

# The four roles of fixed income

## Manage a wide range of fixed income assets

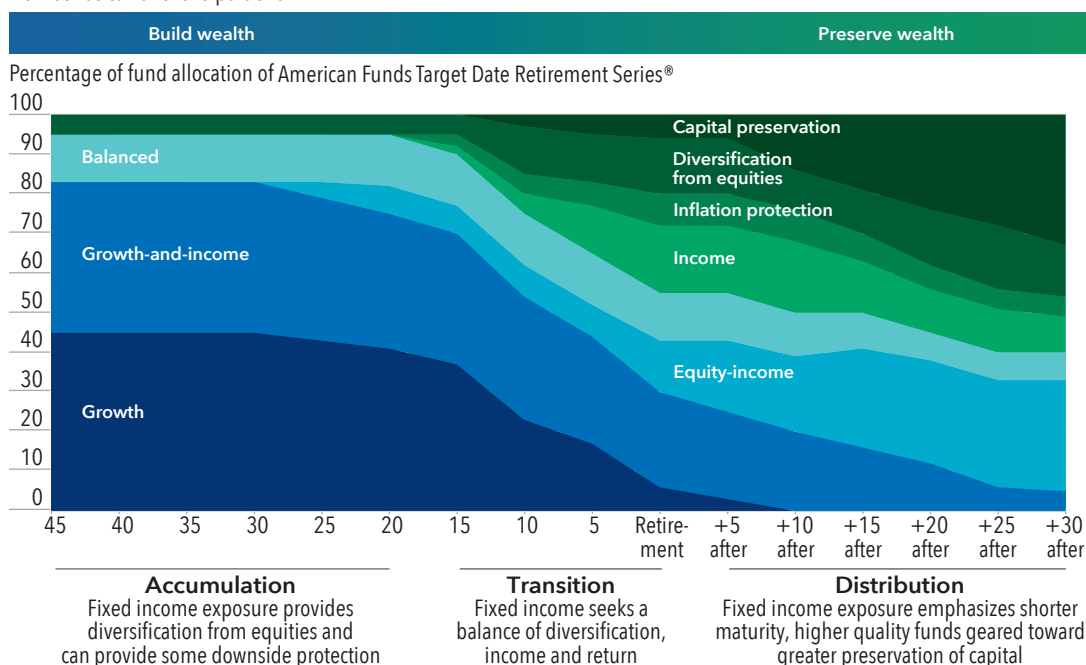
- \$508 billion in fixed income assets under management<sup>1</sup>
- Managing fixed income strategies since 1973

## The role of fixed income in portfolio construction

### Fixed income glide path pursues multiple objectives

Although the target date portfolios are managed for investors on a projected retirement date time frame, the allocation strategy does not guarantee that investors' retirement goals will be met. Investment professionals manage the portfolio, moving it from a more growth-oriented strategy to a more income-oriented focus as the target date gets closer. The target date is the year that corresponds roughly to the year in which an investor is assumed to retire and begin taking withdrawals. Investment professionals continue to manage each portfolio for approximately 30 years after it reaches its target date.

How bonds can anchor a portfolio:



Target allocations are as of December 31, 2023, and are subject to the oversight committee's discretion. Over the course of the year the Series will be implementing changes such as increasing exposure to New World Fund, decreasing American Funds Global Balanced Fund and adding an allocation to American Funds Emerging Markets Bond Fund. For allocations to the underlying funds as of March 31, 2024, visit [capitalgroup.com](http://capitalgroup.com). New target allocations will be reached by December 31, 2024. The investment adviser anticipates assets will be invested within a range that deviates no more than 10% above or below the allocations shown in the prospectus. Underlying funds may be added or removed during the year.

## Our focus on long-term client outcomes and downside protection has led to strong relative results

### A disciplined process guided by conviction

- Empowering research analysts to manage money enhances accountability and helps identify better opportunities
- A team approach results in high-conviction ideas gaining prominence in our portfolios
- 246 fixed income professionals collaborate regularly with their equity colleagues, leveraging our size and scale<sup>2</sup>

### Commitment to investor success

- Portfolio managers invest in their own funds – 100% manager ownership in each fixed income mutual fund (excluding state-specific municipal funds)
- Manager compensation places an emphasis on long-term results, not assets under management
- We offer funds with low expense ratios<sup>3</sup>

### Superior outcomes

- Delivered strong returns and risk-adjusted returns vs. peers<sup>4</sup>
- Helped investors achieve diversification through attention to the correlation between bonds and equities relative to peers<sup>5</sup>
- Manage core bond mutual funds that have shown relative resilience in periods of equity market volatility<sup>6</sup>

<sup>1</sup>Assets under management by Capital Fixed Income Investors as of 3/31/24.

<sup>2</sup>As of 3/31/24.

<sup>3</sup>Source: Lipper. Based on the Class F-2 share data as of 12/31/23. Eighteen out of 18 American Funds fixed income funds had expense ratios below the average for their respective Lipper categories, based on institutional load funds, excluding funds of funds.

<sup>4</sup>Data as of 12/31/23. Based on three-, five- and 10-year total returns and Morningstar risk-adjusted returns of Class F-2 shares for taxable and tax-exempt bond funds. Peer group is defined as the Morningstar category for each fund. The majority of the funds outpaced their peer group medians.

<sup>5</sup>Based on Class F-2 share results as of 12/31/23. Thirteen of 18 fixed income American Funds that have been in existence for the three-year period showed a three-year correlation lower than their respective Morningstar peer group averages. S&P 500 Index was used as an equity market proxy.

