



AMERICAN FUNDS®

From Capital Group

Fixed Income

Short Duration Funds Have Delivered Positive Returns Even as Rates Rise



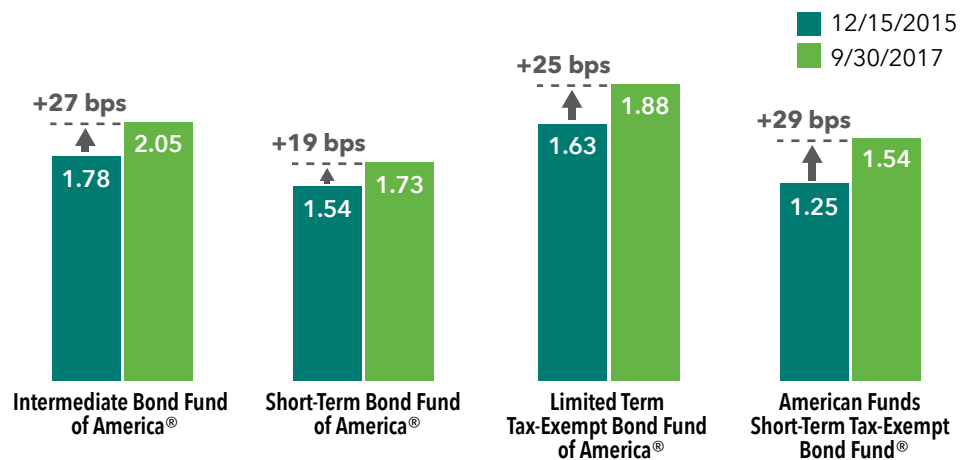
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Investment Product Manager

On December 16, 2015, the Federal Reserve began its much-anticipated rate-hiking cycle, beginning with a 25-basis-point increase that put the federal funds target rate between 0.25% and 0.50%. Since then, the Fed has hiked rates three more times, through June 2017, putting its current target rate between 1.00% and 1.25%. This rate movement has helped to increase yields on short duration bond funds.

Many investors associate rising rates with losses in fixed income portfolios. However, that need not be the case. In fact, all of the short duration funds in the American Funds family of funds have had positive absolute returns, net of fees, since the first rate hike. While short-term interest rates have risen, the interest income provided by these strategies has more than offset any price decline, as shown by the positive total returns table on page 2. The increase in rates has been gradual, and the funds have been able to invest at higher interest rates. Of course, there may have been other periods prior to the start of the present rising interest rate period when results were not as strong.

Figures shown are past results for Class F-2 shares and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Share prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. Fund results shown are at net asset value with all distributions reinvested. Class F-2 shares are sold without any initial or contingent deferred sales charge. For current information and month-end results, visit americanfunds.com.

Average Yield to Maturity (%)

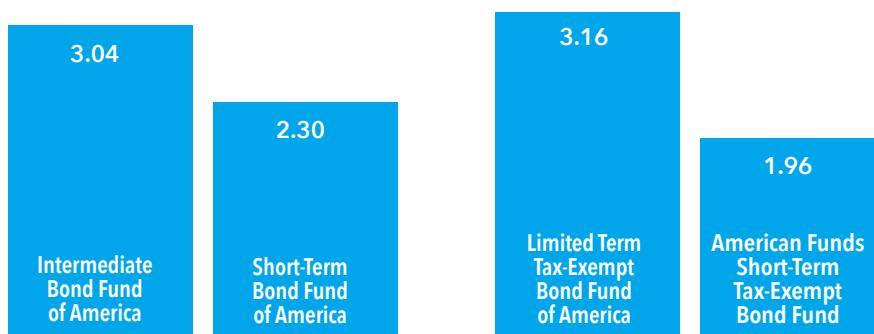


Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value. Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

Additionally, the fed funds rate represents just one interest rate – the overnight lending rate of reserves between banks. Just because the fed funds target rate increases, the rest of the yield curve does not necessarily rise symmetrically. Often, the market has already discounted the Fed action, and market interest rates may not react to the shift in the Fed’s target rate. Knowing this, our portfolio managers and analysts are able to invest where they see value along the curve and avoid areas they feel are already accurately priced. As a result, our short duration funds have been able to deliver a positive absolute return (net of fees) to investors during this recent rate hike period.

In our view, investors are often well served by following a long-term plan that spreads investments in fixed income across maturities and asset classes.

Total Returns (%) from 12/15/2015 through 9/30/2017 – Class F-2



Important Information – Investment Results (%)

As of September 30, 2017 (Class F-2)	Average Annual Total Returns				Expense Ratio	30-Day SEC Yield
	1 Year	5 Years	10 Years	Lifetime*		
Intermediate Bond Fund of America	0.36	1.10	2.41	4.92	0.38	1.42
Short-Term Bond Fund of America	0.79	0.65	1.42	1.73	0.47	1.17
Limited Term Tax-Exempt Bond Fund of America	1.02	1.68	3.29	4.13	0.42	1.32
American Funds Short-Term Tax-Exempt Bond Fund	0.91	0.75	–	1.35	0.56	0.92

*Inception dates for these funds are as follows: Intermediate Bond Fund of America: 02/19/1988; Short-Term Bond Fund of America: 10/02/2006; Limited Term Tax-Exempt Bond Fund of America: 10/06/1993; American Funds Short-Term Tax-Exempt Bond Fund: 08/07/2009

This material must be preceded or accompanied by a prospectus or summary prospectus for the funds being offered.

Statements attributed to an individual represent the opinions of that individual as of the date published and do not necessarily reflect the opinions of Capital Group or its affiliates. The information provided is intended to highlight issues and not to be comprehensive or to provide advice.

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. Higher yielding, higher risk bonds can fluctuate in price more than investment-grade bonds, so investors should maintain a long-term perspective.

Annualized 30-day yield is calculated in accordance with the SEC formula.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. Expense ratio is as of the fund’s prospectus available at the time of publication. When applicable, investment results reflect fee waivers and/or expense reimbursements, without which results would have been lower. Please see americanfunds.com for more information.

Income from municipal bonds may be subject to state or local income taxes and/or the federal alternative minimum tax. Certain other income, as well as capital gain distributions, may be taxable.

Class F-2 shares were first offered on August 1, 2008. Class F-2 returns prior to the date of first sale are hypothetical based on Class A share returns without a sales charge, adjusted for typical estimated expenses. Please see the fund’s prospectus for more information on specific expenses and the actual dates of first sale.

If used after December 31, 2017, this material must be accompanied by the most recent American Funds quarterly statistical update.