

Western Asset Municipal Defined Opportunity Trust Inc.

Form N-CSR

January 29, 2019

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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 811-22265**

**Western Asset Municipal Defined Opportunity Trust 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: November 30**

**Date of reporting period: November 30, 2018**

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ITEM 1. REPORT TO STOCKHOLDERS.

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

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Annual Report

November 30, 2018

WESTERN ASSET

MUNICIPAL DEFINED OPPORTUNITY TRUST  
INC. (MTT)

Beginning in January 2021, as permitted by regulations adopted by the Securities and Exchange Commission, the Fund intends to no longer mail paper copies of the Fund's shareholder reports like this one, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary (such as a broker-dealer or bank). Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you invest through a financial intermediary and you already elected to receive shareholder reports electronically ( e-delivery ), you will not be affected by this change and you need not take any action. If you have not already elected e-delivery, you may elect to receive shareholder reports and other communications from the Fund electronically by contacting your financial intermediary.

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. That election will apply to all Legg Mason funds held in your account at that financial intermediary. If you are a direct shareholder with the Fund, you can call the Fund at 1-888-888-0151, or write to the Fund by regular mail at P.O. Box 505000, Louisville, KY 40233 or by overnight delivery to Computershare, 462 South 4th Street, Suite 1600, Louisville, KY 40202 to let the Fund know you wish to continue receiving paper copies of your shareholder reports. That election will apply to all Legg Mason Funds held in your account held directly with the fund complex.

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

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The Fund's primary investment objective is to provide high current income exempt from federal income tax\* and then to liquidate on or about April 30, 2021 and distribute all of the Fund's net assets to shareholders. As a secondary investment objective, the Fund will seek total return. There can be no assurance the Fund's investment objectives will be achieved.

As a fundamental policy, the Fund seeks to achieve its primary investment objective by investing, under normal market conditions, at least 80% of its net assets in investment grade municipal securities, the interest on which is exempt from federal income tax.

\* 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.

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## Letter from the chairman

**Dear Shareholder,**

We are pleased to provide the annual report of Western Asset Municipal Defined Opportunity Trust Inc. for the twelve-month reporting period ended November 30, 2018. 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.

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](http://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 28, 2018

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## Investment commentary

### Economic review

Economic activity in the U.S. was mixed during the twelve months ended November 30, 2018 (the reporting period). Looking back, the U.S. Department of Commerce reported that fourth quarter 2017 and first quarter 2018 U.S. gross domestic product (GDP) growth was 2.3% and 2.2%, respectively. GDP growth then accelerated to 4.2% during the second quarter of 2018—the strongest reading since the third quarter of 2014. Finally, the U.S. Department of Commerce’s final reading for third quarter 2018 GDP growth—released after the reporting period ended—was 3.4%. The deceleration in GDP growth in the third quarter of 2018 reflected a downturn in exports and decelerations in nonresidential fixed investment and personal consumption expenditures. Imports increased in the third quarter after decreasing in the second. These movements were partly offset by an upturn in private inventory investment.

Job growth in the U.S. was solid overall and supported the economy during the reporting period. As reported by the U.S. Department of Labor, when the reporting period ended on November 30, 2018, the unemployment rate was 3.7%, versus 4.1% when the period began. November 2018’s reading equaled the lowest unemployment rate since 1969. The percentage of longer-term unemployed also declined during the reporting period. In November 2018, 20.8% of Americans looking for a job had been out of work for more than six months, versus 22.9% when the period began.

Looking back, at its meeting that concluded on September 20, 2017, the Federal Reserve Board (the Fed) kept the federal funds rate<sup>iii</sup> on hold, but reiterated its intention to begin reducing its balance sheet, saying, “In October, the Committee will initiate the balance sheet normalization program.” At its meeting that ended on December 13, 2017, the Fed raised rates to a range between 1.25% and 1.50%. As widely expected, the Fed again raised rates at its meetings that ended on March 21, 2018 (to a range between 1.50% and 1.75%), June 13, 2018 (to a range between 1.75% and 2.00%) and September 26, 2018 (to a range between 2.00% and 2.25%). Finally, at its meeting that ended on December 19, 2018, after the reporting period ended, the Fed raised rates to a range between 2.25% and 2.50%.

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

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

December 28, 2018

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results.

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<sup>i</sup> Gross domestic product ( GDP ) is the market value of all final goods and services produced within a country in a given period of time.

<sup>ii</sup> The Federal Reserve Board (the 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.

<sup>iii</sup> 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.

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## Fund overview

### Q. What is the Fund's investment strategy?

A. The Fund's primary investment objective is to provide high current income exempt from federal income tax and then to liquidate on or about April 30, 2021 and distribute all of the Fund's net assets to shareholders. As a secondary investment objective, the Fund will seek total return. There can be no assurance the Fund's investment objectives will be achieved.

As a fundamental policy, the Fund seeks to achieve its primary investment objective by investing, under normal market conditions, at least 80% of its net assets in investment grade municipal securities, the interest on which is exempt from federal income tax. The Fund may invest up to 20% of its net assets in municipal securities rated below investment grade (commonly known as "high yield" or "junk" bonds) at the time of purchase by at least one nationally recognized statistical rating organization or which, if unrated, we deemed to be of comparable quality. The Fund may also invest up to 20% of its net assets in investments that generate income that is subject to federal income tax and in municipal securities, the interest on which is subject to the federal alternative minimum tax ("AMT"), and as a result, a portion of the Fund's distributions may be taxable to holders of common shares. The Fund may use a variety of derivative instruments as part of its investment strategies or for hedging and/or risk management purposes.

In purchasing securities and other investments for the Fund, we may take full advantage of the entire range of maturities and durations<sup>i</sup> offered by municipal securities and may adjust the average maturity or duration of the Fund's portfolio from time to time, depending on our assessment of the relative yields available on securities of different maturities and durations and our expectations of future changes in interest rates.

