

**Fixed income**  
Municipal bond investing



**CAPITAL GROUP®** | **AMERICAN FUNDS®**

# Your guide to municipal bond investing

**50**  
YEARS OF  
FIXED INCOME  
INVESTING



# Four decades of helping investors seek more from municipal bonds



## Why invest in municipal bonds?

Two-thirds of America's infrastructure has been financed with municipal bonds. Many of the bridges, schools and hospitals we all rely on simply wouldn't exist without the asset class.

And for investors, municipal bonds can provide three of the key roles of fixed income:

- ✓ Tax-advantaged income
- ✓ Equity diversification
- ✓ Capital preservation

Times have changed since Capital Group, home of American Funds, first began investing in municipal bonds in 1979.

Today's market is vast, with approximately \$4 trillion of municipal bonds outstanding – more than two times larger than the U.S. corporate high-yield market.\*

In such a diverse market, there are nearly always attractive opportunities for selective investors. And yet, municipal bonds remain an underinvested asset class.

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Cover image: Oakland Bay Bridge (CA)  
Municipal bonds played a role in the construction or operation of this and the other infrastructure pictured throughout.

\*Data as of 12/31/23. Sources: Securities Industry and Financial Markets Association (SIFMA), Bloomberg.

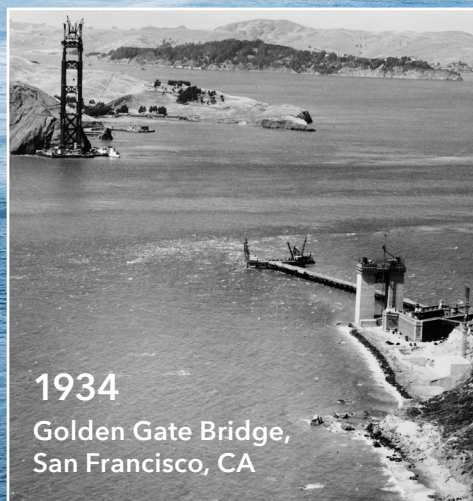
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**Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.**

**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.**

This brochure must be preceded or accompanied by a summary prospectus or prospectus for the funds. If used after March 31, 2024, this material must be accompanied by the most recent American Funds quarterly statistical update. This content, developed by Capital Group, home of American Funds, should not be used as a primary basis for investment decisions and is not intended to serve as impartial investment or fiduciary advice.

# Bonds to build the everyday and the iconic



1934  
Golden Gate Bridge,  
San Francisco, CA

Iconic. Spectacular. Breathtaking. There are many ways to describe the Golden Gate Bridge. Here's one that might not spring to mind: another municipal bond success story.

Who'd have thought the first bond deal in 1812 (to pay for the digging of a New York canal) would herald the transformation of America's infrastructure?

Ever since, investors have financed vital projects: from the hospitals and schools that serve local communities, to iconic projects famous the world over.

# Strong results and more

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. 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).

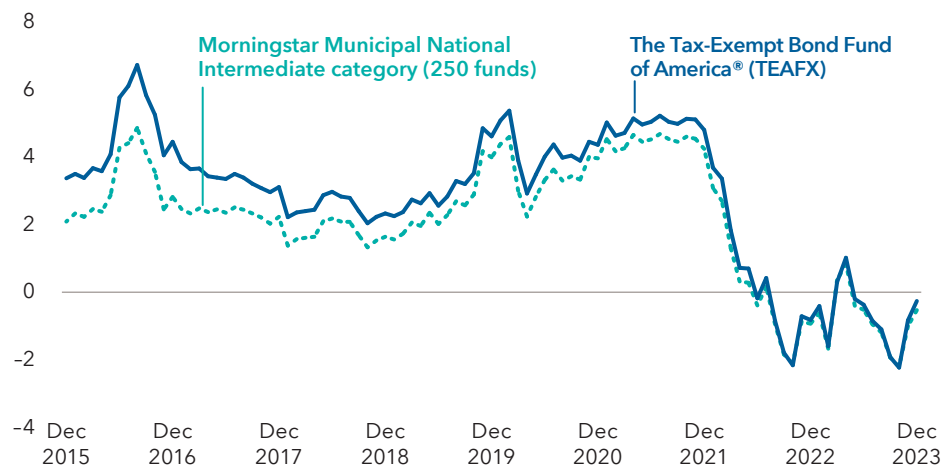
## What a difference a decade makes

Once in the majority, triple-A bonds now account for around one-fifth of the investment-grade (BBB/Baa and above) municipal market. And, while many investors still hold individual bonds, new strategies and investment vehicles have proliferated.

The Tax-Exempt Bond Fund of America's track record over this transformational period for municipal bond investing speaks for itself.

## This fund has delivered strong results versus peers

Annualized rolling monthly 3-year returns (%) as of 12/31/23



Sources: Capital Group, Morningstar. Total number of funds in the category as of 12/31/23 is 277. Funds without sufficient history are excluded from the count (returns). Rolling returns for all complete three-year periods (monthly data) within the 10 years.

## Our approach has received industry accolades



Analyst-Driven  
100%

Data Coverage  
100%

### The Tax-Exempt Bond Fund of America

Received a Morningstar Medalist Rating™ of Silver for the F-2 share class, as of 5/23/23<sup>1</sup>



### The Tax-Exempt Bond Fund of America (F-2 share class)<sup>1</sup>

Overall Morningstar Rating™ (259 funds rated) ★★★★★

3-yr. Morningstar Rating™ (259 funds rated) ★★★★★

5-yr. Morningstar Rating™ (236 funds rated) ★★★★★

10-yr. Morningstar Rating™ (176 funds rated) ★★★★★

Morningstar Category: Muni National Intermediate. Ratings are based on risk-adjusted returns as of 12/31/23 (updated monthly).



Morningstar Pillar: People  
High rating

### The Tax-Exempt Bond Fund of America

Received a Morningstar Pillar "High" for People, as of 5/23/23, for the F-2 share class



Morningstar Pillar: Parent  
High rating

Received a Morningstar Pillar "High" for Parent, as of 2/7/24



Expense Within Category

Overall	3 yr.	5 yr.	10 yr.
5	4	5	5
(126)	(130)	(114)	(61)

KEY HIGHEST 5 4 3 2 1 LOWEST

### The Tax-Exempt Bond Fund of America

Received the Lipper Leader rating in "Expense Within Category," for the F-2 share class, as of 12/31/23. The fund placed in the lowest expense peer group.<sup>2</sup>

Source: Morningstar, as of 5/23/23 and 2/7/24. Morningstar Pillar Ratings: Morningstar assigns scores to the People, Process, and Parent Pillars on a -2 to +2 basis. Those scores respond to the pillar ratings assigned to a vehicle based either on an analyst's qualitative assessment or using algorithmic techniques (as explained in further detail in the "Pillar Evaluation" section of Morningstar Medalist Rating Methodology). The pillar ratings take the form of Low, Below Average, Average, Above Average, and High. The Morningstar Pillar Rating should not be used as the sole basis in evaluating a managed investment. Morningstar Pillar Ratings involve unknown risks and uncertainties which may cause Morningstar's expectations not to occur or outcomes to differ significantly from what we expected. The Parent Pillar represents Morningstar's assessment of the stewardship quality of a firm. The model considers data points such as manager retention, fees, and the firm's historical performance. The People Pillar represents Morningstar's assessment of management's talent, tenure, and resources. The model considers data points such as the number of months

since a management change and manager excess return. Capital Group did not compensate Morningstar for the ratings and comments contained in this material. However, the firm has paid Morningstar a licensing fee to access and publish its ratings data. For more detailed information about these ratings, including its methodology, please visit [global.morningstar.com](http://global.morningstar.com).

Income from municipal bonds may be subject to state or local income taxes. Certain other income, as well as capital gain distributions, may be taxable.

State-specific tax-exempt funds are more susceptible to factors adversely affecting issuers of their states' tax-exempt securities than more widely diversified municipal bond funds.

Lipper Leader Scorecard category: General & Insured Municipal Debt.

<sup>1</sup> Please refer to Page 18 for Morningstar Rating for Funds and Morningstar Medalist Rating™ definitions.

<sup>2</sup> Please refer to Page 20 for Lipper ratings for Expense definition.

# How municipal bonds can help in tax-aware investor portfolios

A municipal bond allocation can serve three of the key roles of fixed income in a balanced portfolio: income, equity diversification and capital preservation.



## Diversification from equities

When stocks struggle, owning bonds with a low correlation to equities can result in lower portfolio volatility.



## Income

Providing dependable income is a central function of a bond allocation.



## Capital preservation

A fixed income allocation should help protect principal in most market environments.



## Inflation protection

Bonds directly linked to the Consumer Price Index can help to protect purchasing power.

Yield to worst is the lowest yield that can be realized by either calling or putting on one of the available call/put dates, or holding a bond to maturity.

<sup>1</sup>Yields as of 12/31/23. The after-tax (or tax-equivalent) yield of a municipal bond investment is used to assess its attractiveness relative to taxable bonds; put simply, it's the answer to the question: What yield would a taxable bond have to offer in order for it to offer the same amount as this municipal bond investment, after tax? Tax-equivalent yield: Highest tax rate assumes the 3.8% Medicare tax and the top federal marginal tax rate for 2023 of 37%; "moderate" tax rate assumes the 3.8% Medicare tax and the 24% federal marginal tax rate. Yield illustrated is yield to worst.

