP, AGC	5.500%	8/1/34	8,000,000	8,688,560
Orlando, FL, State Sales Tax Payments Revenue	5.000%	8/1/32	5,000,000	5,179,850
South Brevard, FL, Recreational Facilities Improvement, Special District, AMBAC	5.000%	7/1/20	2,500,000	2,500,025
Total Florida				***65,382,555***
Georgia 3.8%				
Atlanta, GA, Water & Wastewater Revenue	6.250%	11/1/39	13,000,000	13,885,300
DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority Revenue, GGC Foundation LLC Project	6.125%	7/1/40	6,220,000	6,912,286
Main Street Natural Gas Inc., GA, Gas Project Revenue	5.000%	3/15/22	4,000,000	3,954,120
Private Colleges & Universities Authority Revenue:				
Mercer University Project	5.750%	10/1/21	2,180,000	2,374,870(b)

Mercer University Project, Refunding	5.250%	10/1/25	2,000,000	2,003,400
Mercer University Project, Refunding	5.375%	10/1/29	1,000,000	979,330
Total Georgia				***30,109,306***

See Notes to Financial Statements

Schedule of investments (cont d)

May 31, 2010

Western Asset Managed Municipals Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Hawaii 0.9%				
Hawaii State Airports System Revenue	5.000%	7/1/39	$ 7,000,000	***$ 7,016,240***
Illinois 2.9%				
Illinois Finance Authority Revenue:				
Advocate Health Care & Hospitals Corp. Network	6.250%	11/1/28	2,445,000	2,727,251
Alexian, AGM	5.500%	1/1/28	12,530,000	13,368,507
Memorial Health System	5.500%	4/1/39	7,000,000	7,009,100
Total Illinois				***23,104,858***
Indiana 1.4%				
Indianapolis, IN, Thermal Energy System	5.000%	10/1/25	5,000,000	5,350,900(e)
Richmond, IN, Hospital Authority Revenue, Reid Hospital & Health Care Services Inc. Project	6.625%	1/1/39	5,000,000	5,405,150
Total Indiana				***10,756,050***
Kentucky 2.0%				
Louisville & Jefferson County, KY, Metro Government Health Facilities Revenue, Jewish Hospital St. Mary s Healthcare	6.125%	2/1/37	5,000,000	5,253,350
Louisville & Jefferson County, KY, Metro Government Health System Revenue, Norton Healthcare Inc.	5.250%	10/1/36	11,000,000	10,783,850
Total Kentucky				***16,037,200***
Maine 0.2%				
Maine State Housing Authority Mortgage Revenue	5.300%	11/15/23	1,770,000	***1,790,851***
Maryland 1.0%				
Baltimore, MD, Project Revenue:				
Refunding, Wastewater Projects, FGIC	5.125%	7/1/32	2,500,000	2,562,475
Refunding, Wastewater Projects, FGIC	5.200%	7/1/32	2,000,000	2,052,960
Maryland State Health & Higher EFA Revenue, Johns Hopkins Hospital Issue	5.000%	11/15/26	3,075,000	3,473,182(b)
Total Maryland				***8,088,617***
Massachusetts 3.9%				
Massachusetts Bay Transportation Authority, Sales Tax Revenue	5.500%	7/1/30	2,430,000	2,439,914(b)
Massachusetts DFA Revenue, Merrimack College Issue, NATL	5.200%	7/1/32	1,125,000	1,018,159
Massachusetts State DFA Revenue:				
Boston University	5.000%	10/1/29	3,000,000	3,145,680
Boston University, AMBAC	5.000%	10/1/39	3,500,000	3,520,895
Massachusetts State HEFA Revenue:				
Berklee College of Music	5.000%	10/1/32	1,500,000	1,531,260
Suffolk University	5.750%	7/1/39	9,000,000	9,152,190
Massachusetts State Housing Finance Agency Revenue	7.000%	12/1/38	5,000,000	5,489,300
Massachusetts State Special Obligation Dedicated Tax Revenue, NATL/FGIC	5.500%	1/1/34	4,000,000	4,404,520

