

1Q 2024

Limited Term Tax-Exempt Bond Fund of America® quarterly attribution report



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As of March 31, 2024

Market overview

- **Investment-grade municipal bonds were down 0.4% for the quarter**, as reflected by the Bloomberg Municipal Bond Index. Interest rate volatility persisted as strong economic data and reduced rate-cut expectations lifted yields higher over the quarter. Investors who accepted more duration risk, or sensitivity to shifting yields, felt the most pain. At the March Federal Open Market Committee meeting, the 2024 dot plot projections from Fed officials for the central bank's key short-term interest rate, were left unrevised showing 75 basis points (bps) of cuts this year.
- **Market participants remain focused on the longer term deceleration trend** and continue to expect multiple rate cuts in 2024, with about a 50% probability that cuts commence in June. Starting municipal yields remain meaningfully above their 10-year average, providing a relatively attractive opportunity for investors with the potential for capital appreciation in the event policy rates are adjusted lower, as currently anticipated by markets.
- **Investment-grade municipal bonds (BBB/Baa and above) returned -0.4% over the quarter**, while high-yield municipal bonds rose 1.5% for the quarter, according to the Bloomberg High Yield Municipal Bond Index, reflecting the risk-on sentiment of investors over the period. On a relative basis, investment-grade municipal bonds outpaced both U.S. Treasuries and the broad bond market, as represented by the Bloomberg U.S. Aggregate Index.
- **Municipal credit spreads tightened over the quarter**, with high-yield spreads tightening by 34 bps and their investment-grade counterparts narrowing 29 bps. Spreads continue to exhibit resiliency, remaining below their long-term average due to sustained strong economic conditions. Overall, strong economic growth underpinned by the resilient labor market and consumer spending continue to be supportive of tax revenues and broader municipal credit fundamentals.

Market index returns (net of dividends)

For periods ended March 31, 2024 (%)

	Cumulative			Average annual		
	3 months	YTD	1 year	3 years	5 years	10 years
Bloomberg Municipal Short-Intermediate 1-10 Years Index	-0.36	-0.36	2.07	-0.04	1.34	1.80
Bloomberg Municipal Bond Index	-0.39	-0.39	3.13	-0.41	1.59	2.66
Bloomberg High Yield Municipal Bond Index	1.51	1.51	7.91	0.55	3.03	4.55
Bloomberg U.S. Aggregate Index	-0.78	-0.78	1.70	-2.46	0.36	1.54
Bloomberg U.S. Corporate Investment Grade Index	-0.40	-0.40	4.43	-1.87	1.52	2.61

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

Past results are not predictive of results in future periods.

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Results

Limited Term Tax-Exempt Bond Fund of America

Figures shown are past results for Class F-3 and 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.

Returns (%)	Cumulative			Average annual				Expense ratio
For periods ended March 31, 2024	3 months	YTD	1 year	3 years	5 years	10 years	Lifetime	
Limited Term Tax-Exempt Bond Fund of America F-3	0.05	0.05	2.65	0.09	1.48	1.79	3.68	0.24
Limited Term Tax-Exempt Bond Fund of America F-2	0.02	0.02	2.54	-0.02	1.38	1.68	3.57	0.35
Bloomberg Municipal Short-Intermediate 1-10 Years Index	-0.36	-0.36	2.07	-0.04	1.34	1.80	3.62	n/a
Morningstar Muni National Short Category Average	0.29	0.29	2.70	0.50	1.13	1.10	2.45	n/a
Fund inception: October 6, 1993								

Certain share classes were offered after the inception dates of some funds. Results for these share classes prior to the dates of first sale are hypothetical based on the results of the original share class of the fund without a sales charge, adjusted for estimated annual expenses. (Inception date: Class F-2, August 1, 2008; Class F-3, January 27, 2017.) Results for certain funds with an inception date after the share class inception also include hypothetical returns because those funds' shares sold after the funds' date of first offering. Visit capitalgroup.com for more information on specific expense adjustments and the actual dates of first sale. Expense ratios are as of each fund's prospectus available at the time of publication.

