



Quarter highlights

- Sector allocation was the largest contributor to relative returns, largely due to off-benchmark holdings of securitized debt.
- 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.
- Security selection had little impact on relative results.

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 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

Sector allocation was the largest contributor to relative returns. Compared with the Bloomberg U.S. Government/Credit (1-3 years, ex BBB) Index, off benchmark holdings of securitized debt, including asset-backed securities, commercial mortgage-backed securities and agency mortgage-backed securities, were additive to results. A below-index position in Treasuries was also helpful in an environment where credit spreads tightened, although this was offset by a below-index exposure to investment-grade (AAA/Aaa and AA/Aa) corporate bonds, which weighed 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 2-year part of the curve and below-index positions in 10-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.

Security selection had little impact on relative returns over 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 yields than those typically offered by money market funds (an investment in this fund

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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 3/31/24

	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	0.60	0.60	3.24	0.20	1.27	1.18	1.58
Bloomberg U.S. Government/Credit (1-3 years, ex BBB) Index	0.36	0.36	3.24	0.14	1.26	1.19	–

Fund expense ratio: 0.29%[†]

[†]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). **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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