<sup>2</sup>Correlations, as of 12/31/23. 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. An absolute value of about 0.3 or less indicates modest correlation and favorable diversification potential.

<sup>3</sup>Rolling periods analysis using monthly data for 20-year period ended 12/31/23.

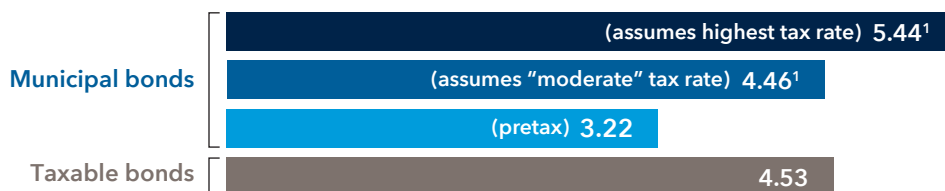
Sources: Bloomberg Index Services Ltd., Morningstar, RIMES. Investment-grade market proxies: Bloomberg U.S. Aggregate Index (taxables) and Bloomberg Municipal Bond Index (munis). High-yield market proxies: Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index (taxables) and Bloomberg High Yield Municipal Bond Index (munis).

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.

Lately, after-tax yields have been comparable to those of taxable bonds for anyone whose marginal income rate was 24% and exceeded taxable yields for investors in higher brackets. Correlation and capital preservation characteristics have been similarly favorable.

## Potential tax-equivalent income even outside the highest tax bracket

### After-tax yields<sup>1</sup> (%)



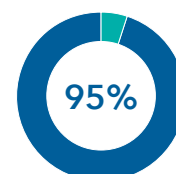
## Equity diversification potential

### Five-year correlations to S&P 500<sup>2</sup>

	Munis	Taxables
Investment grade	0.52	0.50
High yield	0.54	0.85

## Solid capital preservation

### % of rolling three-year periods with positive total returns<sup>3</sup>



**Bloomberg Municipal Short-Intermediate 1-10 Years Index**

# Capital Group's distinctive investment process

**20,000+**  
research meetings

held by all Capital Group investment professionals in 2023<sup>1</sup>

**"We're called investment analysts for a reason. Our goal is to come up with the best ideas we can, and invest accordingly. We strive to put investors' money to work on the most compelling opportunities."**

– Andrew Dialynas  
Municipal bond investment analyst

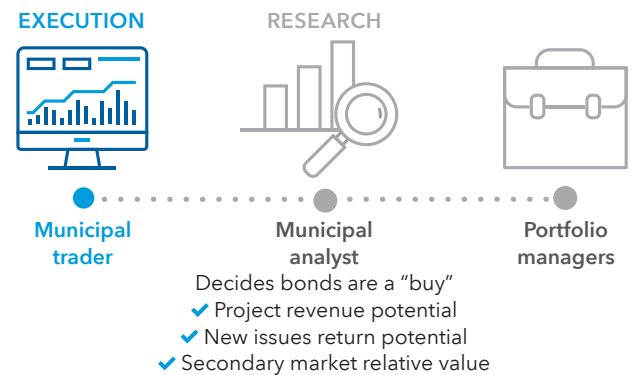
## 1 Collaboration

Municipal bond investment analyst identifies opportunity and collaborates with equity and taxable fixed income analysts for a more holistic view.



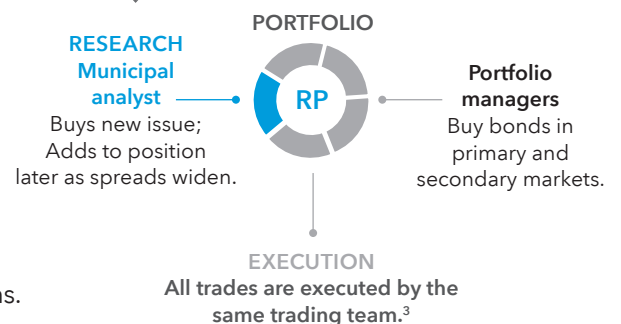
## 2 Execution

Municipal bond trader offers insights and works with analyst and portfolio managers to help them understand relative value, liquidity and execution choices.



## 3 Investment

Municipal bond investment analyst invests in bonds in research portfolio<sup>2</sup> (RP) – their decision signals research conviction to portfolio managers who factor it into their own decisions.



<sup>1</sup> Based on Capital Group data through 12/31/23.

<sup>2</sup> Within most of our mutual funds, investment analysts manage a portion of assets; empowering analysts to manage money as part of these research portfolios can enhance accountability and help identify better opportunities.

<sup>3</sup> Some firms execute municipal bond trades differently, depending on whether it's for a fund or for a separately managed account (SMA). Because all our transactions are executed by a single municipal bond trading team, investors in all our strategies – irrespective of the investment vehicle – can potentially benefit from our overall strong dealer relationships and efficiencies of scale.

# How our risk-aware approach can add value



Las Vegas Monorail (NV)

## Some municipal bond managers chase yield, others look to match indexes – Capital Group is different.

We take a risk-aware approach because we believe it can deliver outcomes aligned with investor needs. In our municipal bond strategies, we manage risk and seek value through selectivity around both credit and interest rate exposures.

### Credit selection

Days of “buy and forget” are over. With municipals now more of a credit market, research-driven selectivity can add value.



### Curve positioning

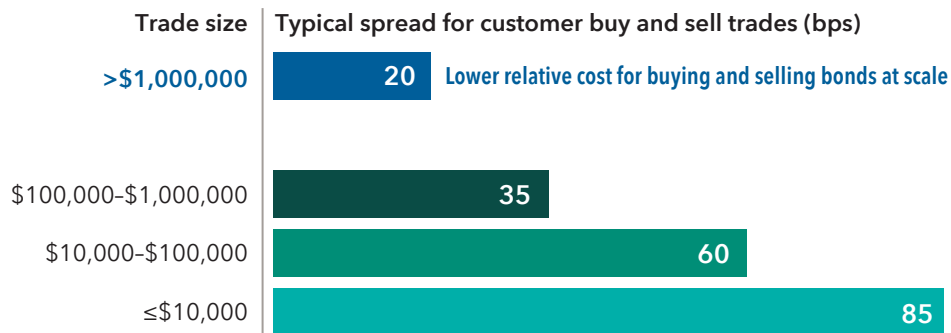
We believe that emphasizing bonds of certain maturities can enhance returns.

### Duration positioning

Managing exposure to the prevailing level of interest rates can also add value.

## Why size matters in the municipal bond market

99% of bonds do not trade on any given day and dealers have stopped holding large bond inventories. Against this backdrop, buying and selling bonds at scale can lower transaction costs. Capital has investment scale across asset classes, as well as diverse and strong dealer relationships.



Sources: Capital Group, Municipal Securities Rulemaking Board. Bid-ask spread estimates as a percentage of midpoint prices in mid-2019.

# Four decades of market ups and downs

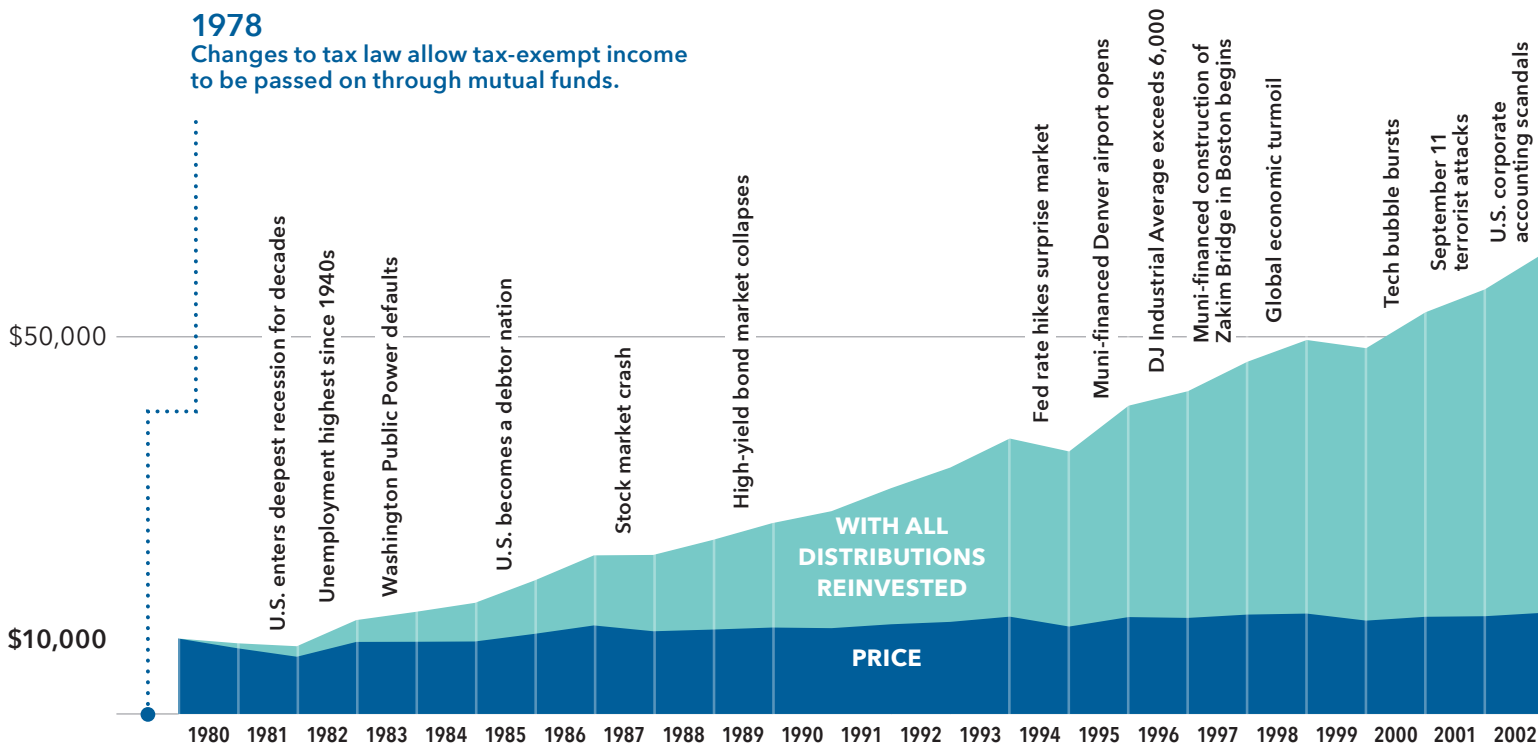
\$150,000

## The Tax-Exempt Bond Fund of America

Growth of hypothetical \$10,000 investment for 44-year period, ended December 31, 2023