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. Visit capitalgroup.com for more information.

Market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. There have been periods when the fund has lagged the index. Index lifetime is based on the inception date of the fund.

Although our portfolios are compared to their benchmarks, portfolio managers manage them to be consistent with their investment objectives.

Sources: Bloomberg Index Services Limited, Morningstar.

Limited Term Tax-Exempt Bond Fund of America

1Q Quarterly analysis

Investment objective and approach

- The fund's investment objective is to provide current income that is exempt from regular federal income tax, consistent with its maturity and quality standards described in the prospectus, and preservation of capital.
- Seeks to combine the stability of shorter term bond funds with the generally higher yield of intermediate-term bonds. With a focus on quality, the strategy typically invests in a broad spectrum of investment-grade municipal bonds with maturities between one and 10 years.

Review and attribution

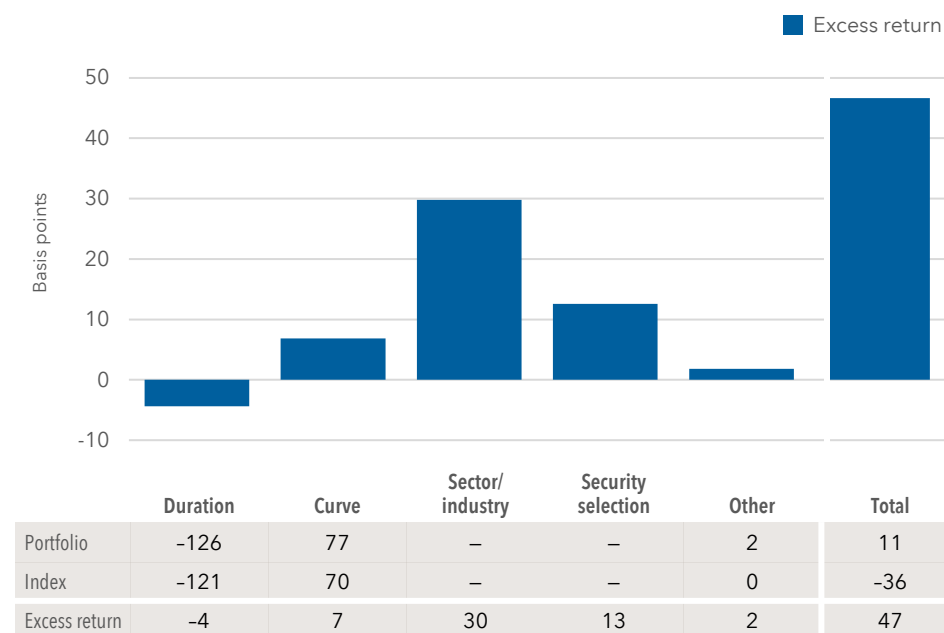
- The fund outpaced its benchmark, the Bloomberg Municipal Short-Intermediate 1-10 Years Index. Sector/industry decisions contributed most to relative results. Security selection and curve positioning contributed as well. Duration positioning detracted from relative results.
- The fund was slightly long duration by an average of 0.08 years relative to the benchmark. The overweight was primarily focused on the 5- and 10-year portions of the curve. The fund was underweight duration on the 30-year part of the curve.
- From a sector perspective, general obligation bonds contributed the most to excess returns, driven by an underweight in duration. Security selection within the corporates sector also contributed to relative results.

Attribution overview

1Q Quarterly analysis

Limited Term Tax-Exempt Bond Fund of America vs. Bloomberg Municipal Short-Intermediate 1-10 Years Index

Summary attribution effects



Totals may not reconcile due to rounding.