Total Massachusetts				***30,701,918***
Michigan 1.1%				
Michigan State COP, AMBAC	5.500%	6/1/19	2,345,000	2,345,000(b)
Michigan State Hospital Finance Authority Revenue, Refunding, Trinity Health Credit	5.375%	12/1/23	1,500,000	1,528,155
Royal Oak, MI, Hospital Finance Authority Revenue, William Beaumont Hospital	8.250%	9/1/39	4,000,000	4,779,400
Total Michigan				***8,652,555***

See Notes to Financial Statements

Western Asset Managed Municipals Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Minnesota 0.2%				
Dakota County, MN, CDA, MFH Revenue, Southfork Apartments, LIQ-FNMA	5.625%	2/1/26	$ 1,500,000	***$ 1,506,690***
Missouri 1.8%				
Greene County, MO, Reorganized School District No. 8, GO, Missouri State Aid Direct Deposit Program, AGM	5.100%	3/1/22	1,500,000	1,601,475
Kansas City, MO, Water Revenue	5.250%	12/1/32	1,000,000	1,081,790
Missouri State HEFA Revenue, Children s Mercy Hospital	5.625%	5/15/39	6,000,000	6,176,100
Platte County, MO, IDA Revenue, Refunding & Improvement Zona Rosa Retail Project	5.000%	12/1/32	5,000,000	5,235,250
Total Missouri				***14,094,615***
Montana 1.0%				
Montana State Board of Investment, Resource Recovery Revenue, Yellowstone Energy LP Project	7.000%	12/31/19	9,330,000	***7,946,641***(a)
Nebraska 0.4%				
Nebraska Public Power Generation Agency Revenue, Whelan Energy Center Unit 2-A, AMBAC	5.000%	1/1/25	3,000,000	***3,127,830***
Nevada 1.7%				
Reno, NV, Hospital Revenue, Washoe Medical Centre, AGM	5.500%	6/1/33	12,750,000	***12,955,913***
New Jersey 6.7%				
New Jersey Health Care Facilities Financing Authority Revenue, Robert Wood Johnson University Hospital	5.700%	7/1/20	8,000,000	8,008,560
New Jersey State Higher Education Assistance Authority, Student Loan Revenue	5.625%	6/1/30	12,320,000	13,073,861
New Jersey State Higher Education Assistance Authority, Student Loan Revenue, AGC	6.125%	6/1/30	10,000,000	10,720,300(a)(f)
New Jersey State Housing & Mortgage Finance Agency Revenue	6.375%	10/1/28	6,860,000	7,476,028
New Jersey State Transportation Trust Fund Authority, Transportation Systems	0.000%	12/15/28	31,000,000	11,568,270
South Jersey Port Corp., New Jersey Revenue, Refunding	5.000%	1/1/26	1,350,000	1,389,379
Total New Jersey				***52,236,398***
New Mexico 0.7%				
New Mexico State Hospital Equipment Loan Council, Hospital Revenue, Presbyterian Healthcare Services	6.125%	8/1/28	5,000,000	***5,545,900***
New York 8.6%				
Liberty, NY, Development Corporation Revenue:				
Goldman Sachs Headquarters	5.250%	10/1/35	13,000,000	13,035,230
Goldman Sachs Headquarters	5.500%	10/1/37	8,985,000	9,402,174
Long Island Power Authority, NY, Electric System Revenue	6.000%	5/1/33	24,570,000	27,906,606
New York City, NY, Housing Development Corp. Revenue, Capital Fund Package, New York City Housing Authority, FGIC	5.000%	7/1/25	5,100,000	5,268,198
New York City, NY, Municipal Water Finance Authority, Water & Sewer System Revenue	5.250%	6/15/25	6,000,000	6,220,680
New York City, NY, TFA, Building Aid Revenue	5.000%	1/15/32	4,000,000	4,196,720
New York State Dormitory Authority Revenue, Willow Towers Inc. Project, GNMA-Collateralized	5.250%	2/1/22	1,000,000	1,043,010
Total New York				***67,072,618***

See Notes to Financial Statements

Schedule of investments (cont d)