As a fundamental policy, the Fund will not leverage its capital structure by issuing senior securities such as preferred shares or debt instruments. However, the Fund may lend portfolio securities, invest in certain instruments, including inverse floating rate securities, participate in the creation of tender option bonds and enter into transactions such as short sales, that have the economic effect of financial leverage ("effective leverage"), provided that the Fund will not make such investments if, upon completion of the investment, the effective leverage of the Fund would be greater than 10% of the Fund's total assets.

At Western Asset Management Company, LLC (formerly known as 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 management personnel, 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. The individuals responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are S. Kenneth Leech, Robert E. Amodeo and David T. Fare.

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## Fund overview (cont d)

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

A. Fixed income markets generally posted weak results over the twelve-month reporting period ended November 30, 2018. Spread sectors (non-Treasuries) experienced periods of elevated volatility as they were impacted by a number of factors, including the December 2017 signing of the U.S. tax reform bill, solid economic growth in the U.S., four interest rate hikes by the Federal Reserve Board (the Fed), concerns over a global trade war and geopolitical issues.

Both short- and long-term Treasury yields moved sharply higher during the reporting period. The yield for the two-year Treasury note began the reporting period at 1.78% equaling the low for the period and ended the period at 2.80%. The high for the period of 2.98% occurred on November 8, 2018. The yield for the ten-year Treasury began the reporting period at 2.42% and ended the period at 3.01%. The low of 2.33% occurred on December 6, 2017, and the peak of 3.24% took place on November 8, 2018.

The municipal bond market outperformed its taxable bond counterpart during the reporting period. Over that time, the Bloomberg Barclays Municipal Bond Index<sup>iii</sup> and the Bloomberg Barclays U.S. Aggregate Index<sup>iv</sup> returned 1.13% and -1.34%, respectively. Both the taxable and tax-free bond markets were negatively impacted by rising interest rates. However, the tax-free market held up relatively better as fundamentals were solid overall and new supply moderated over the reporting period.

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

A. From a sector positioning perspective, we reduced the Fund's allocation to the Pre-Refunded Securities sector and increased its exposures to the Industrial Revenue and Water & Sewer sectors. Meanwhile, toward the end of the reporting period we extended the Fund's duration. The Fund employed the use of U.S. Treasury futures during the reporting period to tactically manage duration. This strategy modestly contributed to performance.

### Performance review

For the twelve months ended November 30, 2018, Western Asset Municipal Defined Opportunity Trust Inc. returned 1.05% based on its net asset value (NAV) and -2.76% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the Bloomberg Barclays Municipal Bond Index, returned 1.13% for the same period. The Lipper General and Insured Municipal Debt (Unleveraged) Closed-End Funds Category Average<sup>vi</sup> returned 0.85% 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 the twelve-month period, the Fund made distributions to shareholders totaling \$0.98 per share.\* The performance table shows the Fund's twelve-month total return based on its NAV and market price as of

\*For the tax character of distributions paid during the fiscal year ended November 30, 2018, please refer to page 30 of this report.

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November 30, 2018. **Past performance is no guarantee of future results.**

**Performance Snapshot** as of November 30, 2018

Price Per Share	12-Month Total Return**
\$20.33 (NAV)	1.05%
\$19.82 (Market Price)	-2.76%

**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. 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 at NAV.**

**Total return assumes 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 its positioning in a number of sectors. Security selection in the Special Tax Obligation sector was beneficial, led by Fund holdings issued by the U.S. Virgin Islands. Security selection in and an overweight to the Water & Sewer sector, security selection in the Local General Obligation bonds sector, and an underweight to and security selection in the State General Obligation bonds sector were also additive for returns.

The Fund's quality biases also contributed to performance. In particular, having an overweight to municipal securities rated A and lower was positive for results, as lower rated issues outperformed their higher rated counterparts over the twelve-month reporting period.

**Q. What were the leading detractors from performance?**

**A.** The largest detractors from the Fund's relative performance for the reporting period were an overweight to the Industrial Revenue sector, along with security selection in the Education and Health Care sectors.

**Looking for additional information?**

The Fund is traded under the symbol **MTT** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XMTTX** 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](http://www.lmcef.com) (click on the name of the Fund).

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.

Thank you for your investment in Western Asset Municipal Defined Opportunity Trust 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, LLC

December 18, 2018



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**Table of Contents****Fund overview (cont d)**

***RISKS:** The Fund is a non-diversified, closed-end management investment company designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objective. The Fund's common stock is traded on the New York Stock Exchange. Similar to stocks, the Fund's share price will fluctuate with market conditions and, at the time of sale, may be worth more or less than the original investment. Shares of closed-end funds often trade at a discount to their net asset value. Because the Fund is non-diversified, it may be more susceptible to economic, political or regulatory events than a diversified fund. The Fund's investments are subject to a number of risks such as credit risk, inflation risk and interest rate risk. As interest rates rise, bond prices fall, reducing the value of the fixed-income securities held by the Fund. The Fund may invest in lower-rated high-yield bonds, known as junk bonds, which are subject to greater liquidity and credit risk (risk of default) than higher-rated obligations. 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 use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. The Fund may invest in securities of other investment companies. To the extent it does, Fund stockholders will indirectly pay a portion of the operating costs of such companies, in addition to the expenses that the Fund bears directly in connection with its own operation. Investing in securities issued by other investment companies, including exchange-traded funds (ETFs) that invest primarily in municipal securities, involves risks similar to those of investing directly in the securities in which those investment companies invest. The Fund may invest up to 10% of its assets in securities that have the economic effects of leverage which can increase the risk and volatility of the Fund.*

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 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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- <sup>i</sup> 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.
- <sup>ii</sup> The Federal Reserve Board (the 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.
- <sup>iii</sup> The Bloomberg Barclays Municipal Bond Index is a market value weighted index of investment grade municipal bonds with maturities of one year or more.
- <sup>iv</sup> The Bloomberg 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.
- <sup>v</sup> 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.
- <sup>vi</sup> Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended November 30, 2018, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 7 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, 2018 and November 30, 2017 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, 2018

### Total Spread Duration

MTT 5.23 years

Benchmark 6.21 years

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 sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark Bloomberg Barclays Municipal Bond Index  
MTT Western Asset Municipal Defined Opportunity Trust Inc.