Things happen. That's certainly been true over the four decades since we launched our flagship municipal bond fund on October 3, 1979. What's also clear is that any fund investor who stayed the course could have seen their investment grow and generate consistent income.

\$100,000



### Returns (%)

Price	-12.9	-12.9	25.9	0.2	0.4	10.5	10.5	-6.6	2.1	2.4	-0.7	4.5	2.7	5.7	-10.2	10.9	-0.9	3.5	1.0	-7.0	4.1	0.6	3.6
With all distributions reinvested	7.5	9.9	10.3	8.5	8.4	8.7	7.6	7.3	7.2	7.1	7.1	6.5	6.3	5.8	6.1	6.0	5.6	5.5	5.1	5.1	5.5	5.1	4.8
<b>Total</b>	<b>-6.3</b>	<b>-4.2</b>	<b>38.6</b>	<b>8.8</b>	<b>8.9</b>	<b>20.1</b>	<b>18.8</b>	<b>0.3</b>	<b>9.4</b>	<b>9.6</b>	<b>6.3</b>	<b>11.3</b>	<b>9.2</b>	<b>11.8</b>	<b>-4.7</b>	<b>17.4</b>	<b>4.7</b>	<b>9.1</b>	<b>6.2</b>	<b>-2.2</b>	<b>9.8</b>	<b>5.7</b>	<b>8.6</b>

### Value of \$10K invested (USD)

Price	8.7	7.6	9.5	9.6	9.6	10.6	11.7	11.0	11.2	11.5	11.4	11.9	12.2	12.9	11.6	12.8	12.7	13.2	13.3	12.4	12.9	13.0	13.4
With all distributions reinvested	0.7	1.4	2.9	4.0	5.1	7.1	9.3	10.1	11.9	13.8	15.5	18.0	20.5	23.6	23.2	28.0	30.1	33.5	36.3	36.1	40.4	43.3	47.7
<b>Total</b>	<b>9.4</b>	<b>9.0</b>	<b>12.4</b>	<b>13.5</b>	<b>14.7</b>	<b>17.7</b>	<b>21.0</b>	<b>21.1</b>	<b>23.1</b>	<b>25.3</b>	<b>26.9</b>	<b>29.9</b>	<b>32.7</b>	<b>36.5</b>	<b>34.8</b>	<b>40.9</b>	<b>42.8</b>	<b>46.7</b>	<b>49.6</b>	<b>48.5</b>	<b>53.3</b>	<b>56.3</b>	<b>61.1</b>

### U.S. 10-year Treasury yield (%)

	12.43	13.98	10.36	11.82	11.55	9.00	7.23	8.83	9.14	7.93	8.08	6.71	6.70	5.83	7.84	5.58	6.43	5.75	4.65	6.45	5.12	5.07	3.83
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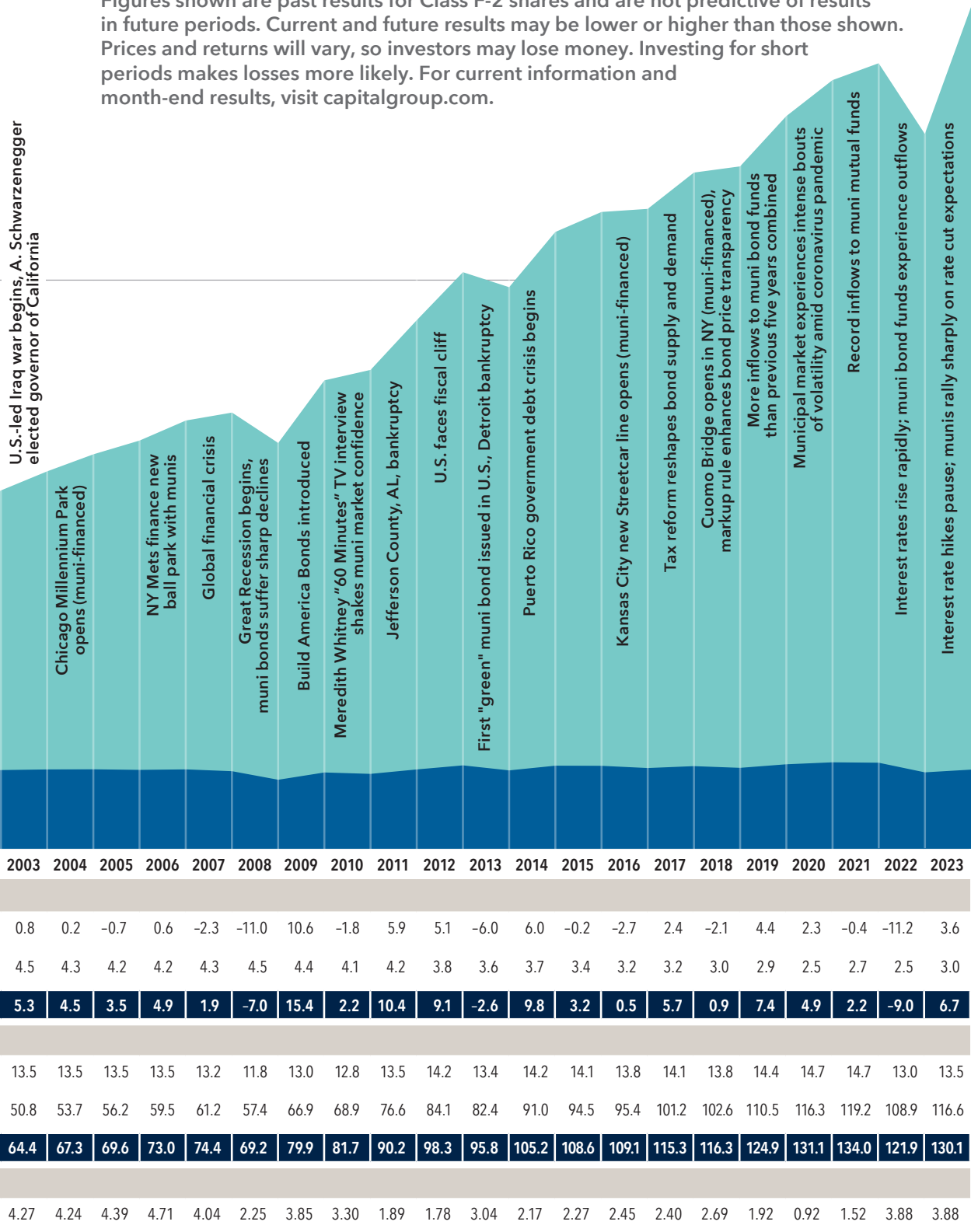
Sources: Capital Group, Morningstar Direct, Federal Reserve Bank of St. Louis. Data as of 12/31/23.

This exhibit illustrates the potential benefits of a fund, such as The Tax-Exempt Bond Fund of America, that is exempt from federal income tax and some state and local taxes. The Bloomberg U.S. Aggregate Index is an investment-grade taxable fixed income index used for comparison, which demonstrates how taxes can impact investment results. The Tax-Exempt Bond Fund of America returns are presented starting 1980, the fund's first full calendar year, to show full year results.