May 31, 2010

Western Asset Managed Municipals Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
North Carolina 0.5%				
Harnett County, NC, GO, Refunded Custody Receipts, AMBAC	5.250%	6/1/24	$ 1,615,000	$ 1,729,455
North Carolina Capital Facilities Finance Agency, Educational Facilities Revenue:				
Elizabeth City State University Housing Foundation LLC Project, AMBAC	5.000%	6/1/23	1,000,000	954,000
Elizabeth City State University Housing Foundation LLC Project, AMBAC	5.000%	6/1/33	1,250,000	1,096,575
Total North Carolina				***3,780,030***
North Dakota 1.8%				
North Dakota State Housing Finance Agency Revenue, Housing Finance Program, Home Mortgage Finance	5.625%	1/1/39	13,125,000	***13,805,531***
Ohio 3.8%				
Garfield Heights, OH, City School District, School Improvement, AGM	5.000%	12/15/22	1,000,000	1,054,200
Hamilton County, OH, Hospital Facilities Revenue, Cincinnati Children s Hospital, FGIC	5.250%	5/15/23	2,000,000	2,031,980
Hamilton County, OH, Sales Tax Revenue, AMBAC	5.250%	12/1/32	5,075,000	5,099,563
Lorain County, OH, Hospital Revenue, Catholic Healthcare Partners	5.375%	10/1/30	7,500,000	7,568,700
Lucas County, OH, Hospital Revenue, Promedica Healthcare Obligation Group, AMBAC	5.375%	11/15/29	5,990,000	6,020,849
Ohio State Revenue, Revitalization Project, AMBAC	5.000%	4/1/21	1,805,000	1,931,801
Steubenville, OH, Hospital Revenue	6.375%	10/1/20	1,500,000	1,529,670(b)
Summit County, OH, GO:				
FGIC	5.000%	12/1/21	1,000,000	1,053,050
FGIC	5.000%	12/1/22	500,000	526,280
Trumbull County, OH, GO, NATL	5.200%	12/1/20	1,500,000	1,568,220
Warrensville Heights, OH, GO, City School District, School Improvements, FGIC	5.625%	12/1/20	1,500,000	1,550,730(b)
Total Ohio				***29,935,043***
Oregon 0.8%				
Clackamas County, OR, Hospital Facility Authority Revenue, Legacy Health System	5.750%	5/1/16	3,210,000	3,308,707
Oregon State Housing & Community Services Department, Mortgage Revenue, Single-Family Mortgage Program	5.050%	7/1/26	1,680,000	1,695,725(a)
Umatilla County, OR, Hospital Facility Authority Revenue, Catholic Health Initiatives	5.000%	5/1/32	1,000,000	1,013,770
Total Oregon				***6,018,202***
Pennsylvania 1.4%				

Pennsylvania State, Public School Building Authority Lease Revenue, Philadelphia School District Project, AGM	5.000%	6/1/33	10,755,000	***10,879,758***
Puerto Rico 3.4%				
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue	5.750%	8/1/37	6,000,000	6,445,680
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue	5.500%	8/1/42	15,000,000	15,708,600
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue	6.000%	8/1/42	4,000,000	4,358,320
Total Puerto Rico				***26,512,600***

