



### Quarter highlights

- Security selection had the largest positive impact on results over the quarter, particularly among securitized debt.
- Sector allocation was additive to returns, mainly due to larger holdings in ABS and CMBS than the Bloomberg 75% Government Credit 1-7 Years 25% Securitized Index.
- Interest rate positioning detracted overall. While a short duration position helped, curve positioning hurt. In a quarter where the yield curve inverted further, the managers were positioned for the curve to steepen.

### Market review

The U.S. bond market declined in the first quarter, as inflation remained persistent, leading investors to walk back their expectations for rate cuts from the Federal Reserve (Fed). The Fed held rates steady and maintained its projection of three possible rate cuts in 2024. Against this backdrop, most major U.S. fixed income sectors declined. High-yield bonds were the only outlier, returning 1.5%, according to the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index. The Bloomberg U.S. Aggregate Index fell by 0.8%.

Gross domestic product (GDP) rose 3.4% in the fourth quarter of 2023, a sixth consecutive quarterly GDP gain. Consumer spending - which makes up around two-thirds of the U.S. economy - rose through February 2024, while inflation remained relatively flat and unemployment grew slightly. The Consumer Price Index rose an annualized 3.2% in February, down from 3.4% at the end of 2023, but up 0.1% from January 2024. Core inflation, which excludes food and energy, fell to 3.8% from 3.9% at year-end.

U.S. Treasury yields rose across the curve in the first quarter. The 10-year Treasury ended the quarter at 4.20%, up by 32 basis points (bps) from the fourth quarter of 2023, while the 2-year Treasury rose 37 bps to end the quarter at 4.62%, slightly increasing the inversion of the curve. With these moves, the Bloomberg U.S. Treasury Index declined approximately 1.0% for the quarter, and the Bloomberg U.S. Treasury Inflation-Protected Securities Index fell 0.1%.

Corporate high-yield bonds were an area of strength for U.S. fixed income as fundamentals and technicals were largely supportive. High-yield bonds, as measured by the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index, returned 1.5%. Meanwhile, the Bloomberg U.S. Corporate Investment Grade Index was relatively flat, falling by 0.4%, while investment-grade and high-yield spreads narrowed by 9 bps and 24 bps, respectively. Issuance was higher than average for recent quarters in both markets. Elsewhere, municipal bonds and securitized debt also declined. The Bloomberg U.S. Municipal Bond Index returned -0.4%, and the Bloomberg U.S. Mortgage Backed Securities Index returned -1.0%.

### Portfolio review

Security selection had the largest positive impact on results over the quarter. Selection was particularly strong among mortgage-backed securities (MBS), with selection among asset-backed securities (ABS) further lifting relative results.

Sector allocation was also additive to relative returns. As compared to the Bloomberg 75% Government Credit 1-7 Years 25% Securitized Index, above-index holdings of ABS and commercial mortgage-backed securities (CMBS) helped lift relative results, more than compensating for a drag from an above-index exposure to agency MBS. While a below-index position in Treasuries was also helpful in an environment where credit spreads tightened, although a below-index exposure to investment-grade (BBB/Baa and above) corporate bonds weighed slightly on returns on a relative basis.

On balance, interest rate positioning detracted. While the fund's short duration position compared with the index was helpful during a quarter when bond yields moved higher, curve positioning detracted. The managers were positioned for the yield curve to steepen, with above-index holdings in the 5-years-and-under part of the curve and below-index positions in 10- and 20-year maturities. This was a drag on results as the yield curve inverted further during the quarter, with shorter dated yields rising more than those on longer dated bonds.

Figures shown are past results and are not predictive of results in future periods.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

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## Long-term perspective

The fund has an investment approach designed to pursue income while preserving capital. By investing in bonds with both shorter and intermediate maturities, it seeks a middle course between shorter term bond funds that focus on stability of principal and longer term bond funds that tend to pursue higher yields. The fund's investment focus is on U.S. Treasury and U.S. government agency bonds. Other significant holdings include investment-grade debt (BBB/Baa and above) with an emphasis on high-quality (AAA/Aaa and AA/Aa) corporate bonds, as well as mortgage-related and asset-backed securities.

Figures shown are past results and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. For current information and month-end results, visit [capitalgroup.com](http://capitalgroup.com).

### Class F-2 share returns for periods ended 3/31/24

|  | Total returns (%) |       |        | Average annual total returns (%) |         |          |                               |
|--|-------------------|-------|--------|----------------------------------|---------|----------|-------------------------------|
|  | QTD               | YTD   | 1 year | 3 years                          | 5 years | 10 years | Fund lifetime (Since 2/19/88) |
| Intermediate Bond Fund of America  | -0.19             | -0.19 | 2.04   | -0.90                            | 1.33    | 1.45     | 4.27                          |
| 75% Bloomberg U.S. Government/Credit (1-7 years) Index, 25% Bloomberg U.S. Securitized Index | -0.23             | -0.23 | 2.62   | -1.21                            | 0.83    | 1.44     | -                             |

Fund expense ratio: 0.26%<sup>†</sup>

<sup>†</sup>The expense ratio is as of the fund's prospectus available at the time of publication.

**Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.**

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**Bloomberg U.S. Aggregate Index** represents the U.S. investment-grade fixed-rate bond market. **Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index** covers the universe of fixed-rate, non-investment-grade debt. The index limits the maximum exposure of any one issuer to 2%.

**Bloomberg U.S. Treasury Index** includes public obligations of the U.S. Treasury, i.e. U.S. government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded. **Bloomberg U.S. Treasury Inflation-Protected Securities (TIPS) Index** consists of investment-grade, fixed-rate, publicly placed, dollar-denominated and non-convertible inflation-protected securities issued by the U.S. Treasury that have at least one year remaining to maturity and have at least \$250 million par amount outstanding. **Bloomberg U.S. Corporate Investment Grade Index** represents the universe of investment-grade, publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity and quality requirements. The **Bloomberg 75% Government Credit 1-7 Years 25% Securitized Index**; 75% broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index. The index includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities. 25% securitized component of the U.S. Aggregate Index. Includes MBS, ABS, and CMBS.

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**Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Widely used as a measure of inflation, the CPI is computed by the U.S. Department of Labor, Bureau of Labor Statistics. **Core inflation (Core CPI)** is a measure of price changes faced by urban consumers, excluding food and energy. Core CPI is computerized by the U.S. Department of Labor, Bureau of Labor Statistics. **Bloomberg U.S. Mortgage Backed Securities Index** is a market-value-weighted index that covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). **Bloomberg U.S. Municipal Bond Index** is a market-value-weighted index designed to represent the long-term investment-grade tax-exempt bond market. This index is unmanaged, and its results include reinvested distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

The market index is unmanaged and, therefore, has no expenses. Investors cannot invest directly in an index. There have been periods when the fund has lagged the index.

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