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**Effective duration** (unaudited)

**Interest rate exposure** November 30, 2018

**Total Effective Duration**

MTT 5.32 years

Benchmark 6.33 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 Bloomberg Barclays Municipal Bond Index

MTT Western Asset Municipal Defined Opportunity Trust Inc.

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November 30, 2018

**Western Asset Municipal Defined Opportunity Trust Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<b>Municipal Bonds 97.7%</b>				
<i>Alabama 6.0%</i>				
Jefferson County, AL, Sewer Revenue, Convertible CAB, Subordinated Lien, Warrants, Step Bond (0.000% until 10/1/23, 7.900%)	0.000%	10/1/50	\$ 9,470,000	\$ 8,140,412
Lower Alabama Gas District, Series A	5.000%	9/1/46	4,550,000	5,208,203
Southeast Alabama Gas Supply District, Project #1, Series A	4.000%	4/1/24	1,500,000	1,575,285 (a)(b)
<i>Total Alabama</i>				<i>14,923,900</i>
<i>Arizona 4.7%</i>				
Chandler Industrial Development Authority, Intel Corp. Project	2.700%	8/14/23	2,000,000	1,992,180 (a)(b)(c)
La Paz County Industrial Development Authority, Charter School Solutions, Harmony Pub	5.000%	2/15/48	1,000,000	1,041,840
Navajo Nation, Refunding, Series A	5.000%	12/1/25	350,000	379,950 (d)
Salt Verde Financial Corp., Gas Revenue	5.000%	12/1/32	7,110,000	8,175,362
<i>Total Arizona</i>				<i>11,589,332</i>
<i>California 9.3%</i>				
California Municipal Finance Authority:				
Senior Lien, Linux Apartment Project	5.000%	12/31/43	500,000	537,470 (c)
Senior Lien, Linux Apartment Project	5.000%	12/31/47	350,000	374,640 (c)
California Pollution Control Financing Authority	5.000%	11/21/45	3,500,000	3,597,790 (c)(d)
California State, GO, Refunding, Various Purpose	4.000%	11/1/36	250,000	259,235
California Statewide CDA, Provident Group-Pomona Properties	5.600%	1/15/36	780,000	818,719 (d)
City of Los Angeles, CA, Department of Airports, Subordinated, Series C	5.000%	5/15/44	500,000	553,405 (c)
City of Riverside CA Sewer Revenue, Refunding, Series A	5.000%	8/1/36	1,000,000	1,158,240
Golden State Tobacco Securitization Corp.:				
Refunding, Series A-1	5.000%	6/1/47	500,000	480,915
Refunding, Series A-2	5.000%	6/1/47	600,000	576,006
Los Angeles Department of Water, Series A	5.000%	7/1/48	1,000,000	1,130,470
Lower Tule River Irrigation District, COP, Series A	5.000%	8/1/40	1,000,000	1,037,930
Metropolitan Water District of Southern California, Refunding	5.000%	1/1/37	3,500,000	4,079,775 (e)
Morongo Band of Mission Indians, Tribal Economic Development, Series A	5.000%	10/1/42	125,000	127,127 (d)
M-S-R Energy Authority, CA, Gas Revenue, Series C	6.125%	11/1/29	2,000,000	2,464,020
River Islands Public Financing Authority, Refunding, Community Facilities District No. 2003-1	5.000%	9/1/27	700,000	724,290
San Mateo Joint Powers Financing Authority, Capital Project, Series A	5.000%	7/15/43	500,000	567,745

See Notes to Financial Statements.

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November 30, 2018

**Western Asset Municipal Defined Opportunity Trust Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>California continued</i>				
Southern California Water Replenishment District	5.000%	8/1/48	\$ 1,515,000	\$ 1,718,495 <sup>(e)</sup>
University of California, Refunding, Series AY	5.000%	5/15/37	2,500,000	2,856,225
<i>Total California</i>				<i>23,062,497</i>
<i>Colorado 3.0%</i>				
Base Village Metropolitan District No. 2, GO, Refunding, Series A	5.750%	12/1/46	500,000	499,305
Colorado High Performance Transportation Enterprise, C-470 Express Lanes	5.000%	12/31/51	200,000	210,466
Public Authority for Colorado Energy	6.125%	11/15/23	6,000,000	6,830,040
<i>Total Colorado</i>				<i>7,539,811</i>
<i>Connecticut 0.3%</i>				
Connecticut State, GO, Series E	5.000%	10/15/34	280,000	303,898
Connecticut State Special Tax Revenue, Transportation Infrastructure	5.000%	1/1/37	500,000	549,320
<i>Total Connecticut</i>				<i>853,218</i>
<i>District of Columbia 0.1%</i>				
District of Columbia, Ingleside Rock Creek Project, Series A	4.125%	7/1/27	250,000	246,355
<i>Florida 1.0%</i>				
Florida State Municipal Power Agency Revenue, All Requirements Power, Series A	6.250%	10/1/31	1,000,000	1,036,080 <sup>(f)</sup>
Greater Orlando Aviation Authority, Priority Subordinated Series A	5.000%	10/1/42	500,000	546,655 <sup>(c)</sup>
Miami-Dade County Health Facilities Authority, Refunding, Nicklaus Children's Hospital	5.000%	8/1/42	350,000	380,859
Orange-County Health Facilities Authority, Refunding, Presbyterian Retirement Communities	5.000%	8/1/47	250,000	262,300
Palm Beach County Health Facilities Authority, Acts Retirement-Life Communities	5.000%	11/15/45	250,000	266,958
<i>Total Florida</i>				<i>2,492,852</i>
<i>Georgia 8.0%</i>				
Atlanta, GA, Water & Wastewater Revenue, Series A	6.000%	11/1/23	5,000,000	5,186,850 <sup>(f)</sup>
City of Atlanta, GA, Water & Wastewater Revenue, Series A	6.250%	11/1/34	3,260,000	3,389,161 <sup>(f)</sup>
DeKalb Newton & Gwinnett Counties Joint Development Authority, GGC Foundation LLC Project	6.125%	7/1/40	9,000,000	9,217,800 <sup>(f)</sup>
Main Street Natural Gas Inc., Series E (SIFMA Municipal Swap Index Yield + 0.570%)	2.260%	12/1/23	2,000,000	1,997,120 <sup>(a)(b)</sup>
<i>Total Georgia</i>				<i>19,790,931</i>
<i>Idaho 0.1%</i>				
Idaho Health Facilities Authority, Trinity Health Credit Group	5.000%	12/1/47	300,000	328,848

See Notes to Financial Statements.