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U.S.-led Iraq war begins, A. Schwarzenegger elected governor of California



**The Tax-Exempt Bond Fund of America (TEAFX)** with all distributions reinvested: **\$130,056**

**Bloomberg U.S. Agg Index** after tax<sup>1</sup>: **\$58,889**

**CPI for All Urban Consumers<sup>2</sup>** not seasonally adjusted: **\$39,990**

**TEAFX** original investment, distributions excluded: **\$13,495**

4.5	4.3	4.2	4.2	4.3	4.5	4.4	4.1	4.2	3.8	3.6	3.7	3.4	3.2	3.2	3.0	2.9	2.5	2.7	2.5	3.0
5.3	4.5	3.5	4.9	1.9	-7.0	15.4	2.2	10.4	9.1	-2.6	9.8	3.2	0.5	5.7	0.9	7.4	4.9	2.2	-9.0	6.7
13.5	13.5	13.5	13.5	13.2	11.8	13.0	12.8	13.5	14.2	13.4	14.2	14.1	13.8	14.1	13.8	14.4	14.7	14.7	13.0	13.5
50.8	53.7	56.2	59.5	61.2	57.4	66.9	68.9	76.6	84.1	82.4	91.0	94.5	95.4	101.2	102.6	110.5	116.3	119.2	108.9	116.6
64.4	67.3	69.6	73.0	74.4	69.2	79.9	81.7	90.2	98.3	95.8	105.2	108.6	109.1	115.3	116.3	124.9	131.1	134.0	121.9	130.1
4.27	4.24	4.39	4.71	4.04	2.25	3.85	3.30	1.89	1.78	3.04	2.17	2.27	2.45	2.40	2.69	1.92	0.92	1.52	3.88	3.88

<sup>1</sup> After-tax growth of Bloomberg U.S. Aggregate Index assumes these top federal marginal tax rates applied: 70% (1980); 69% (1981); 50% (1982-1986); 39% (1987); 28% (1988-1990); 31% (1991-1992); 40% (1993-2000); 39% (2001-2002); 35% (2003-2012); 40% (2013-2017); 37% (2018-2023).

<sup>2</sup> Consumer Price Index for All Urban Consumers. Investment results assume all distributions are reinvested and reflect applicable fees and expenses. The index is unmanaged and, therefore, has no expenses. Investors cannot invest directly in an index.

# Good times, with longer investment horizons



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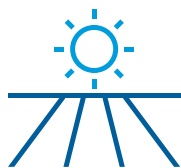
## What does long-term mean to you?

Is it five years, or 10, or 20, even 30? No matter how you slice it, The Tax-Exempt Bond Fund of America's four-decade history illustrates how it's been possible to generate positive results over a variety of time periods.

### It was the best of times, it was the "not-so-bad" of times?

#### The Tax-Exempt Bond Fund of America

Best, worst and median periods since 1980, ending on December 31, 2023.



#### Return on a hypothetical \$100,000 initial investment

Calendar period	Best period	Worst period	Median
5 years	<b>\$234,157</b> +18.6% a year (1982-1986)	<b>\$105,711</b> +1.1% a year (2018-2022)	<b>\$131,673</b> +5.7% a year (2010-2014)
10 years	<b>\$333,201</b> +12.8% a year (1982-1991)	<b>\$123,946</b> +2.2% a year (2013-2022)	<b>\$170,329</b> +5.5% a year (1996-2005)
20 years	<b>\$626,619</b> +9.6% a year (1982-2001)	<b>\$199,364</b> +3.5% a year (2003-2022)	<b>\$301,324</b> +5.7% a year (1992-2011)
30 years	<b>\$1,003,474</b> +8.0% a year (1982-2011)	<b>\$356,678</b> +4.3% a year (1994-2023)	<b>\$547,348</b> +5.8% a year (1988-2017)

Verrazzano-Narrows Bridge (NY)

# Research takes the emotion out of investing

For individual investors (the majority of municipal bond holders), access to research is often quite limited. So, when bad news about a particular municipality hits, the wider market has often suffered as emotion takes hold.

In contrast, bond-by-bond research guides our investment decisions. Research can give you the confidence to stay invested when others waver.

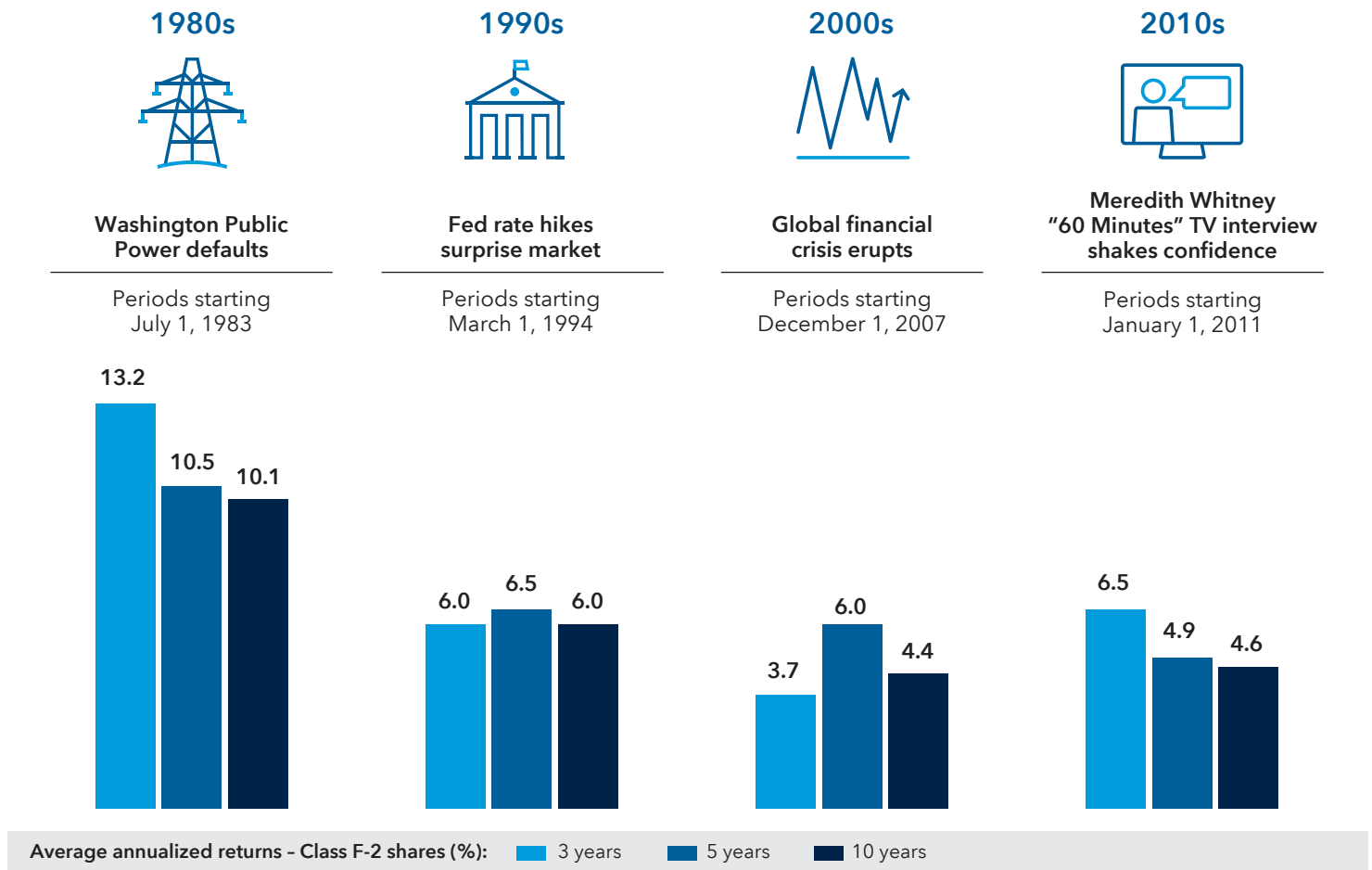
Consider the big negative news stories that shook the market in each of the past four decades. The events noted below were swiftly followed by intense selling activity in the municipal bond market.

Although past results are not predictive of results in future periods, The Tax-Exempt Bond Fund of America's track record demonstrates the potential benefits of staying invested.

## Put "bad news" in perspective with a longer term view

### The Tax-Exempt Bond Fund of America: investment results (%)

Gains after each decade's major "negative" news event for municipal bonds\*



Sources: Capital Group, Morningstar. Past results for Class F-2 shares are not necessarily indicative of results around other past or future "negative" news events. Examples are meant to highlight the potential benefits of taking a long-term view of investing.

\*Gains after each decade; 2020 experienced high volatility due to the coronavirus pandemic.

# Credit research is the new “insurance”



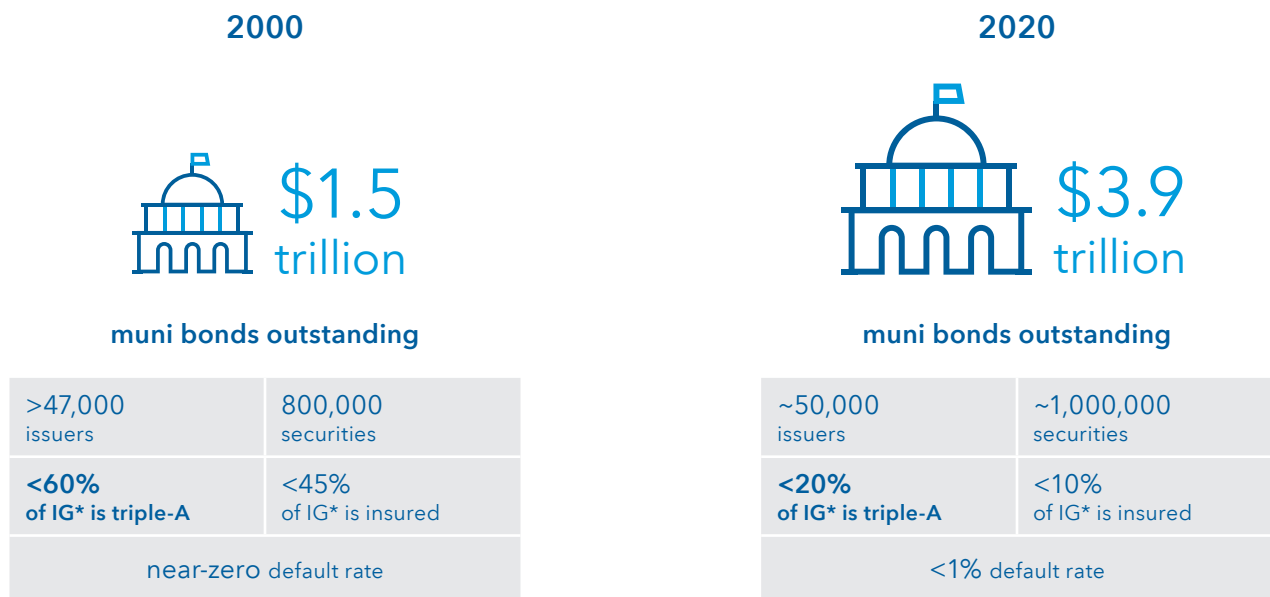
Denver International Airport

Not so long ago, most new municipal bonds were sold with bond insurance. Consequently, more than two-thirds of bonds were rated triple-A.