See Notes to Financial Statements

Western Asset Managed Municipals Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Rhode Island 0.7%				
Rhode Island State Health & Educational Building Corp., Revenue, Hospital Financing	7.000%	5/15/39	$ 5,000,000	***$ 5,641,200***
South Carolina 0.7%				
Berkeley County, SC, Water & Sewer Revenue, AGM	5.000%	6/1/23	2,025,000	2,144,981
South Carolina Transportation Infrastructure Bank Revenue, Refunding, AMBAC	5.000%	10/1/23	3,000,000	3,188,370
Total South Carolina				***5,333,351***
Tennessee 1.6%				
Hardeman County, TN, Correctional Facilities Corp., Correctional Facilities Revenue	7.750%	8/1/17	880,000	880,405
Memphis-Shelby County, TN, Sports Authority Income Revenue, Memphis Arena Project, AMBAC	5.125%	11/1/21	5,420,000	5,984,113(b)
Tennessee Energy Acquisition Corp., Gas Revenue	5.250%	9/1/26	6,000,000	5,764,980
Total Tennessee				***12,629,498***
Texas 3.9%				
Dallas-Fort Worth, TX, International Airport Facilities Improvement Corp. Revenue, American Airlines Inc., Guarantee Agreement	6.375%	5/1/35	5,000,000	3,700,000(a)
Dallas-Fort Worth, TX, International Airport Revenue, NATL	6.000%	11/1/23	5,000,000	5,012,950(a)
Harris County, TX, Health Facilities Development Corp., School Health Care System Revenue	5.750%	7/1/27	1,000,000	1,218,400(d)
North Texas Tollway Authority Revenue	5.750%	1/1/33	5,000,000	5,246,750
North Texas Tollway Authority Revenue	5.750%	1/1/40	15,000,000	15,692,100
Total Texas				***30,870,200***
Virginia 0.4%				
Chesterfield County, VA, IDA, PCR, Virginia Electric & Power Co., Remarketed 11/8/02	5.875%	6/1/17	3,000,000	***3,112,890***
Wisconsin 1.4%				
Wisconsin State General Revenue, Appropriation Revenue	6.000%	5/1/36	7,500,000	8,265,975
Wisconsin State HEFA Revenue:				
Kenosha Hospital & Medical Center Project	5.700%	5/15/20	1,100,000	1,100,968
Medical College of Wisconsin Inc. Project, NATL	5.400%	12/1/16	1,250,000	1,253,600
Total Wisconsin				***10,620,543***
Wyoming 0.9%				
Wyoming CDA, Housing Revenue	5.600%	6/1/35	7,190,000	***7,319,708***(a)
Total Investments before Short-Term Investments (Cost	**$733,454,936)**			**781,838,276**
Short-Term Investments 0.2%				
Missouri 0.1%				
	0.270%	6/1/10	700,000	***700,000***(g)

Missouri State HEFA, Educational Facilities Revenue, St. Louis University, LOC-Bank of America N.A.				
New York 0.0%				
New York City, NY, TFA, SPA-Wachovia Bank N.A.	0.240%	6/1/10	300,000	***300,000***(g)
Puerto Rico 0.1%				
Commonwealth of Puerto Rico, GO, Public Improvements, SPA-Dexia Credit Local	0.230%	6/1/10	700,000	***700,000***(g)
Total Short-Term Investments (Cost $1,700,000)				**1,700,000**
Total Investments 100.0% (Cost $735,154,936#)				**$783,538,276**

See Notes to Financial Statements

Schedule of investments (cont d)

May 31, 2010

Western Asset Managed Municipals Fund Inc.

(a) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax (AMT).

(b) Pre-Refunded bonds are escrowed with U.S. government obligations and/or U.S. government agency securities and are considered by the manager to be triple-A rated even if issuer has not applied for new ratings.

(c) Security is purchased on a when-issued basis.

(d) Bonds are escrowed to maturity by government securities and/or U.S. government agency securities and are considered by the manager to be triple-A rated even if issuer has not applied for new ratings.

(e) Variable rate security. Interest rate disclosed is that which is in effect at May 31, 2010.

(f) All or a portion of this security is held at the broker as collateral for open futures contracts.

(g) Variable rate demand obligations have a demand feature under which the Fund can tender them back to the issuer or liquidity provider on no more than 7 days notice. Date shown is the date of the next interest rate change.

Aggregate cost for federal income tax purposes is $734,556,599.

<u>Abbreviations used in this schedule:</u>

AGC	Assured Guaranty Corporation Insured Bonds
AGM	Assured Guaranty Municipal Corporation Insured Bonds
AMBAC	American Municipal Bond Assurance Corporation Insured Bonds
CDA	Community Development Authority
COP	Certificate of Participation
DFA	Development Finance Agency
EDA	Economic Development Authority
EFA	Educational Facilities Authority
FGIC	Financial Guaranty Insurance Company Insured Bonds
FHA	Federal Housing Administration
FNMA	Federal National Mortgage Association
GNMA	Government National Mortgage Association
GO	General Obligation
HEFA	Health & Educational Facilities Authority
IDA	Industrial Development Authority

LIQ	Liquidity Facility
LOC	Letter of Credit
MFH	Multi-Family Housing
NATL	National Public Finance Guarantee Corporation Insured Bonds
PCR	Pollution Control Revenue
RDA	Redevelopment Agency
SPA	Standby Bond Purchase Agreement Insured Bonds
TFA	Transitional Finance Authority

See Notes to Financial Statements

Western Asset Managed Municipals Fund Inc.