Ratings weights and returns

Rating	Weights (% market value)		Returns (%)		
	Portfolio	Index	Portfolio	Index	Relative
AAA/Aaa	21.55	23.85	0.02	-0.61	0.62
AA/Aa	42.86	53.87	-0.09	-0.46	0.37
A	22.34	18.92	0.43	0.10	0.33
BBB/Baa	6.55	2.35	0.46	0.51	-0.05
BB/Ba	0.04	0.01	n/a	n/a	—
B	—	—	—	—	—
CCC/Caa & below	—	—	—	—	—
Unrated	6.66	1.00	0.23	-0.10	0.33
Other	—	—	—	—	—
Total	100.00	100.00	0.11	-0.36	0.47

Data as of March 31, 2024. Past results are not predictive of results in future periods.

Other: The attribution effect describing all other returns not included in duration, curve, sector/industry and security selection effects. Other effects include “valuation impact,” which describes differences in pricing methodology among commonly held securities in the portfolio and index. For the portfolio, other effects may also include any partial-day returns due to buying or selling a security intraday. For the index, other effects may include any differences in the return calculated by the attribution system vs. the return published by the index provider.

The other category in Ratings weights and returns table may include equities, rights, warrants, preferreds, convertibles, forwards and FX (foreign exchange) options.

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. If agency ratings differ, a security will be considered to have received the highest of those ratings, consistent with applicable investment policies. Securities in the Unrated category have not been rated by a rating agency; however, the investment adviser performs its own credit analysis and assigns comparable ratings that are used for compliance with applicable investment policies.

Data are gross of fees, unless otherwise noted. Refer to attribution methodology disclosure for additional information.

Sources: Capital Group, Bloomberg Index Services Limited.

Attribution overview

1Q Quarterly analysis

Limited Term Tax-Exempt Bond Fund of America vs. Bloomberg Municipal Short-Intermediate 1-10 Years Index

Attribution detail

Sector	Portfolio			Index			Relative contribution				
	Weight (% market value)	Return (%)	Contribution (%)	Weight (% market value)	Return (%)	Contribution (%)	Duration & Curve (bps)	Sector/ Industry (bps)	Security selection (bps)	Other (bps)	Excess contribution (bps)
Top level	100.00	0.11	0.11	100.00	-0.36	-0.36	2	30	13	2	47
General Obligation	10.21	-0.35	-0.04	31.07	-0.56	-0.17	9	5	3	-0	13
Corporates	17.66	0.90	0.16	8.64	0.71	0.06	-2	12	-2	1	10
Education	3.36	-0.42	-0.01	5.44	-0.74	-0.04	1	1	2	-0	3
Escrowed	1.95	0.10	0.00	5.95	-0.14	-0.01	2	-0	0	-0	1
Governmental - Non GO	1.49	-0.13	-0.00	6.77	-0.44	-0.03	3	0	0	0	3
Health Care	8.28	0.00	0.00	5.63	-0.15	-0.01	-0	1	-1	1	1
Housing	30.26	0.17	0.05	1.34	-0.03	-0.00	-8	10	0	-1	5
Special Tax	4.73	-0.40	-0.02	9.76	-0.57	-0.06	3	1	1	0	4
Tobacco	0.23	0.89	0.00	0.35	0.12	0.00	0	-0	-0	0	0
Transportation	13.91	0.04	0.01	12.02	-0.35	-0.04	-3	-0	7	-0	5
Utility	7.62	-0.15	-0.01	12.23	-0.52	-0.06	1	1	2	1	5
Miscellaneous	0.70	-0.01	-0.00	0.80	-0.23	-0.00	0	-0	0	-0	0
Derivatives	0.00	n/a	-0.04	—	—	—	-4	0	0	0	-4
Cash & Money Market	-0.39	n/a	0.01	—	—	—	1	1	0	0	1

Data as of March 31, 2024. Past results are not predictive of results in future periods.