The global financial crisis of 2007 changed all that. Financial problems arising from bond insurers’ involvement in the mortgage-related market forced them to retreat from providing insurance “wraps.”

Fast forward to recent years: municipal bond valuations and credit risk were closely tied. Because few bonds now have insurance, fundamental research is an important tool for uncovering compelling investments.

## The municipal bond market in numbers



\*Investment grade.

Sources: Bloomberg Index Services Ltd., Municipal Securities Rulemaking Board, Securities Industry and Financial Markets Association. Data is approximate.

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.

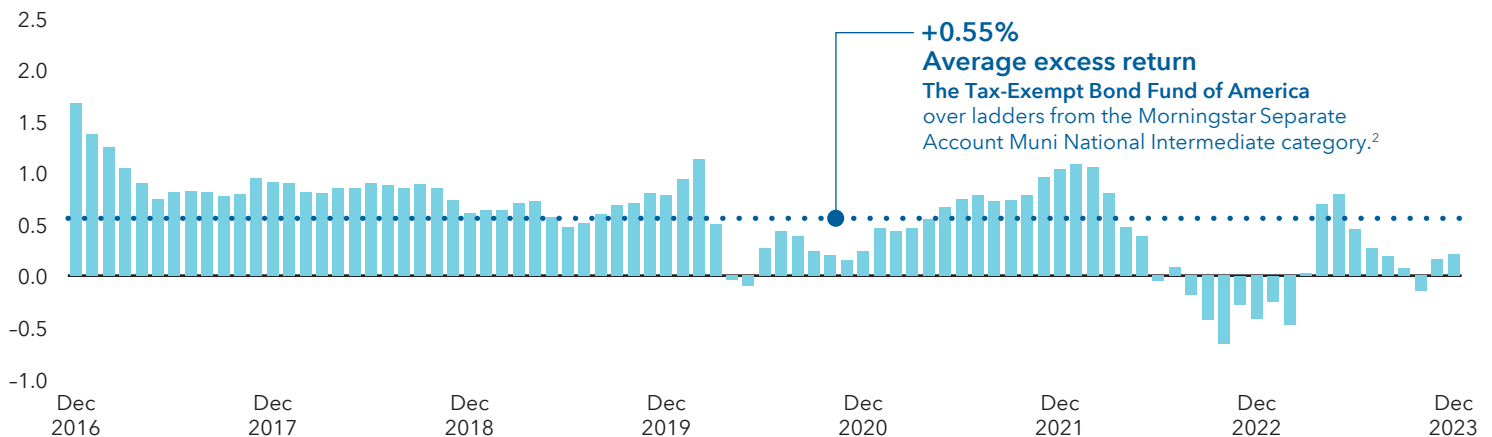
# How ladders can limit opportunities

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Simplicity and low costs help explain why many financial professionals continue to manage municipal bond ladder strategies<sup>1</sup> themselves. That said, ladders managed by investment managers have become a more popular choice. Trouble is, active management in a ladder can be fairly limited. Ladders may also gravitate towards higher rated state bonds and lack diversification. In contrast, there are three sources of return that may enhance results for strategies that are “fully” actively managed: credit selection, duration positioning and curve management.

## The Tax-Exempt Bond Fund of America: a “fully” actively managed approach that has added value over time

Annualized rolling monthly three-year excess returns (%) over a hypothetical actively managed ladder strategy average (10-year period ended 12/31/23)



**Important note:** Compared to managed ladders, fully actively managed funds seek to generate returns in additional ways. The risks entailed are, therefore, potentially broader than investors might be exposed to in a ladder. The Tax-Exempt Bond Fund of America has often shown a somewhat higher duration (sensitivity to prevailing interest rates) than many ladders. Favorable outcomes shown have often been accompanied by relatively higher rate risk. Investors should consult with their financial advisors about the potential tax and risk consequences of different investment vehicles.

<sup>1</sup> A ladder involves buying several bonds with a specified range of (staggered) maturities, to seek regular income. When one bond in the ladder matures, proceeds can be used to buy a new bond at the ladder’s longest maturity.

<sup>2</sup> Source: Morningstar Direct. Data as of 12/31/23. Strategy average returns used to calculate excess return is the average for ladder strategies within the Morningstar Separate Account Muni National Intermediate category, gross of fees. As of 12/31/23, this category included 39 separate accounts in total.

## Over the last 10 years, The Tax-Exempt Bond Fund of America (TEAFX) led category peers and benchmarks

### Annualized returns over a 10-year period

Class F-2 through December 31, 2023

The Tax-Exempt Bond Fund of America	3.11%
Bloomberg Municipal Bond Index	3.03%
10 largest peers <sup>3</sup>	2.65%
Peers <sup>3</sup>	2.30%
Ladder benchmark <sup>4</sup>	2.28%

<sup>3</sup>Peers include mutual funds and ETFs. Average of peers in category. Category shown is the Morningstar Muni National Interm category.

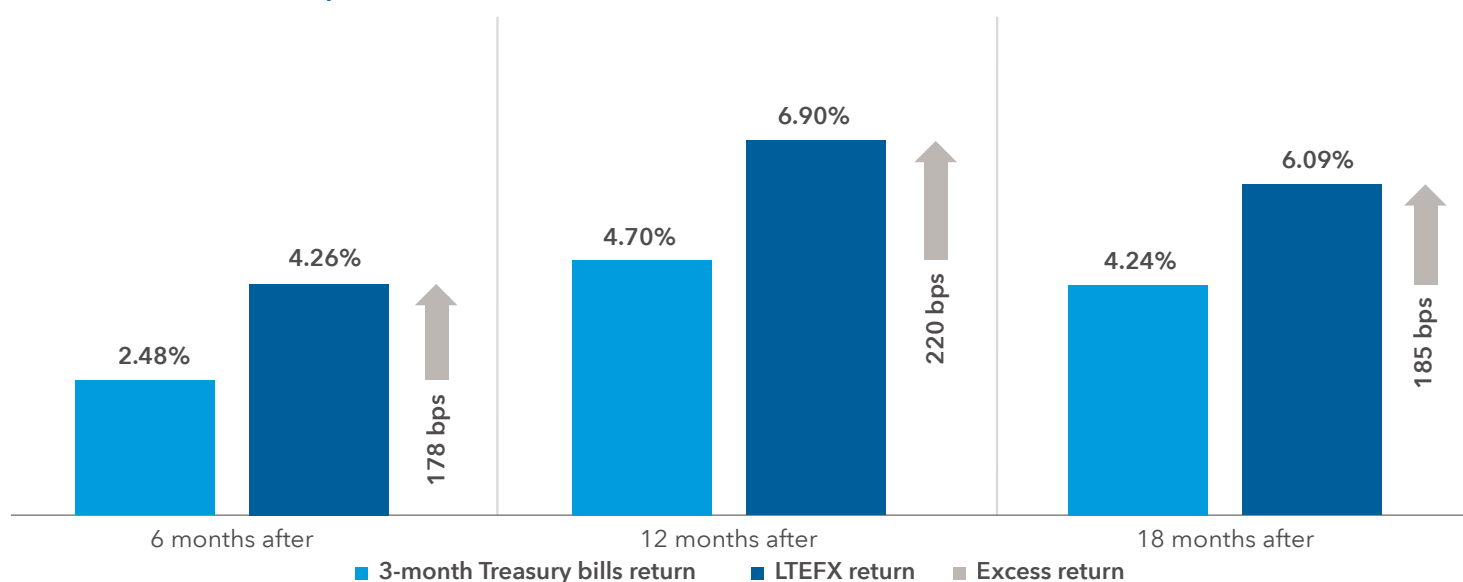
<sup>4</sup>Ladder benchmark is the Bloomberg Municipal Managed Money 1-12 Year Laddered Maturity Index.

# Putting your cash to work

Sitting on the sidelines may seem safe. However, once the U.S. Federal Reserve ends rate hikes, history shows us that yields on cash have decayed, or declined, quickly.\* Bond investors potentially gain advantages in two ways over cash positions after rate hikes end: higher yields and price appreciation.