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Security	Rate	Maturity Date	Face Amount	Value
<i>Illinois 7.8%</i>				
Chicago Board of Education: Dedicated Capital Improvement, Series 2018	5.000%	4/1/42	\$ 500,000	\$ 527,350 <sup>(e)</sup>
GO, Refunding, Dedicated, Series G	5.000%	12/1/34	360,000	365,468
GO, Refunding, Series C	5.000%	12/1/24	250,000	259,385 <sup>(e)</sup>
Chicago O Hare International Airport: Senior Lien, Series D	5.000%	1/1/47	500,000	541,930
Senior Lien, Series D	5.000%	1/1/52	500,000	540,395
Trips Obligated Group	5.000%	7/1/48	200,000	214,130 <sup>(e)</sup>
Chicago Transit Authority, Second Lien	5.000%	12/1/51	250,000	262,150
Chicago, IL, GO, Refunding, Series A	6.000%	1/1/38	500,000	555,290
Chicago, IL, GO: Refunding, Series 2003B	5.500%	1/1/30	1,685,000	1,798,535
Refunding, Series C	5.000%	1/1/25	250,000	266,130
Chicago, IL, Motor Fuel Tax Revenue	5.000%	1/1/26	1,000,000	1,047,830
Chicago, IL, O Hare International Airport Revenue: Refunding, General, Senior Lien, Series B	5.000%	1/1/35	250,000	274,023
Series D	5.000%	1/1/46	2,000,000	2,148,940
Chicago, IL, Wastewater Transmission Revenue, Second Lien, Refunding, Series B	5.000%	1/1/36	750,000	807,990
Chicago, IL, Waterworks Revenue: Refunding, Second Lien	5.000%	11/1/29	600,000	671,676
Refunding, Second Lien, Series 2017-2, AGM	5.000%	11/1/32	2,050,000	2,276,853
Illinois Finance Authority, Refunding, Southern Illinois Healthcare Enterprises Inc.	5.000%	3/1/32	300,000	331,242
Illinois State: GO, Refunding	5.000%	2/1/26	1,000,000	1,061,020
GO, Refunding	5.000%	2/1/29	600,000	629,454
GO, Refunding, Series A	5.000%	10/1/29	1,600,000	1,687,568
GO, Series A	5.000%	12/1/42	500,000	508,695
GO, Series D	5.000%	11/1/26	550,000	584,656
Illinois State Finance Authority Revenue, Southern Illinois Healthcare Enterprises Inc.	5.000%	3/1/31	600,000	664,728
Illinois State University, Refunding, Auxiliary Facilities System, Series A, AGM	5.000%	4/1/37	100,000	108,625
Metropolitan Pier & Exposition Authority: CAB, McCormick Place Expansion Project	0.000%	12/15/52	1,000,000	173,720
Refunding, McCormick Project, Series B2, State Appropriations	5.250%	6/15/50	1,000,000	1,004,790
<i>Total Illinois</i>				<i>19,312,573</i>

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (cont d)**

November 30, 2018

**Western Asset Municipal Defined Opportunity Trust Inc.**

	Rate	Maturity Date	Face Amount	Value
<b>Security</b>				
<i>Indiana 6.8%</i>				
Indiana Finance Authority, IN, Wastewater Utility Revenue, CWA Authority Project	5.000%	10/1/41	\$ 675,000	\$ 740,853
Indiana Municipal Power Agency, Power Supply System Revenue, Series B	6.000%	1/1/39	8,000,000	8,025,680 <sup>(f)</sup>
Richmond, IN, Hospital Authority Revenue, Reid Hospital & Health Care Services Inc. Project, Series A	6.500%	1/1/29	8,000,000	8,028,000 <sup>(f)</sup>
<i>Total Indiana</i>				<i>16,794,533</i>
<i>Kentucky 1.5%</i>				
Kentucky Public Energy Authority:				
Gas Supply, Series B	4.000%	1/1/25	1,500,000	1,571,550 <sup>(a)(b)</sup>
Series A	4.000%	4/1/24	2,000,000	2,094,900 <sup>(a)(b)</sup>
<i>Total Kentucky</i>				<i>3,666,450</i>
<i>Louisiana 0.2%</i>				
Port New Orleans Board of Commissioners, Refunding, Series B, AGM	5.000%	4/1/43	500,000	551,435 <sup>(c)</sup>
<i>Maryland 0.6%</i>				
Howard County, MD, Housing Commission, Columbia Commons Apartments, Series A	5.000%	6/1/44	1,350,000	1,421,402
<i>Massachusetts 0.1%</i>				
Massachusetts Development Finance Agency, UMass Boston Student Housing Project	5.000%	10/1/41	250,000	259,323
<i>Michigan 3.4%</i>				
Detroit Downtown Development Authority, Refunding, Series A, AGM	5.000%	7/1/38	400,000	420,136 <sup>(e)</sup>
Detroit, MI, Water Supply System Revenue:				
Second Lien, Series B, AGM	6.250%	7/1/36	2,995,000	3,069,635 <sup>(f)</sup>
Second Lien, Series B, AGM	6.250%	7/1/36	5,000	5,114
Michigan Finance Authority:				
Local Government Loan Program	5.000%	7/1/33	350,000	383,183
Refunding, Higher Education, Thomas M Cooley Law School Project	6.000%	7/1/24	1,500,000	1,518,645 <sup>(d)</sup>
Refunding, Senior Lien, Great Lakes Water Authority	5.000%	7/1/33	410,000	445,453
Michigan Strategic Fund, I-75 Improvement Project	5.000%	12/31/43	400,000	426,480 <sup>(c)</sup>
Royal Oak Hospital Finance Authority, Refunding, Beaumont Health Credit Group	5.000%	9/1/39	2,000,000	2,144,200
<i>Total Michigan</i>				<i>8,412,846</i>
<i>Missouri 0.1%</i>				
St. Louis County IDA, Friendship Village, St. Louis Obligated Group	5.000%	9/1/38	350,000	350,508

See Notes to Financial Statements.