Other: The attribution effect describing all other returns not included in duration, curve, sector/industry and security selection effects. Other effects include "valuation impact," which describes differences in pricing methodology among commonly held securities in the portfolio and index. For the portfolio, other effects may also include any partial-day returns due to buying or selling a security intraday. For the index, other effects may include any differences in the return calculated by the attribution system vs. the return published by the index provider.

Cash, cash and equivalents, and cash and money market may include short-term securities, accrued income and other assets less liabilities as well as currencies. 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.

Data are gross of fees, unless otherwise noted. Refer to attribution methodology disclosure for additional information.

Sources: Capital Group, Bloomberg Index Services Limited.

Attribution detail

1Q Quarterly analysis

Limited Term Tax-Exempt Bond Fund of America vs. Bloomberg Municipal Short-Intermediate 1-10 Years Index

Contributors to curve adjusted returns (relative to index)

Largest contributors				Largest detractors			
Issuer	Portfolio weight (% market value)	Index weight (% market value)	Relative contribution (bps)	Issuer	Portfolio weight (% market value)	Index weight (% market value)	Relative contribution (bps)
BLACK BELT ENERGY GAS DIST	2.92	1.13	3	CENTRAL PLAINS ENERGY PROJ	–	0.32	–1
CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY	2.22	1.24	2	FORT BEND TEX INDPT SCH DIST	0.33	0.07	–0
CALIFORNIA ST MUNI FIN AUTH	0.81	0.09	2	CHICAGO (CITY OF)	–	0.29	–0
PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING AUTHORITY	1.52	0.18	2	TENNERGY CORP TENN	–	0.17	–0
TEXAS MUNICIPAL GAS ACQUISITION AND SUPPLY CORPORATION IV	0.53	0.19	1	KENTUCKY INC KY PUB ENERGY AUTH	0.27	0.55	–0
TEXAS ST DEPT HSG & CMNTY AFFAIRS	1.75	–	1	NEW JERSEY ST TRANSN TR FD AUTH	0.33	1.22	–0
JEFFERSON CNTY ALA SWR REV	0.48	0.01	1	CALIFORNIA HEALTH FACS FING AUTH	0.03	0.66	–0
ILLINOIS FINANCE AUTHORITY	1.37	0.58	1	LOS ANGELES CALIF UNI SCH DIST	0.00	0.65	–0
CALIFORNIA (STATE OF)	0.39	4.09	1	MATAGORDA CNTY TEX NAV DIST NO 1	0.04	0.05	–0
VIRGINIA ST SMALL BUSINESS FINANCING AUTHORITY	0.70	0.06	1	TEXAS MUNICIPAL GAS ACQUISITION & SUPPLY CORP III	0.02	0.14	–0

Data as of March 31, 2024. Past results are not predictive of results in future periods.

Curve adjusted return: distinct from total return, this is the return remaining for a particular category of the portfolio or index once the impacts from common factors – such as currency, duration, yield curve and government carry – are excluded.

“Issuer” indicates that one or more issues of the same issuer have been rolled up and thus what is presented in the report is the Issuer Level data.

Data are gross of fees, unless otherwise noted. Refer to attribution methodology disclosure for additional information.

Sources: Capital Group, Bloomberg Index Services Limited.

Limited Term Tax-Exempt Bond Fund of America

Portfolio positioning and commentary

- Municipal yields continue to offer an attractive opportunity for investors. Yields on a tax-equivalent basis for individuals who pay the most taxes are higher than those offered by investment-grade corporate bonds. The potential for rate cuts from the Federal Reserve (Fed) may also drive demand for municipal bonds in the coming months as investors broadly transition out of cash.
- State and local fundamentals remain solid and should continue to be supported by a relatively robust employment and economic outlook. Selectivity among municipal issuers, however, may become increasingly important as municipalities begin to spend down the remainder of their pandemic stimulus funds.
- While the probability of the U.S. economy avoiding a recession has grown, the rapid pace of rate hikes in the last two years could eventually weigh on growth. Municipal credit spreads also remain historically tight on average. Credit selection, therefore, is critical and calls for seeking higher quality and resilient credits with the ability to withstand a wider range of economic outcomes.
- The municipal curve inverted further in the first quarter as investors pared back the number of rate cuts they expect the Federal Reserve to deliver this year. 3-month municipal yields rose 70 basis points (bps), which was 48 bps higher than the rise of 10-year municipals. The inversion continues to provide an attractive opportunity in curve management for investors able to take advantage of yields in the short end of the curve.