The Limited Term Tax-Exempt Bond Fund of America® is one of two shorter-term tax-exempt bond mutual funds available to investors from American Funds. For those who want a fund that seeks less interest rate risk, the American Funds Short-Term Tax-Exempt Bond Fund® may be an option. The Limited Term Tax-Exempt Bond Fund of America aims for a bit more exposure to interest rates.

## Hypothetical investor, comparing returns of 3-month Treasury bills vs. Limited Term Tax-Exempt Bond Fund of America® (LTEFX)



Source: Morningstar. Data as of 12/31/23. Average return of 3-month Treasury bills and Limited Term Tax-Exempt Bond Fund of America after last four rate-hiking periods (2/94 - 2/95, 6/99 - 5/00, 6/04 - 6/06, 12/15 - 12/18).

For investors cautious about fixed income, shorter-term bond funds may be a solution. Short-term bond funds can offer the potential of attractive yield versus cash. They may also pursue the goal of capital preservation, with modest interest rate exposure. These funds may also seek to provide some tax-exempt income, which is not accounted for in the above analysis. Treasury and other non-municipal cash-like investments are taxable to investors; therefore, the returns illustrated above would be reduced by taxes (although Treasury bills are exempt from state and local taxes). The after-tax returns for the fund would be higher, given the federal tax-exempt status.

Unlike mutual fund shares, investments in U.S. Treasuries are guaranteed by the U.S. government as to the payment of principal and interest. Past results are not predictive of results in future periods.

Three-month Treasury bills (T-bills) provide investors with government-guaranteed, short-term liquid investments that can be purchased for a minimum of \$100. Interest income on T-bills is exempt from state and local income taxes, but subject to federal income taxes. Investors can buy and sell T-bills with ease in the secondary bond market, for strong liquidity.

\*Over the last four rate hike cycles (1995 to 2018), U.S. 3-month Treasury bill yields were an average of 2.5% lower 18 months after the last Fed hike. Sources: Bloomberg, Federal Reserve. Data as of 12/31/23.

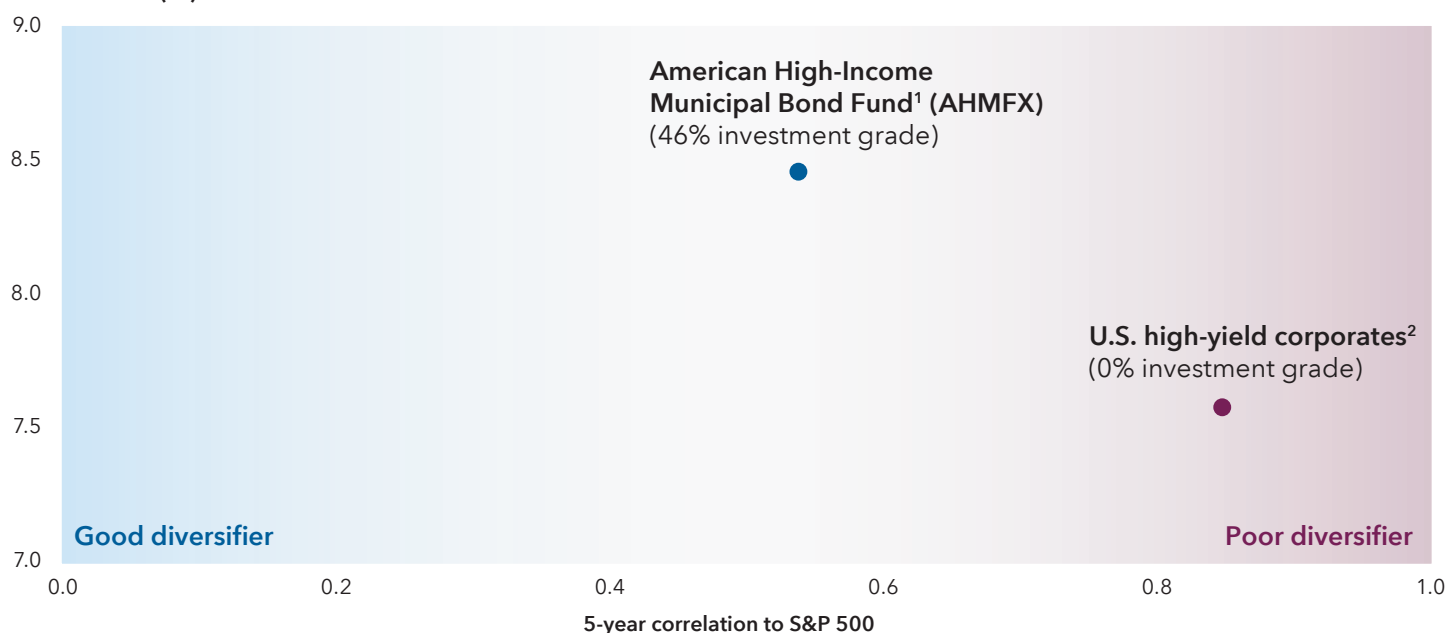
Results are for Class F-2 shares of the mutual fund.

# A compelling twist on high income

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. 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](https://capitalgroup.com).

High-income municipal bonds have often generated similar levels of tax-equivalent yield as high-yield corporate bonds. High-income muni funds can use both high-yield and investment-grade municipal bonds to seek lower correlation to equities than a pure high-yield corporate exposure. Of course, funds that invest meaningfully in below-investment-grade (BB/Ba and below) municipal bonds can be relatively volatile, compared to those that mainly hold investment-grade debt.

Yield to worst (%)<sup>1</sup>



## Over the last 10 years, American High-Income Municipal Bond Fund® (AHMFX) led category peers and benchmarks

### Annualized returns over a 10-year period

Class F-2 through December 31, 2023

American High-Income Municipal Bond Fund	4.49%
American High-Income Municipal Bond Fund Custom Index <sup>3</sup>	4.07%
Peers <sup>4</sup>	3.69%
Bloomberg Municipal Bond Index	3.03%

Sources: Capital Group, Bloomberg Index Services Ltd., Morningstar. Data as of 12/31/23.

<sup>1</sup>AHMFX is presented as tax-equivalent yield to worst. Tax-equivalent yield to worst of a municipal bond investment is used to assess its attractiveness relative to taxable bonds; put simply, it's the answer to the question: What yield would a taxable bond have to offer in order for it to offer the same amount as this municipal bond investment, after tax? Tax-equivalent yield to worst for fund, assuming the top federal marginal tax rate for 2023 of 37%, plus the 3.8% Medicare tax. Correlation calculated using Class F-2 shares. Yield to worst as of 12/31/23 for AHMFX was: 5.0%.

<sup>2</sup>Bloomberg U.S. Corporate High Yield Bond Index.

<sup>3</sup>Please refer to Page 20 for index definition.

<sup>4</sup>Peers include mutual funds and ETFs. Average of peers in category. Category shown is the Morningstar High-Yield Muni category.

# Truly diversified municipal bond investing: The Tax-Exempt Bond Fund of America

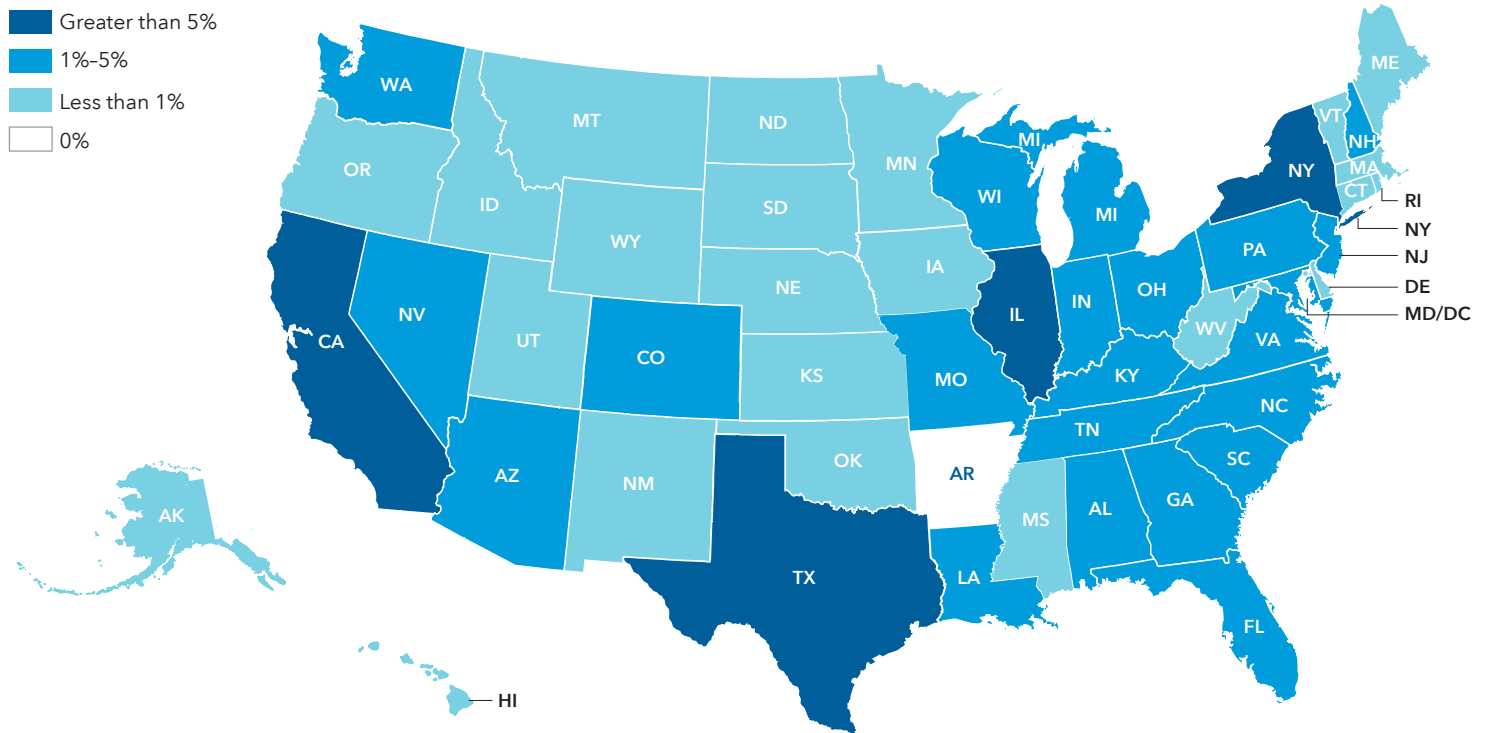
## Capital Group believes in building diversified municipal bond portfolios

Portfolios that are diversified can offer less volatile returns. Compared to holding a few individual bonds, an investment in a municipal bond fund, tax-aware models or separately managed account (SMA) may, therefore, offer a smoother ride.

