Short-Term Bond Fund of America®

Class F-2 shares
Quarterly review
2Q 2024

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Quarter highlights

- Sector allocation was the largest contributor to relative returns, primarily due to off-benchmark holdings of securitized debt.
- Security selection among investment-grade corporate bonds had a small positive impact on relative returns.
- On balance, interest rate positioning detracted in a volatile quarter for rates. Curve positioning detracted but duration positioning was modestly positive.

Market review

In the second quarter, fixed income markets were generally positive despite higher yields as the Federal Reserve pushed back its expectations for rate cuts. Below-investment-grade (BB/Ba and below) debt was a notable exception, with both high-yield corporate bonds and municipals delivering the strongest results for the quarter. The Bloomberg U.S. Aggregate Index rose by 0.1%.

Gross domestic product rose 1.4% in its latest reading as of the first quarter of 2024, a seventh consecutive quarterly GDP gain. Inflation declined slightly, and unemployment rose marginally. The Consumer Price Index rose at an annualized 3.0% in June, down from 3.5% at the end of March 2024, and the lowest level in a year. Core inflation, which excludes food and energy, fell to 3.3% from 3.8% in March.

U.S. Treasury yields rose across the curve in the second quarter. The 10-year Treasury ended the quarter at 4.40%, up by 20 basis points (bps) from the first quarter of 2024, while the 2-year Treasury rose 14 bps to end the quarter at 4.76%, slightly softening the inversion of the yield curve. The Bloomberg U.S. Treasury Index gained 0.1% for the quarter, and the Bloomberg U.S. Treasury Inflation-Protected Securities Index rose 0.8%.

Corporate high-yield bonds were an area of strength for U.S. fixed income as fundamentals and technicals were largely supportive. The Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index returned 1.1% for the quarter. The Bloomberg U.S. Corporate Investment Grade Index did not fare as well, falling by 0.1%. High-yield spreads widened by 10 bps and investment-grade (BBB/Baa and above) spreads widened by 4 bps. Issuance was down slightly from the previous quarter in both markets. Elsewhere, municipal bonds and securitized debt also remained relatively flat for the quarter. The Bloomberg U.S. Mortgage Backed Securities Index returned 0.1%.

Portfolio review

Sector allocation was the largest contributor to relative returns. Off-benchmark holdings of securitized debt, including asset-backed securities, mortgage-backed securities and commercial mortgage-backed securities, were additive to results. While mortgage spreads were little changed over the quarter, their higher yield meant they fared better than Treasuries.

Security selection among investment-grade corporate bonds had a small positive impact on relative returns over the quarter, with the strongest contributions coming from financial institutions.

On balance, interest rate positioning detracted in a volatile quarter for rates. Curve positioning detracted. The fund was positioned for the yield curve to steepen, with an overweight exposure to shorter maturities against an underweight to longer ones. While the curve steepened at the end of the quarter, the extent was not enough to offset the drag in income potential associated with a steepening bias (when the curve is inverted).

In contrast, active duration positioning helped modestly. The fund started the quarter with a short duration position compared with the index but moved longer duration as rates moved higher in April. This long duration stance helped the fund capture the downward movement in yields later in the quarter.

Long-term perspective

The fund has an investment approach designed to provide some income while preserving capital, by investing in bonds with shorter maturities. It seeks to generate slightly higher

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

yields than those typically offered by money market funds (an investment in this fund entails additional investment risks that are not present with money market funds), with less volatility than is typical for intermediate and longer term bond funds. Its investment focus is on U.S. Treasury and U.S. government agency bonds. Other significant holdings include investment-grade debt 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.

Class F-2 share returns for periods ended 6/30/24

	Total returns (%)			Average annual total returns (%)			
	QTD	YTD	1 year	3 years	5 years	10 years	Fund lifetime (Since 10/2/06)
Short-Term Bond Fund of America	0.89	1.49	4.93	0.51	1.16	1.23	1.61
Bloomberg U.S. Government/Credit (1–3 years, ex BBB) Index	0.93	1.30	4.70	0.45	1.15	1.26	–

Fund expense ratio: 0.40%†

† 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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The return of principal for bond funds and for funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional securities, such as stocks and bonds.

Portfolios are managed, so holdings will change. Certain fixed income and/or cash and equivalents holdings may be held through mutual funds managed by the investment adviser or its affiliates that are not offered to the public.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. When applicable, results reflect fee waivers and/or expense reimbursements, without which they would have been lower. Refer to **capitalgroup.com** for more information.

Class F–2 shares were first offered on August 1, 2008. Class F–2 share results prior to the date of first sale are hypothetical based on the original share class results without a sales charge, adjusted for typical estimated expenses. Results for certain funds with an inception date after August 1, 2008, also include hypothetical returns because those funds' Class F–2 shares sold after the funds' date of first offering. Refer to **capitalgroup.com** for more information on specific expense adjustments and the actual dates of first sale.

Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch, as an indication of an issuer's creditworthiness.

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. **Bloomberg U.S. Government/Credit 1–3 Years ex BBB Index** is a market value–weighted index that tracks the total return results of fixed–rate, publicly placed, dollar–denominated obligations issued by the U.S. Treasury, U.S. government agencies, quasi–federal corporations, corporate or foreign debt guaranteed by the U.S. government, and U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements, with maturities of one to three years, excluding BBB–rated securities.

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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).

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.

Capital Client Group, Inc.