Twenty largest obligors

Limited Term Tax-Exempt Bond Fund of America – portfolio as of March 31, 2024

Obligors	Yield (%)	Effective duration (yrs)	Portfolio (market value%)
Black Belt Energy Gas Dist	3.8	4.0	2.5
Waste Management	4.1	1.9	2.3
California Community Choice Financing Authority	3.8	5.5	2.2
Main Street Natural Gas Inc Ga	3.9	5.5	1.8
New York State Housing Finance Agency	4.5	2.2	1.6
New York City of	3.2	3.2	1.6
Michigan State Housing Development Authority	3.7	3.5	1.1
Texas Department of Housing & Community Affairs	4.1	3.8	1.1
Michigan State Housing Development Authority - 1987 RES	4.3	2.6	1.1
State of Illinois	3.2	4.0	1.0
Pennsylvania Hsg Fin Agy - 1982 Res	4.4	2.7	0.9
Port of Seattle WA	3.6	4.6	0.8
North Carolina Housing Finance Agency	4.1	3.5	0.8
New York City Transitional Finance Authority Future Tax Secured Revenue	3.4	5.8	0.8
Denver International Airport	3.3	4.1	0.7
Houston Airport System	3.4	5.2	0.7
Los Angeles Department of Airports Los Angeles International Air	3.3	4.3	0.7
Metropolitan Washington Airports Authority Aviation Revenue	3.3	4.7	0.7
Minnesota St Hsg Fin Agy - 1995 RES	4.3	2.6	0.7
South Dakota Hsg Dev Auth - 1977 Res	4.3	2.3	0.7
Total obligors 1 through 20			23.6

Totals may not reconcile due to rounding.

The information shown does not include cash and cash equivalents. This includes shares of money market or similar funds managed by the investment adviser or its affiliates that are not offered to the public.

Limited Term Tax-Exempt Bond Fund of America

As of March 31, 2024

Attribution methodology disclosure

Attribution analysis explains relative investment returns between the portfolio and its index by decomposing that return difference in terms of the components relevant to the investment decision-making process. Attribution data are gross of fees. Past results are not predictive of results in future periods.

Fixed income attribution analysis was produced using a third-party software system developed by BISAM, a FactSet company, based on daily input data for both the portfolio and the index. Input data elements such as holdings, prices, transactions, bond analytics, yield curves and exchange rates were provided by Capital Group. Bond analytic data for both the portfolio and index use PolyPaths analytics engine calculation assumptions through May 25, 2018, and BlackRock Aladdin analytics engine calculation assumptions thereafter. The index is a broad-based market benchmark calculated by the index provider and may not be used by Capital Group as the sole comparative index for this portfolio. Capital Group believes the information from BISAM, PolyPaths, BlackRock and the index provider to be reliable. However, Capital Group cannot be responsible for inaccuracies, incomplete information or updating of information by these parties. The average portfolio weight percentages are approximate over the period and may not total 100% due to rounding. The actual average portfolio weight percentages might be higher or lower.

Important information

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 portfolios and for portfolios 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. 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.

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2. The Plan fiduciary is responsible for exercising independent judgment in evaluating any transactions or services and is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies that Capital Group may market to the Plan; and
3. Capital Group is not undertaking to provide impartial investment advice, act as an impartial adviser or provide advice in a fiduciary capacity in connection with its distribution activities, and the parties agree that such activities will not be used as a primary basis for the Plan’s investment decisions.

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