Diversification is multi-faceted, as you can see from the portfolio of our flagship municipal bond fund: The Tax-Exempt Bond Fund of America.

### Geographical exposure across the 50 states

% of net assets as of December 31, 2023



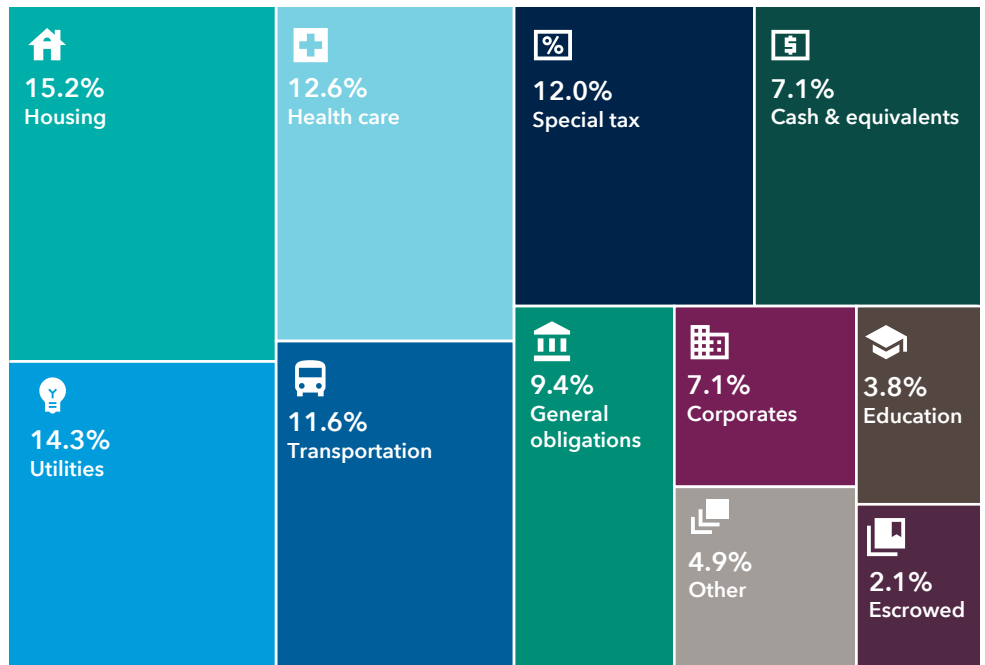
Source: Capital Group.



## Sector exposure

% of net assets\*  
as of December 31, 2023

Historically, revenue bonds have often accounted for most of the fund's portfolio. Each bond is backed by a dedicated revenue stream from a specific project – anything from a hospital to a toll road. Unlike general obligation bonds (GO), they therefore have very little connection to state and local government finances.



## 20 largest municipal bond issuers

% of net assets  
as of December 31, 2023

In line with the portfolio's overall diversification, transportation, education and utilities municipal bonds from across America figured among the fund portfolio's larger bond investments.

Issuer	% of net assets
1 New York City Transitional Finance Authority Future Tax Secured Revenue	1.9
2 State of New York Personal Income Tax Revenue	1.8
3 Metropolitan Transportation Authority	1.4
4 New York City OF	1.4
5 Chicago Board of Education	1.4
6 South Carolina Public Service Authority	1.3
7 Pennsylvania Turnpike Commission	1.0
8 The Illinois State Toll Highway Authority	1.0
9 New York City Municipal Water Finance Authority	0.9
10 Black Belt Energy Gas Dist	0.9
11 New Jersey Transportation Trust Fund Authority	0.8
12 State Water Implementation Revenue Fund for Texas	0.8
13 Kentucky Inc KY Pub Energy Auth	0.7
14 Metropolitan Pier & Exposition Auth (Hyatt Regency McCormick Pl)	0.7
15 Houston Tex Util Sys Rev	0.7
16 Freddie Mac Multifamily Pass Through Certificates	0.7
17 Main Street Natural Gas Inc Ga	0.7
18 Regional Transportation Authority ILL	0.6
19 State of Illinois	0.6
20 City of San Antonio Water Systems	0.5

Sector exposure total may not equal 100% due to rounding.



\*Cash and equivalents includes short-term securities, accrued income and other assets less liabilities. It may also include investments in money market or similar funds managed by the investment adviser or its affiliates that are not offered to the public. Portfolios are managed, so holdings will change. The fund does not invest in bonds subject to the alternative minimum tax. Most of the sector names are self-explanatory, but some of the smaller ones may be less intuitive. Here's a brief description: **housing**: mostly bonds issued to multi-family housing projects and single-family mortgages; **special tax**: bonds that are repaid with revenues from taxes on specific goods and services, or special assessment taxes levied on property owners; **escrowed**: municipal bonds where to help manage their funding needs, the issuer has reinvested the proceeds in another high-quality security; **corporates**: municipal bonds used to finance industrial development projects, with corporate revenue streams that finance payments to bondholders; **other includes**: governmental, tobacco, and miscellaneous revenue bonds.

Depending on individual circumstances, goals and appetite for risk, we consider how municipal bonds could slot into a 60/40 equity-bond allocation for a hypothetical tax-aware investor with a moderate tolerance for risk.



Diversification from equities	Income	Capital preservation	Inflation protection	Portfolio statistics
<b>For a 40% tax-aware core fixed income allocation</b>				
	The Tax-Exempt Bond Fund of America – TEAFX (F-2)		40%	6.4% Tax-equivalent yield to worst*
				6.0 yrs Duration
				0.52 5-year correlation to S&P 500

### Client needs:

#### 1. Capital preservation – Reduce core munis, add short-term munis

	The Tax-Exempt Bond Fund of America		20%	6.1% Tax-equivalent yield to worst*
	Limited Term Tax-Exempt Bond Fund of America – LTEFX (F-2)		20%	4.8 yrs Duration
				0.53 5-year correlation to S&P 500

#### 2. Income – Reduce core munis, add high-income munis

	The Tax-Exempt Bond Fund of America		20%	7.4% Tax-equivalent yield to worst*
	American High-Income Municipal Bond Fund – AHMFX (F-2)		20%	6.5 yrs Duration
				0.53 5-year correlation to S&P 500

\*30-day SEC yields (gross) and 30-day tax-equivalent SEC yields (gross) for the funds are as follows: TEAFX, 3.40% and 5.74%; LTEFX, 2.85% and 4.81%; AHMFX 4.22% and 7.13%. Data as of 2/29/24.

We have identified which funds contribute to a particular role of fixed income based on the fund's investment strategies. The extent to which a fund contributes to a specified role depends on the portfolio's composition at any point in time.

Portfolio statistics shown are based on the portfolio weightings indicated and are as of December 31, 2023. U.S. equity index proxies used are S&P 500 Index.

Correlations shown are over five years.

The model approach is hypothetical and for illustrative purposes only. Allocations, holdings, yields and other data shown do not reflect an actual portfolio. Advisors should tailor client recommendations to their individual circumstances. Taxable equivalent rate assumptions are based on a federal marginal tax rate of 37%, the top 2023 rate. In addition, we have applied the 3.8% Medicare tax.

**Morningstar Rating for Funds:** Morningstar rates funds from one to five stars based on how well they've performed (after adjusting for risk) in comparison to similar funds. Within each Morningstar Category, the top 10% of funds receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Funds are rated for up to three time periods—three-, five-, and 10 years—and these ratings are combined to produce an overall rating. Funds with less than three years of history are not rated. Ratings are objective, based entirely on a mathematical evaluation of past performance. They're a useful tool for identifying funds worthy of further research, but shouldn't be considered buy or sell recommendations.