Summary of Investments by Industry*

Health care	20.8%
Transportation	14.4
Power	11.6
Industrial revenue	8.6
Pre-refunded/escrowed to maturity	8.5
Housing	7.7
Special tax obligation	7.4
Education	7.2
Leasing	4.8
Water & sewer	3.7
Local general obligation	1.8
Other	1.6
Solid waste/resource recovery	1.0
State general obligation	0.7
Short-term investments	0.2
	100.0%

* As a percentage of total investments. Please note that Fund holdings are as of May 31, 2010 and are subject to change.

Ratings table

S&P/Moody s/Fitch	
AAA/Aaa	12.7%
AA/Aa	33.4
A	45.7
BBB/Baa	3.3
BB/Ba	0.8
CCC/Caa	0.5
A-1/VMIG1	0.2
NR	3.4
	100.0%

As a percentage of total investments.

In the event that a security is rated by multiple nationally recognized statistical rating organizations (NRSROs) and receives different ratings, the fund will treat the security as being rated in the highest rating category received from an NRSRO.

See pages 14 and 15 for definitions of ratings.

See Notes to Financial Statements

Bond ratings (unaudited)

The definitions of the applicable rating symbols are set forth below:

Standard & Poor s Ratings Service (Standard & Poor s) Ratings from AA to CCC may be modified by the addition of a plus (+) or minus ( ) sign to show relative standings within the major rating categories.

AAA	Bonds rated AAA have the highest rating assigned by Standard & Poor s. Capacity to pay interest and repay principal is extremely strong.
AA	Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.
A	Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
BBB	Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
BB, B, CCC, CC and C	Bonds rated BB , B , CCC , CC and C are regarded, on balance, as predominantly speculative with respect to capacity to pa interest and repay principal in accordance with the terms of the obligation. BB represents the lowest degree of speculation and C the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
D	Bonds rated D are in default and payment of interest and/or repayment of principal is in arrears.

Moody s Investors Service (Moody s) Numerical modifiers 1, 2 and 3 may be applied to each generic rating from Aa to Caa, where 1 is the highest and 3 the lowest ranking within its generic category.

Aaa	Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as gilt edge. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes can be visualized as most unlikely to impair the fundamentally strong position of such issues.
Aa	Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.
A	Bonds rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future.
Baa	Bonds rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
Ba	Bonds rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and therefore not well safeguarded during both good and

bad times over the future. Uncertainty of position characterizes bonds in this class.

B	Bonds rated B generally lack characteristics of desirable investments. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.
Caa	Bonds rated Caa are of poor standing. These may be in default, or present elements of danger may exist with respect to principal or interest.
Ca	Bonds rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked short-comings.
C	Bonds rated C are the lowest class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Fitch Ratings Service (Fitch) Ratings from AA to CCC may be modified by the addition of a plus (+) or minus ( ) sign to show relative standings within the major rating categories.

AAA	Bonds rated AAA have the highest rating assigned by Fitch. Capacity to pay interest and repay principal is extremely strong.
AA	Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.
A	Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
BBB	Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
BB, B, CCC, CC and C	Bonds rated BB , B , CCC CC and C are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB represents the lowest degree of speculation and C the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
D	Bonds rated D are in default and payment of interest and/or repayment of principal is in arrears.
NR	Indicates that the bond is not rated by Standard & Poor s, Moody s or Fitch.

Short-term security ratings (unaudited)

SP-1	Standard & Poor s highest rating indicating very strong or strong capacity to pay principal and interest; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.
A-1	Standard & Poor s highest commercial paper and variable-rate demand obligation (VRDO) rating indicating that the degree of safety regarding timely payment is either overwhelming or very strong; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.
VMIG 1	Moody s highest rating for issues having a demand feature VRDO.
MIG 1	Moody s highest rating for short-term municipal obligations.
P-1	Moody s highest rating for commercial paper and for VRDO prior to the advent of the VMIG 1 rating.
F1	Fitch s highest rating indicating the strongest capacity for timely payment of financial commitments; those issues determined to possess overwhelming strong credit feature are denoted with a plus (+) sign.