**Table of Contents****Western Asset Municipal Defined Opportunity Trust Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>New Jersey 7.5%</i>				
Gloucester County, NJ, Pollution Control Financing Authority, Refunding, Keystone Urban Renewal	5.000%	12/1/24	\$ 750,000	\$ 792,473 <sup>(c)</sup>
New Jersey Economic Development Authority, State House Project, Series B	5.000%	6/15/43	4,000,000	4,150,480
New Jersey EDA:				
Continental Airlines Inc. Project	4.875%	9/15/19	345,000	350,637 <sup>(c)</sup>
Refunding, Port Newark Container Terminal LLC Project	5.000%	10/1/37	200,000	212,140 <sup>(c)</sup>
New Jersey Health Care Facilities Financing Authority, Refunding, Hackensack Meridian Health				
New Jersey State Economic Development Authority, Series DDD	5.000%	7/1/38	125,000	139,929
New Jersey State Educational Facilities Authority, University of Medicine & Dentistry, Series B	5.000%	6/15/34	1,500,000	1,585,245
New Jersey Transportation Trust Fund Authority, Refunding, Federal Highway Reimbursement	7.500%	12/1/32	10,000,000	10,277,200 <sup>(f)</sup>
Tobacco Settlement Financing Corp., NJ, Refunding, Series A	5.000%	6/15/29	750,000	830,077
	5.000%	6/1/46	200,000	207,186
<i>Total New Jersey</i>				<i>18,545,367</i>
<i>New York 10.5%</i>				
MTA, Green Bonds, Series A	5.000%	11/15/47	500,000	555,590
New York Convention Center Development Corp. Revenue, CAB, Subordinated Lien, Hotel Unit Fee Secured				
New York Liberty Development Corp.:	0.000%	11/15/32	2,000,000	1,170,200
Refunding, Class 1-3, World Trade Center Project	5.000%	11/15/44	575,000	587,736 <sup>(d)</sup>
Refunding, Goldman Sachs Headquarters	5.250%	10/1/35	2,500,000	3,013,525
New York State Dormitory Authority:				
Refunding, Group 2, Series E	5.000%	3/15/36	1,500,000	1,725,135
Refunding, Group 3, Series E	5.000%	3/15/38	3,000,000	3,423,210
New York State Thruway Authority, Junior Lien, Series A	5.000%	1/1/46	1,000,000	1,086,730
New York Transportation Development Corp.:				
Delta Air Lines Inc., LaGuardia Airport	5.000%	1/1/31	1,500,000	1,658,865 <sup>(c)</sup>
Delta Air Lines Inc., LaGuardia Airport	5.000%	1/1/32	1,100,000	1,211,133 <sup>(c)</sup>
LaGuardia Airport Terminal B Redevelopment Project	5.000%	7/1/46	3,000,000	3,148,500 <sup>(c)</sup>
Port Authority of New York & New Jersey, Special Obligation Revenue, JFK International Air Terminal LLC	5.500%	12/1/31	7,925,000	8,430,298
<i>Total New York</i>				<i>26,010,922</i>
<i>North Carolina 0.4%</i>				
North Carolina Turnpike Authority:				
Refunding, Senior Lien	5.000%	1/1/30	100,000	111,662
Refunding, Series A	5.000%	7/1/54	750,000	794,550
<i>Total North Carolina</i>				<i>906,212</i>

See Notes to Financial Statements.

**Table of Contents****Schedule of investments (cont d)**

November 30, 2018

**Western Asset Municipal Defined Opportunity Trust Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Oklahoma 0.1%</i>				
Oklahoma Turnpike Authority, Second Series C	5.000%	1/1/47	\$ 40,000	\$ 44,204
Payne County EDA, Epworth Living at The Ranch	6.250%	11/1/31	170,000	69,700 <sup>*(g)</sup>
<i>Total Oklahoma</i>				<i>113,904</i>
<i>Oregon 0.3%</i>				
Oregon State Facilities Authority, Refunding, Legacy Health Project, Series A	5.000%	6/1/46	650,000	704,165
<i>Pennsylvania 5.4%</i>				
Commonwealth Financing Authority, Tobacco Master Settlement Payment	5.000%	6/1/30	250,000	281,137
Cumberland County Municipal Authority, Refunding, Diakon Lutheran Ministries	5.000%	1/1/27	1,000,000	1,085,410
Pennsylvania Economic Development Financing Authority, American Water Co. Project	6.200%	4/1/39	10,000,000	10,126,700
Philadelphia Authority for Industrial Development	5.000%	5/1/35	1,000,000	1,104,980
State Public School Building Authority:				
Refunding, Philadelphia School District, AGM	5.000%	6/1/31	200,000	222,080
Refunding, Philadelphia School District, AGM	5.000%	6/1/33	550,000	607,079
<i>Total Pennsylvania</i>				<i>13,427,386</i>
<i>Puerto Rico 0.2%</i>				
Puerto Rico Commonwealth Aqueduct & Sewer Authority, Senior Lien, Series A	5.250%	7/1/42	420,000	387,975
<i>Rhode Island 4.1%</i>				
Rhode Island Health & Educational Building Corp., Hospital Financing, Lifespan Obligation, Series A	7.000%	5/15/39	10,000,000	10,228,100 <sup>(f)</sup>
<i>South Carolina 0.2%</i>				
South Carolina Ports Authority	5.000%	7/1/36	500,000	555,830 <sup>(c)</sup>
<i>Texas 5.9%</i>				
Arlington, TX, Subordinated Lien, Series C, BAM	5.000%	2/15/41	400,000	433,080
Arlington, TX, Higher Education Finance Corp., Education Revenue, Uplift Education, PSF-GTD	5.000%	12/1/35	300,000	339,363
Dallas Love Field	5.000%	11/1/31	120,000	133,975 <sup>(c)</sup>
Grand Parkway Transportation Corp., Subordinate Tier, Series A	5.000%	10/1/48	2,500,000	2,781,850
Harris County, TX, Cultural Education Facilities Finance Corp., Thermal Utility Revenue, Teco Project	5.000%	11/15/33	250,000	284,325
Houston, TX Airport System Revenue, Refunding, Subordinated, Series C	5.000%	7/1/31	1,750,000	1,994,370 <sup>(c)</sup>
Houston, TX, Airport System Revenue, Special Facilities, United Airlines Inc.	5.000%	7/15/28	1,000,000	1,118,060 <sup>(c)</sup>
Love Field Airport Modernization Corp., Southwest Airlines Co. Project	5.250%	11/1/40	3,000,000	3,111,750