The **Morningstar Medalist Rating™** is the summary expression of Morningstar's forward-looking analysis of investment strategies as offered via specific vehicles using a rating scale of Gold, Silver, Bronze, Neutral, and Negative. The Medalist Ratings indicate which investments Morningstar believes are likely to outperform a relevant index or peer group average on a risk-adjusted basis over time. Investment products are evaluated on three key pillars (People, Parent, and Process) which, when coupled with a fee assessment, forms the basis for Morningstar's conviction in those products' investment merits and determines the Medalist Rating they're assigned. Pillar ratings take the form of Low, Below Average, Average, Above Average, and High. Pillars may be evaluated via an analyst's qualitative assessment (either directly to a vehicle the analyst covers or indirectly when the pillar ratings of a covered vehicle are mapped to a related uncovered vehicle) or using algorithmic techniques. Vehicles are sorted by their expected performance into rating groups defined by their Morningstar Category and their active or passive status. When analysts directly cover a vehicle, they assign the three pillar ratings based on their qualitative assessment, subject to the oversight of the Morningstar Medalist Rating Committee, and monitor and reevaluate them at least every 14 months. When the vehicles are covered either indirectly by analysts or by algorithm, the ratings are assigned monthly.

For more detailed information about these ratings, including its methodology, please go to [global.morningstar.com/managerdisclosures/](https://global.morningstar.com/managerdisclosures/).

The Morningstar Medalist Ratings are not statements of fact, nor are they credit or risk ratings. The Morningstar Medalist Rating (i) should not be used as the sole basis in evaluating an investment product, (ii) involves unknown risks and uncertainties which may cause expectations not to occur or to differ significantly from what was expected, (iii) are not guaranteed to be based on complete or accurate assumptions or models when determined algorithmically, (iv) involve the risk that the return target will not be met due to such things as unforeseen changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rates, exchange rate changes, and/or changes in political and social conditions, and (v) should not be considered an offer or solicitation to buy or sell the investment product. A change in the fundamental factors underlying the Morningstar Medalist Rating can mean that the rating is subsequently no longer accurate.

# Our range of municipal bond funds

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. 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).

## American Funds municipal bond funds: investment results (%)

Average annual returns as of December 31, 2023 (Class F-2)

	Ticker symbol	Inception date	Returns (%)					30-day SEC yield (%) (Gross   Net) as of 2/29/24	Expense ratio (%) (Gross   Net)
			1 year	3 year	5 year	10 year	Lifetime		
The Tax-Exempt Bond Fund of America®	TEAFX	10/3/79	6.68	-0.26	2.25	3.11	5.97	3.40   3.40	0.35   0.35
American High-Income Municipal Bond Fund®	AHMFx	9/26/94	8.17	0.36	2.90	4.49	5.17	4.22   4.22	0.42   0.41*
Limited Term Tax-Exempt Bond Fund of America®	LTEFX	10/6/93	4.25	-0.09	1.75	1.80	3.60	2.85   2.85	0.35   0.35
American Funds Short-Term Tax-Exempt Bond Fund®	ASTFX	8/7/09	3.41	0.10	1.31	1.05	1.26	2.85   2.87	0.33   0.32*
The Tax-Exempt Fund of California®	TEFEX	10/28/86	6.46	-0.35	2.16	3.17	5.07	3.32   3.32	0.38   0.38
American Funds Tax-Exempt Fund of New York®	NYAFX	11/1/10	7.06	-0.46	1.98	2.86	2.99	3.45   3.45	0.48   0.42*
Bloomberg U.S. Aggregate Index			5.53	-3.31	1.10	1.81			
Bloomberg Municipal Bond Index			6.40	-0.40	2.25	3.03			
Bloomberg Municipal Managed Money 1-12 Year Laddered Maturity Index			2.63	-0.89	1.61	2.05			
ICE AMT-Free US National Municipal Index			5.94	-0.28	2.19	2.80			
Morningstar Muni National Intern Category Average			5.61	-0.50	1.87	2.36			
Morningstar Separate Account Muni National Intermediate Category Average			5.28	-0.21	2.15	2.73			
Morningstar High Yield Muni Category Average			6.48	-1.01	1.92	3.72			
S&P 500 Index			26.29	10.00	15.69	12.03			

The Morningstar rankings do not reflect the effects of sales charges, account fees or taxes. Past results are not predictive of results in future periods. The expense ratios are as of each fund's prospectus available at the time of publication. When applicable, results reflect fee waivers and/or expense reimbursements, without which they would have been lower and net expenses higher. Please visit [capitalgroup.com](http://capitalgroup.com) for more information.

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. Investments in mortgage-related securities involve additional risks, such as prepayment risk, as more fully described in the prospectus. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds. 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. The Tax-Exempt Fund of California and the American Funds Tax-Exempt Fund of New York are more susceptible to factors affecting issuers of its state's tax-exempt securities than a more widely diversified municipal bond fund.

Annualized 30-day yield is calculated in accordance with the SEC formula. 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 results of the original share class of the fund 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. Please refer to [capitalgroup.com](http://capitalgroup.com) for more information on specific expense adjustments and the actual dates of first sale.

The market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

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**U.S. Aggregate Index** represents the U.S. investment-grade fixed-rate bond market. **Bloomberg Municipal Short-Intermediate 1-10 Years Index** is a market-value-weighted index that includes investment-grade tax-exempt bonds with maturities of one to 10 years. **Bloomberg U.S. Corporate High Yield Index** covers the universe of fixed-rate, non-investment-grade debt. **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 High Yield Municipal Bond Index** is a market-value-weighted index composed of municipal bonds rated below BBB/Baa. **Bloomberg U.S. Municipal BBB Index** covers the USD-denominated long-term tax exempt BBB-rated bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds. **Bloomberg Municipal Managed Money 1-12 Year Laddered Maturity Index** is a component of the Managed Money index – a rules-based, market-value-weighted index of AA-rated tax-exempt bonds; this component is designed to represent a ladder strategy with the specified maturity profile.

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\*The investment adviser is currently waiving a portion of other expenses for American High-Income Municipal Bond Fund and reimbursing a portion of other expenses for American Funds Tax-Exempt Fund of New York and American Funds Short-Term Tax-Exempt Bond Fund. Net expense ratios reflect the waiver/reimbursement, without which they would have been lower/higher. The waiver/reimbursement for these funds will be in effect through at least October 1, 2024. The adviser may elect at its discretion to extend, modify or terminate the waiver/reimbursement at that time. Please visit [capitalgroup.com](http://capitalgroup.com) for more information.

# How can we help you?

Capital Group offers municipal bond mutual funds, SMAs, ETFs and tax-aware models. All our strategies seek to add value with risk-aware municipal bond investing, built on:

## RESEARCH

### Empowered analysts



#### Differentiated insights

Our investment analysts aren't just report writers. Empowering analysts to manage money in most portfolios enhances accountability and, alongside collaboration with equity and taxable fixed income teams, can uncover better opportunities.

## EXECUTION

### Traders who do more than execute



#### Not just order takers

Traders are integral to our municipal investment process. They offer color around new issues pricing and invaluable insights into secondary market availability, sector-specific developments and execution choices.

## ACCESS

### Capital's scale and sophistication



#### Resources and relationships

Finding compelling or overlooked opportunities in the vast municipal bond market takes significant resources and strong dealer relationships. With **\$2.5 trillion** of equity and fixed income assets under management, Capital Group has both.

**Did you know we can help financial professionals transition client bond holdings into an SMA and help answer custom municipal bond allocation questions with a Capital Group Portfolio Analysis? Contact your American Funds wholesaler to learn more.**

Assets under management as of 12/31/23. Totals may not reconcile due to rounding. All values in USD.

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. The Tax-Exempt Bond Fund of America will not invest in bonds subject to the federal alternative minimum tax.

ICE AMT-Free US National Municipal Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued in the U.S. domestic market by U.S. states and their political subdivisions.

American High-Income Municipal Bond Fund Custom Index reflect results of the following indices: 50%/50% blend of the Bloomberg High Yield Municipal Bond Index and the Bloomberg Municipal Bond Index through December 31, 2015. From January 1, 2016 to current, 60%/20%/20% blend of the Bloomberg High Yield Municipal Bond Index (with 5% Tobacco Cap and 2% Issuer Cap), Bloomberg Municipal Bond BBB Index and the Bloomberg Municipal Bond Index, respectively. Results reflect dividends net of withholding taxes.

Morningstar Muni National Intermediate category portfolios invest in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal taxes. To lower risk, these portfolios spread their assets across many states and sectors. These portfolios have durations of 4.0 to 6.0 years (or average maturities of five to 12 years). Morningstar Separate Account Muni National Intermediate category separate account portfolios invest in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal taxes. To lower risk, these portfolios spread their assets across many states and sectors. These portfolios have durations of 4.0 to 6.0 years (or average maturities of five to 12 years). Returns calculated by Capital Group based on Morningstar data. Morningstar High-Yield Muni category portfolios typically invest a substantial portion of assets in high-income municipal securities that are not rated or that are rated at the level of or below BBB (considered high-yield within the municipal-bond industry) by a major ratings agency such as Standard & Poor's or Moody's.

Lipper ratings for Expense reflect funds' expense minimization relative to peers with similar load structures. The Lipper ratings are subject to change every month and are based on an equal-weighted average of percentile ranks for the Expense metrics. The highest 20% of funds in each classification are named Lipper Leaders for Total Return, the next 20% receive a rating of 4, the middle 20% are rated 3, the next 20% are rated 2, and the lowest 20% are rated 1. Lipper ratings are not intended to predict future results, and Lipper does not guarantee the accuracy of this information. More information is available at [www.lipperleaders.com](http://www.lipperleaders.com). Lipper Leader © 2024, Thomson Reuters, All Rights Reserved.

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