Statement of assets and liabilities

May 31, 2010

Assets:	
Investments, at value (Cost $735,154,936)	$783,538,276
Cash	86,054
Interest receivable	11,708,000
Receivable for securities sold	2,571,500
Prepaid expenses	25,283
Total Assets	***797,929,113***
Liabilities:	
Payable for securities purchased	7,850,564
Investment management fee payable	368,962
Payable to broker variation margin on open futures contracts	352,609
Directors fees payable	20,792
Distributions payable to Auction Rate Cumulative Preferred Stockholders	20,236
Accrued expenses	133,989
Total Liabilities	***8,747,152***
Series M, T, W, Th and F Auction Rate Cumulative Preferred Stock (2,000 shares for each series authorized and issued at $25,000 for each share) (Note 5)	250,000,000
Total Net Assets	**$539,181,961**
Net Assets:	
Par value ($0.001 par value; 42,004,039 common shares issued and outstanding; 500,000,000 common shares authorized)	$ 42,004
Paid-in capital in excess of par value	510,894,130
Undistributed net investment income	12,448,790
Accumulated net realized loss on investments and futures contracts	(33,856,175)
Net unrealized appreciation on investments and futures contracts	49,653,212
Total Net Assets	**$539,181,961**
Shares Outstanding	42,004,039
Net Asset Value	$12.84

See Notes to Financial Statements

Statement of operations

For the Year Ended May 31, 2010

Investment Income:	
Interest	***$42,165,076***
Expenses:	
Investment management fee (Note 2)	4,261,938
Auction participation fees (Note 5)	206,537
Directors fees	181,544
Legal fees	154,627
Transfer agent fees	64,992
Audit and tax	61,800
Shareholder reports	42,013
Auction agent fees	40,000
Stock exchange listing fees	33,134
Rating agency fees	18,000
Insurance	17,486
Custody fees	9,920
Miscellaneous expenses	11,830
Total Expenses	***5,103,821***
Net Investment Income	**37,061,255**
Realized and Unrealized Gain (Loss) on Investments and Futures Contracts (Notes 1, 3 and 4):	
Net Realized Gain (Loss) From:	
Investment transactions	9,689,576
Futures contracts	(8,342,044)
Net Realized Gain	***1,347,532***
Change in Net Unrealized Appreciation/Depreciation From:	
Investments	35,072,813
Futures contracts	1,269,872
Change in Net Unrealized Appreciation/Depreciation	***36,342,685***
Net Gain on Investments and Futures Contracts	**37,690,217**
Distributions Paid to Auction Rate Cumulative Preferred Stockholders From Net Investment Income (Note 1)	**(1,076,296)**
Increase in Net Assets From Operations	**$ 73,675,176**

See Notes to Financial Statements

Statements of changes in net assets

For the Years Ended May 31,	**2010**	**2009**
Operations:		
Net investment income	$ 37,061,255	$ 35,011,186
Net realized gain (loss)	1,347,532	(122,536)
Change in net unrealized appreciation/depreciation	36,342,685	(17,154,366)
Distributions paid to Auction Rate Cumulative Preferred Stockholders from net investment income	(1,076,296)	(5,640,128)
Increase in Net Assets From Operations	***73,675,176***	***12,094,156***
Distributions to Common Stock Shareholders From (Note 1):		
Net investment income	(30,188,939)	(23,263,108)
Decrease in Net Assets From Distributions to Common Stock Shareholders	***(30,188,939)***	***(23,263,108)***
Fund Share Transactions:		
Reinvestment of distributions (88,528 and 0 shares issued, respectively)	1,113,238	
Increase in Net Assets From Fund Share Transactions	***1,113,238***	
Increase (Decrease) in Net Assets	***44,599,475***	***(11,168,952)***
Net Assets:		
Beginning of year	494,582,486	505,751,438
End of year*	**$539,181,961**	**$494,582,486**
* Includes undistributed net investment income of:	$12,448,790	$6,662,766

See Notes to Financial Statements

Financial highlights

For a share of capital stock outstanding throughout each year ended May 31:

	2010	**2009**	**2008**	**2007**	**2006**
Net asset value, beginning of year	$11.80	$12.07	$12.04	$11.96	$11.73
Income (loss) from operations:					
Net investment income	0.88	0.83	0.78	0.77	0.75
Net realized and unrealized gain (loss)	0.91	(0.41)	0.01	0.08	0.20
Distributions paid to Auction Rate Cumulative Preferred Stockholders from net investment income	(0.03)	(0.13)	(0.22)	(0.22)	(0.17)
Total income from operations	***1.76***	***0.29***	***0.57***	***0.63***	***0.78***
Distributions paid to common stock shareholders from:					
Net investment income	(0.72)	(0.56)	(0.54)	(0.55)	(0.55)
Net asset value, end of year	$12.84	$11.80	$12.07	$12.04	$11.96
Market price, end of year	$12.90	$11.10	$11.13	$11.18	$10.79
Total return, based on NAV [1,2]	***15.44%***	***3.19%***	***5.30%***	***5.71%***	***7.29%***
Total return, based on Market Price [2]	***23.29%***	***5.27%***	***4.57%***	***8.81%***	***5.91%***
Net assets, end of year (000s)	$539,182	$494,582	$505,751	$504,471	$501,256
Ratios to average net assets based on common shares outstanding[3]:					
Gross expenses	0.97%	1.16%	1.09%	1.08%[4]	1.14%
Net expenses	0.97	1.16	1.09	1.07[4,5]	1.14[5]
Net investment income	7.06	7.59	6.47	6.38	6.36
Portfolio turnover rate	28%	49%	40%	23%	11%
Auction Rate Cumulative Preferred Stock:					
Total Amount Outstanding (000s)	$250,000	$250,000	$250,000	$250,000	$250,000
Asset Coverage Per Share	78,918	74,458	75,575	75,447	75,126
Involuntary Liquidating Preference Per Share[6]	25,000	25,000	25,000	25,000	25,000

1 Performance figures may reflect fee waivers and/or expense reimbursements. In the absence of fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results.

2 The total return calculation assumes that distributions are reinvested in accordance with the Fund s dividend reinvestment plan. Past performance is no guarantee of future results.

3 Calculated on the basis of average net assets of common stock shareholders. Ratios do not reflect the effect of dividend payments to preferred stockholders.

4 Included in the expense ratios are certain non-recurring restructuring (and reorganization, if applicable) fees that were incurred by the Fund during the period. Without these fees, the gross and net expense ratios would both have been 1.05%.

5 Reflects fee waivers and/or expense reimbursements.

6 Excludes accumulated and unpaid distributions.

See Notes to Financial Statements

Notes to financial statements

1. Organization and significant accounting policies

Western Asset Managed Municipals Fund Inc. (the Fund) was incorporated in Maryland and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund seeks to maximize current income exempt from federal tax as is consistent with preservation of principal.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ. Subsequent events have been evaluated through the issuance date of the financial statements.

(a) Investment valuation. Securities are valued at the mean between the last quoted bid and asked prices provided by an independent pricing service, which are based on transactions in municipal obligations, quotations from municipal bond dealers, market transactions in comparable securities and various other relationships between securities. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. When prices are not readily available, or are determined not to reflect fair value, the Fund values these securities at fair value as determined in accordance with procedures approved by the Fund s Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

The Fund has adopted Financial Accounting Standards Board Codification Topic 820 (formerly, Statement of Financial Accounting Standards No. 157) (ASC Topic 820). ASC Topic 820 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund s investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund s own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of the security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to convert future amounts of cash flow to a single present amount.

The following is a summary of the inputs used in valuing the Fund s assets carried at fair value:

Description	**Quoted Prices (Level 1)**	**Other Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Municipal bonds		$781,838,276		$781,838,276
Short-term investments		1,700,000		1,700,000
Total investments		**$783,538,276**		**$783,538,276**
Futures contracts	$1,269,872			1,269,872
Total	**$1,269,872**	**$783,538,276**		**$784,808,148**

See Schedule of Investments for additional detailed categorizations.

(b) Futures contracts. The Fund may use futures contracts to gain exposure to, or hedge against, changes in the value of interest rates. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. The daily changes in contract value are recorded as unrealized gains or losses in the Statement of Operations and the Fund recognizes a realized gain or loss when the contract is closed.

Futures contracts involve, to varying degrees, risk of loss in excess of the amounts reflected in the financial statements. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(c) Security transactions and investment income. Security transactions are accounted for on a trade date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults or a credit event occurs that impacts the issuer, the Fund may halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default or credit event.