See Notes to Financial Statements.

**Table of Contents****Western Asset Municipal Defined Opportunity Trust Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Texas continued</i>				
Tarrant County Cultural Education Facilities Finance Corp., Buckner Senior Living Ventana Project	6.625%	11/15/37	\$ 190,000	\$ 206,958
Texas Municipal Gas Acquisition & Supply Corp. I, Senior Lien, Series D	6.250%	12/15/26	1,310,000	1,507,155
Texas Private Activity Bond Surface Transportation Corp., Senior Lien, Blueridge Transportation Group LLC	5.000%	12/31/40	500,000	524,250 <sup>(c)</sup>
Texas Water Development Board, State Water Implementation Fund, Series A	5.000%	10/15/43	1,700,000	1,924,638
Woodloch Health Facilities Development Corp.:				
Inspired Living Lewsville Project	6.750%	12/1/51	300,000	304,803 <sup>(d)</sup>
Subordinated, Inspired Living Lewsville Project	10.000%	12/1/51	50,000	51,296
<i>Total Texas</i>				<i>14,715,873</i>
<i>U.S. Virgin Islands 1.6%</i>				
Virgin Islands Public Finance Authority, Matching Fund Loan, Diageo Project, Series A	6.625%	10/1/29	3,800,000	3,851,300
<i>Utah 1.1%</i>				
Salt Lake City Corp. Airport Revenue, Series A	5.000%	7/1/43	1,750,000	1,918,717 <sup>(c)</sup>
Utah Charter School Finance Authority, Syracuse Arts Academy Project, UT CSCE	5.000%	4/15/47	250,000	268,990
Utah State Charter School Finance Authority, Charter School Revenue, Syracuse Arts Academy Project, UT CSCE	5.000%	10/15/38	500,000	550,895
<i>Total Utah</i>				<i>2,738,602</i>
<i>Virginia 1.2%</i>				
Virginia Port Authority:				
Refunding, Series B	5.000%	7/1/41	400,000	437,300 <sup>(c)</sup>
Refunding, Series B	5.000%	7/1/45	500,000	542,565 <sup>(c)</sup>
Virginia Small Business Financing Authority, Senior Lien, Elizabeth River Crossings OpCo LLC Project	5.000%	7/1/23	1,775,000	1,909,438 <sup>(c)</sup>
<i>Total Virginia</i>				<i>2,889,303</i>
<i>Washington 1.0%</i>				
Port of Seattle, WA, Series A	5.000%	5/1/36	500,000	553,040 <sup>(c)</sup>
Washington State Housing Finance Commission, Heron's Key, Series A	6.000%	7/1/25	675,000	718,227 <sup>(d)</sup>
Washington State, GO, Refunding, Series R, 2018D	5.000%	8/1/33	1,000,000	1,152,780
<i>Total Washington</i>				<i>2,424,047</i>
<i>Wisconsin 5.2%</i>				
Public Finance Authority:				
American Dream @ Meadowlands Project	5.000%	12/1/27	1,500,000	1,560,585 <sup>(d)</sup>
Denver International Airport	5.000%	9/30/49	300,000	319,638 <sup>(c)</sup>
Village of Mount Pleasant, WI, Series A	5.000%	4/1/43	750,000	822,810

See Notes to Financial Statements.