Correlation based on monthly total returns. Correlation is a statistical measure of how a security and an index move in relation to each other. A correlation ranges from -1 to 1. A positive correlation close to 1 implies that as one moved, either up or down, the other moved in "lockstep," in the same direction. A negative correlation close to -1 indicates the two have moved in the opposite direction.

<sup>6</sup>Data from Morningstar. Periods of equity volatility were defined as the most recent market corrections between April 2010 and December 2023 when price declines were 10% or more (without dividends reinvested) in the unmanaged S&P 500 with at least 75% recovery. The Bond Fund of America, Intermediate Bond Fund of America, Short-Term Bond Fund of America and American Funds Strategic Bond Fund outpaced the S&P 500 during these periods of volatility. The returns of the funds and index are based on total returns for F-2 share class. There have been periods when the funds lagged the index.

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

## Fixed income at Capital Group

# Fixed income mutual funds

As of March 31, 2024

	Inception date	Ticker				Gross expense ratio (%)				5-year equity correlation to the S&P 500 Index
		A	F-2	F-3	R-6	A	F-2	F-3	R-6	F-2
<b>American Funds fixed income taxable funds</b>										
<b>Inflation protection</b>										
American Funds Inflation Linked Bond Fund®	12/14/12	BFIAX	BFIGX	FILBX	RILFX	0.69	0.39	0.29	0.29	0.52
<b>Capital preservation/Diversification from equities</b>										
Intermediate Bond Fund of America®	2/19/88	AIBAX	IBAFX	IFBFX	RBOGX	0.63	0.38	0.26	0.26	0.39
Short-Term Bond Fund of America®	10/2/06	ASBAX	SBFFX	FSBTX	RMMGX	0.68	0.40	0.29	0.29	0.28
<b>Income</b>										
American High-Income Trust®	2/19/88	AHITX	AHIFX	HIGFX	RITGX	0.73	0.44	0.33	0.33	0.82
Capital World Bond Fund®	8/4/87	CWBFX	BFWFX	WFBFX	RCWGX	0.99	0.60	0.48	0.48	0.64
American Funds Corporate Bond Fund®	12/14/12	BFCAX	BFCGX	CFBFX	RCBFX	0.69	0.44	0.32	0.32	0.64
American Funds Emerging Markets Bond Fund®	4/22/16	EBNAX	EBNFX	EBNGX	REGGX	0.97	0.66	0.55	0.55	0.74
American Funds Multi-Sector Income Fund	3/22/19	MIAQX	MIAFX	MIAZX	RMDUX	0.77	0.48	0.37	0.37	0.81
<b>Income/Diversification from equities</b>										
The Bond Fund of America®	5/28/74	ABNDX	ABNFX	BFFAX	RBFEX	0.62	0.35	0.24	0.24	0.51
<b>Diversification from equities</b>										
U.S. Government Securities Fund®	10/17/85	AMUSX	GVTFX	USGFX	RGVFX	0.65	0.36	0.26	0.26	0.28
American Funds Mortgage Fund®	11/1/10	MFAAX	MFAFX	AFFMX	RMAGX	0.72	0.40	0.28	0.28	0.39
American Funds Strategic Bond Fund	3/18/16	ANBAX	ANBFX	ANBGX	RANGX	0.72	0.42	0.32	0.32	0.39
<b>American Funds fixed income tax-exempt (muni) funds</b>										
<b>Capital preservation/Diversification from equities</b>										
Limited Term Tax-Exempt Bond Fund of America®	10/6/93	LTEBX	LTEFX	FLTEX	N/A	0.58	0.35	0.24	N/A	0.52
American Funds Short-Term Tax-Exempt Bond Fund®	8/7/09	ASTEX	ASTFX	SFTFX	N/A	0.44	0.33	0.25	N/A	0.49
<b>Income/Diversification from equities</b>										
The Tax-Exempt Bond Fund of America®	10/3/79	AFTEX	TEAFX	TFEBX	N/A	0.53	0.35	0.24	N/A	0.51
American Funds Tax-Exempt Fund of New York®	11/1/10	NYAAX	NYAFX	TFNYX	N/A	0.66	0.48	0.37	N/A	0.51
The Tax-Exempt Fund of California®	10/28/86	TAFTX	TEFEX	EXCAX	N/A	0.57	0.38	0.29	N/A	0.54
American High-Income Municipal Bond Fund®	9/26/94	AMHIX	AHMFEX	HIMFX	N/A	0.65	0.42	0.31	N/A	0.54

**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.**

The expense ratios are as of each fund's prospectus available at the time of publication.

Investing outside the United States involves risks, such as currency fluctuations, periods of illiquidity and price volatility, as more fully described in the prospectus. These risks may be heightened in connection with investments in developing countries. The return of principal 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. There are ongoing fees and expenses associated with owning bond fund shares, which is in contrast to owning individual bonds. Income 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. State tax-exempt bond funds are more susceptible to factors adversely affecting issuers of its state's tax-exempt securities than a more widely diversified municipal bond fund. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds. Investments in mortgage-related securities involve additional risks, such as prepayment risk, as more fully described in the prospectus. 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. While not directly correlated to changes in interest rates, the values of inflation linked bonds generally fluctuate in response to changes in real interest rates and may experience greater losses than other debt securities with similar durations. Fund shares of U.S. Government Securities Fund are not guaranteed by the U.S. government.

S&P 500 Index is a market capitalization-weighted index based on the results of approximately 500 widely held common stocks. The indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

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