(d) Distributions to shareholders. Distributions from net investment income for the Fund, if any, are declared quarterly and paid on a monthly basis. The Fund intends to satisfy conditions that will enable interest from municipal securities, which is exempt from federal and certain state income taxes, to retain such tax-exempt status when distributed to the shareholders of the Fund. Distributions of net realized gains, if any, are taxable and are declared at least annually. Distributions are recorded on the ex-dividend date and are determined in accordance with income tax regulations, which may differ from GAAP.

In addition, the holders of the Auction Rate Cumulative Preferred Stock (ARCPS) shall be entitled to receive dividends out of the funds legally available to shareholders.

(e) Net asset value. The net asset value (NAV) of the Fund s Common Stock is determined no less frequently than the close of business on the Fund s last business day of each week (generally Friday) and on the last business day of the month. It is determined by dividing the value of the net assets available to Common Stock by the total number of shares of Common Stock outstanding. For the purpose of determining the NAV per share of the Common Stock, the value of the Fund s net assets shall be deemed to equal the value of the Fund s assets less (1) the Fund s liabilities, and (2) the aggregate liquidation value (i.e., $25,000 per outstanding share) of the ARCPS.

(f) Federal and other taxes. It is the Fund s policy to comply with the federal income and excise tax requirements of the Internal Revenue Code of 1986 (the Code) as amended, applicable to regulated investment companies. Accordingly, the Fund intends to distribute its taxable income and net realized gains, if any, to shareholders in accordance with the timing requirements imposed by the Code. Therefore, no federal income tax provision is required in the Fund s financial statements.

Management has analyzed the Fund s tax positions taken on federal income tax returns for all open tax years and has concluded that as of May 31, 2010, no provision for income tax is required in the Fund s financial statements. The Fund s federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by Internal Revenue Service and state departments of revenue.

Notes to financial statements (cont d)

(g) Reclassification. GAAP requires that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. During the current year, the following reclassifications have been made:

	Undistributed Net Investment Income	**Accumulated Net Realized Loss**
(a)	$(9,996)	$9,996

(a) Reclassifications are primarily due to differences between book and tax accretion of market discount on fixed income securities.

2. Investment management agreement and other transactions with affiliates

Legg Mason Partners Fund Advisor, LLC (LMPFA) is the Fund s investment manager and Western Asset Management Company (Western Asset) is the Fund s subadviser. LMPFA and Western Asset are wholly-owned subsidiaries of Legg Mason, Inc. (Legg Mason).

LMPFA provides administrative and certain oversight services to the Fund. The Fund pays an investment management fee, calculated daily and paid monthly, at an annual rate of 0.55% of the Fund s average daily net assets, plus the aggregate liquidation value of the Fund s preferred stock.

LMPFA delegates to the Western Asset the day-to-day portfolio management of the Fund. For its services, LMPFA pays Western Asset 70% of the net management fee it receives from the Fund.

All officers and one Director of the Fund are employees of Legg Mason or its affiliates and do not receive compensation from the Fund.

3. Investments

During the year ended May 31, 2010, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) were as follows:

Purchases	$228,643,658
Sales	213,242,069

At May 31, 2010, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

Gross unrealized appreciation	$ 52,892,434
Gross unrealized depreciation	(3,910,757)
Net unrealized appreciation	**$48,981,677**

At May 31, 2010, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Gain (Loss)
Contracts to Sell:					
U.S. Treasury 10-Year Notes	311	6/10	$ 36,433,505	$ 37,528,953	$(1,095,448)
U.S. Treasury 30-Year Bonds	1,101	9/10	137,409,852	135,044,532	2,365,320
Net unrealized gain on open futures contracts					**$ 1,269,872**

4. Derivative instruments and hedging activities

Financial Accounting Standards Board Codification Topic 815 (formerly, Statement of Financial Accounting Standards No. 161) requires enhanced disclosure about an entity s derivative and hedging activities.

Below is a table, grouped by derivative type that provides information about the fair value and the location of derivatives within the Statement of Assets and Liabilities at May 31, 2010.

ASSET DERIVATIVES1

	Interest Rate Contracts Risk