**Table of Contents****Schedule of investments (cont d)**

November 30, 2018

**Western Asset Municipal Defined Opportunity Trust Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Wisconsin continued</i>				
Wisconsin Health & Educational Facilities Authority Revenue, Prohealth Care Inc. Obligation Group	6.625%	2/15/39	\$ 10,000,000	\$ 10,093,900 <sup>(f)</sup>
<i>Total Wisconsin</i>				12,796,933
<b>Total Investments before Short-Term Investments (Cost \$230,263,644)</b>				<b>241,892,733</b>
<b>Short-Term Investments 4.2%</b>				
<b>Municipal Bonds 4.2%</b>				
<i>Florida 1.7%</i>				
Liberty County, FL, Georgia Pacific Corp. Project	1.830%	10/1/28	4,150,000	4,150,000 <sup>(c)(d)(h)(i)</sup>
<i>Illinois 0.2%</i>				
Sterling, IL, Taxable, Rock River Redevelopment	2.350%	12/1/22	400,000	400,000 <sup>(h)(i)</sup>
<i>New York 1.5%</i>				
New York State Housing Finance Agency:				
250 West 93rd Street, Series 2005-A, LOC Landesbank Hessen	1.700%	11/1/38	200,000	200,000 <sup>(c)(h)(i)</sup>
Housing Revenue, 363 West 30th Street, Series A	1.710%	11/1/32	400,000	400,000 <sup>(c)(h)(i)</sup>
New York, NY, GO, Subordinated Series H-5, LOC Dexia Credit Local	1.690%	3/1/34	3,100,000	3,100,000 <sup>(h)(i)</sup>
<i>Total New York</i>				3,700,000
<i>Texas 0.7%</i>				
Harris County, TX, Health Facilities Development Corp. Revenue, Methodist Hospital				
University of Texas, Financing Systems	1.650%	12/1/41	550,000	550,000 <sup>(h)(i)</sup>
<i>Total Texas</i>	2.240%	8/1/45	1,300,000	1,300,000 <sup>(h)(i)</sup>
				1,850,000
<i>Wisconsin 0.1%</i>				
Wisconsin Housing & Economic Development Authority, Taxable, Series D	2.280%	3/1/28	300,000	300,000 <sup>(h)(i)</sup>
<b>Total Municipal Bonds (Cost \$10,400,000)</b>				<b>10,400,000</b>
<b>Shares</b>				
<b>Money Market Funds 0.0%</b>				
Dreyfus Government Cash Management, Institutional Shares (Cost \$33,584)	2.115%		33,584	33,584
<b>Total Short-Term Investments (Cost \$10,433,584)</b>				<b>10,433,584</b>
<b>Total Investments 101.9% (Cost \$240,697,228)</b>				<b>252,326,317</b>
Liabilities in Excess of Other Assets (1.9)%				(4,684,551)
<b>Total Net Assets 100.0%</b>				<b>\$ 247,641,766</b>

\* Non-income producing security.

(a) Maturity date shown represents the mandatory tender date.

(b) Variable rate security. Interest rate disclosed is as of the most recent information available. Certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent and are based on current market conditions. These securities do not indicate a reference rate and spread in their description above.

See Notes to Financial Statements.



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**Western Asset Municipal Defined Opportunity Trust Inc.**

- (c) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax ( AMT ).
- (d) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors.
- (e) Securities traded on a when-issued or delayed delivery basis.
- (f) 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.
- (g) The coupon payment on these securities is currently in default as of November 30, 2018.
- (h) Variable rate demand obligations ( VRDOs ) 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. The interest rate generally resets on a daily or weekly basis and is determined on the specific interest rate reset date by the Remarketing Agent, pursuant to a formula specified in official documents for the VRDO, or set at the highest rate allowable as specified in official documents for the VRDO. VRDOs are benchmarked to the Securities Industry and Financial Markets Association ( SIFMA ) Municipal Swap Index. The SIFMA Municipal Swap Index is compiled from weekly interest rate resets of tax-exempt VRDOs reported to the Municipal Securities Rulemaking Board 's Short-term Obligation Rate Transparency System.
- (i) Maturity date shown is the final maturity date. The security may be sold back to the issuer before final maturity.

**Abbreviations used in this schedule:**

AGM	Assured Guaranty Municipal Corporation	Insured Bonds
BAM	Build America Mutual	Insured Bonds
CAB	Capital Appreciation Bonds	
CDA	Communities Development Authority	
COP	Certificates of Participation	
CSCE	Charter School Credit Enhancement	
CWA	Clean Water Act	
EDA	Economic Development Authority	
GO	General Obligation	
GTD	Guaranteed	
IDA	Industrial Development Authority	
LOC	Letter of Credit	
MTA	Metropolitan Transportation Authority	
PSF	Permanent School Fund	
SIFMA	Securities Industry and Financial Markets Association	

[See Notes to Financial Statements.](#)

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**Schedule of investments (cont d)**

November 30, 2018

**Western Asset Municipal Defined Opportunity Trust Inc.**

**Ratings Table\* (unaudited)**

Standard & Poor's/Moody's/Fitch**	
AAA/Aaa	2.5%
AA/Aa	16.3
A	38.0
BBB/Baa	24.9
BB/Ba	1.7
CCC/Caa	1.5
CC/Ca	0.2
A-1/VMIG 1	4.1
NR***	10.8
	<b>100.0%</b>

\* As a percentage of total investments.

\*\* The ratings shown are based on each portfolio security's rating as determined by Standard & Poor's, Moody's or Fitch, each a Nationally Recognized Statistical Rating Organization (NRSRO). These ratings are the opinions of the NRSRO and are not measures of quality or guarantees of performance. Securities may be rated by other NRSROs, and these ratings may be higher or lower. In the event that a security is rated by multiple NRSROs and receives different ratings, the Fund will treat the security as being rated in the highest rating category received from a NRSRO.

\*\*\*The credit quality of unrated investments is evaluated based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors and individual investments.

[See Notes to Financial Statements.](#)

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**Statement of assets and liabilities**

November 30, 2018

<b>Assets:</b>	
Investments, at value (Cost \$240,697,228)	\$ 252,326,317
Interest receivable	3,487,533
Prepaid expenses	6,410
<b>Total Assets</b>	<b>255,820,260</b>
<b>Liabilities:</b>	
Payable for securities purchased	6,977,942
Distributions payable	962,288
Investment management fee payable	121,818
Directors' fees payable	7,341
Accrued expenses	109,105
<b>Total Liabilities</b>	<b>8,178,494</b>
<b>Total Net Assets</b>	<b>\$ 247,641,766</b>
<b>Net Assets:</b>	
Par value (\$0.001 par value; 12,180,858 shares issued and outstanding; 100,000,000 shares authorized)	\$ 12,181
Paid-in capital in excess of par value	232,936,531
Total distributable earnings (loss)	14,693,054
<b>Total Net Assets</b>	<b>\$ 247,641,766</b>
<b>Shares Outstanding</b>	<b>12,180,858</b>
<b>Net Asset Value</b>	<b>\$20.33</b>

See Notes to Financial Statements.

**Table of Contents****Statement of operations**

For the Year Ended November 30, 2018

<b>Investment Income:</b>	
<i>Interest</i>	<b>\$ 13,077,887</b>
<b>Expenses:</b>	
Investment management fee (Note 2)	1,513,944
Directors' fees	72,935
Audit and tax fees	50,150
Transfer agent fees	46,280
Fund accounting fees	25,070
Legal fees	24,711
Shareholder reports	22,045
Stock exchange listing fees	12,592
Custody fees	9,317
Insurance	4,457
Interest expense	278
Miscellaneous expenses	10,450
<i>Total Expenses</i>	<b>1,792,229</b>
<b>Net Investment Income</b>	<b>11,285,658</b>
<b>Realized and Unrealized Gain (Loss) on Investments and Futures Contracts (Notes 1, 3 and 4):</b>	
Net Realized Gain From:	
Investment transactions	3,503,864
Futures contracts	80,803
<i>Net Realized Gain</i>	<b>3,584,667</b>
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	(12,238,000)
Futures contracts	48,978
<i>Change in Net Unrealized Appreciation (Depreciation)</i>	<b>(12,189,022)</b>
<b>Net Loss on Investments and Futures Contracts</b>	<b>(8,604,355)</b>
<b>Increase in Net Assets From Operations</b>	<b>\$ 2,681,303</b>

See Notes to Financial Statements.

**Table of Contents****Statements of changes in net assets**

For the Years Ended November 30,	2018	2017
<b>Operations:</b>		
Net investment income	\$ 11,285,658	\$ 12,093,245
Net realized gain (loss)	3,584,667	(370,356)
Change in net unrealized appreciation (depreciation)	(12,189,022)	(3,905,360)
<i>Increase in Net Assets From Operations</i>	<i>2,681,303</i>	<i>7,817,529</i>
<b>Distributions to Shareholders From (Note 1):</b>		
Total distributable earnings <sup>a</sup>	(11,903,788)	(13,216,728)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(11,903,788)</i>	<i>(13,216,728)</i>
<b>Fund Share Transactions:</b>		
Reinvestment of distributions (19,254 and 25,427 shares issued, respectively)	400,051	546,505
<i>Increase in Net Assets From Fund Share Transactions</i>	<i>400,051</i>	<i>546,505</i>
<i>Decrease in Net Assets</i>	<i>(8,822,434)</i>	<i>(4,852,694)</i>
<b>Net Assets:</b>		
Beginning of year	256,464,200	261,316,894
<b>End of year<sup>b</sup></b>	<b>\$ 247,641,766</b>	<b>\$ 256,464,200</b>

<sup>a</sup> Distributions from net investment income and from realized gains are no longer required to be separately disclosed. See Note 8. For the year ended November 30, 2017, distributions from net investment income were \$13,216,728.

<sup>b</sup> Parenthetical disclosure of undistributed net investment income is no longer required. See Note 8. For the year ended November 30, 2017, end of year net assets included undistributed net investment income of \$1,524,467.

See Notes to Financial Statements.

**Table of Contents****Financial highlights**

For a share of capital stock outstanding throughout each year ended November 30:					
	2018 <sup>1</sup>	2017 <sup>1</sup>	2016 <sup>1</sup>	2015 <sup>1</sup>	2014 <sup>1</sup>
Net asset value, beginning of year	\$21.09	\$21.53	\$22.59	\$22.90	\$21.78
<b>Income (loss) from operations:</b>					
Net investment income	0.93	1.00	1.04	1.11	1.08
Net realized and unrealized gain (loss)	(0.71)	(0.35)	(1.05)	(0.41)	1.05
<b>Total income (loss) from operations</b>	<b>0.22</b>	<b>0.65</b>	<b>(0.01)</b>	<b>0.70</b>	<b>2.13</b>
<b>Less distributions from:</b>					
Net investment income	(0.98)	(1.09)	(1.05)	(1.01)	(1.01)
<b>Total distributions</b>	<b>(0.98)</b>	<b>(1.09)</b>	<b>(1.05)</b>	<b>(1.01)</b>	<b>(1.01)</b>
Net asset value, end of year	\$20.33	\$21.09	\$21.53	\$22.59	\$22.90
Market price, end of year	\$19.82	\$21.37	\$22.08	\$23.87	\$23.07
<b>Total return, based on NAV<sup>2,3</sup></b>	<b>1.05%</b>	<b>3.06%</b>	<b>(0.16)%</b>	<b>3.11%</b>	<b>9.96%</b>
<b>Total return, based on Market Price<sup>4</sup></b>	<b>(2.76)%</b>	<b>1.81%</b>	<b>(3.10)%</b>	<b>8.15%</b>	<b>15.72%</b>
Net assets, end of year (millions)	\$248	\$256	\$261	\$274	\$276
<b>Ratios to average net assets:</b>					
Gross expenses	0.71%	0.70%	0.70%	0.70%	0.70%
Net expenses	0.71	0.70	0.70	0.70	0.70
Net investment income	4.47	4.65	4.60	4.87	4.79
<b>Portfolio turnover rate</b>	<b>39%</b>	<b>10%</b>	<b>15%</b>	<b>2%</b>	<b>6%</b>

<sup>1</sup> Per share amounts have been calculated using the average shares method.

<sup>2</sup> Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results.

<sup>3</sup> The total return calculation assumes that distributions are reinvested at NAV. Past performance is no guarantee of future results.

<sup>4</sup> 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.

See Notes to Financial Statements.



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## Notes to financial statements

### 1. Organization and significant accounting policies

Western Asset Municipal Defined Opportunity Trust Inc. (the Fund) was incorporated in Maryland on January 15, 2009 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's primary investment objective is to provide high current income exempt from federal income tax and then to liquidate on or about April 30, 2021 and distribute all of the Fund's net assets to shareholders. As a secondary investment objective, the Fund will seek total return. There can be no assurance the Fund's investment objectives will be achieved.

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 date the financial statements were issued.

**(a) Investment valuation.** The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Investments in open-end funds are valued at the closing net asset value per share of each fund on the day of valuation. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund's Board of Directors.

The Board of Directors is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North Atlantic Fund Valuation Committee (the Valuation Committee). The Valuation Committee, pursuant to the p