# 1Q 2024

## American Funds Strategic Bond Fund quarterly attribution report

As of March 31, 2024

### Market overview

- **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. High Yield 2% Issuer Cap 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%.

| Market index returns (net of dividends) | Cumulative | | | Average annual | | |
|---|---|---|---|---|---|---|
| For periods ended March 31, 2024 (%) | 3 months | YTD | 1 year | 3 years | 5 years | 10 years |
| **Bloomberg U.S. Aggregate Index** | –0.78 | –0.78 | 1.70 | –2.46 | 0.36 | 1.54 |
| **Bloomberg U.S. Government Index** | –0.93 | –0.93 | 0.13 | –2.68 | –0.04 | 1.05 |
| **Bloomberg U.S. Mortgage Backed Securities Index** | –1.04 | –1.04 | 1.39 | –2.84 | –0.39 | 1.12 |
| **Bloomberg U.S. Corporate Investment Grade Index** | –0.40 | –0.40 | 4.43 | –1.87 | 1.52 | 2.61 |
| **Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index** | 1.47 | 1.47 | 11.15 | 2.19 | 4.19 | 4.44 |
| **Bloomberg U.S. Treasury Inflation-Protected Securities (TIPS) Index** | –0.08 | –0.08 | 0.45 | –0.53 | 2.49 | 2.21 |

# Results

## American Funds Strategic Bond Fund

**Figures shown are past results for Class R-6, 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 | Lifetime | |
| **American Funds Strategic Bond Fund R-6** | **–2.05** | **–2.05** | **–3.63** | **–3.36** | **1.51** | **2.13** | **0.32** |
| **American Funds Strategic Bond Fund F-3** | **–2.05** | **–2.05** | **–3.63** | **–3.36** | **1.51** | **2.14** | **0.32** |
| **American Funds Strategic Bond Fund F-2** | **–1.97** | **–1.97** | **–3.63** | **–3.42** | **1.44** | **2.04** | **0.42** |
| Bloomberg U.S. Aggregate Index | –0.78 | –0.78 | 1.70 | –2.46 | 0.36 | 1.05 | n/a |
| Morningstar Intermediate Core-Plus Bond Category Average | –0.20 | –0.20 | 2.91 | –2.26 | 0.75 | 1.60 | n/a |

Fund inception: March 18, 2016

We offer a range of share classes designed to meet the needs of retirement plan sponsors and participants. The different share classes incorporate varying levels of financial professional compensation and service provider payments. Because Class R-6 shares do not include any recordkeeping payments, expenses are lower and results are higher. Other share classes that include recordkeeping costs have higher expenses and lower results than Class R-6.

Certain share classes were offered after the inception dates of some funds. Results for these shares prior to the dates of first sale are hypothetical based on the original share class results without a sales charge, adjusted for typical estimated expenses. (Inception date: Class F-2, August 1, 2008; Class F-3, January 27, 2017; Class R-6, May 1, 2009.) 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.

# American Funds Strategic Bond Fund

## 1Q Quarterly analysis

### Investment objective and approach

- The fund's investment objective is to provide maximum total return consistent with preservation of capital.
- Differentiated core plus strategy that seeks higher returns than core bond funds with generally low equity correlation.

### Review and attribution

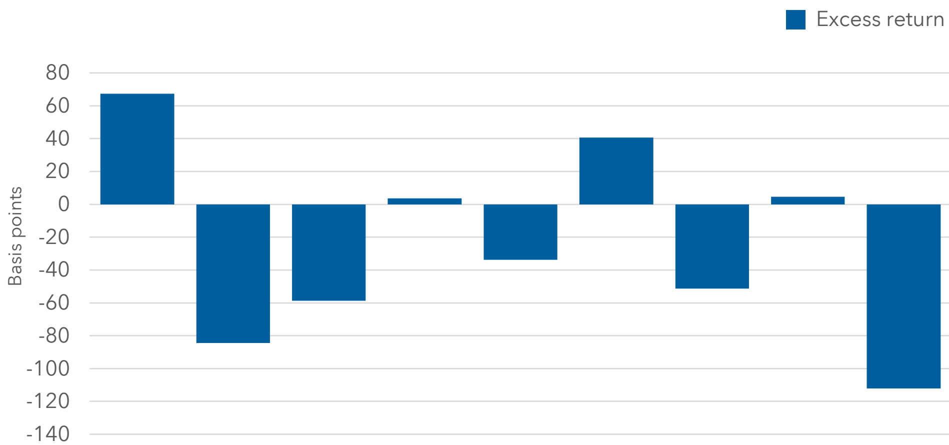
- Absolute returns for the benchmark were negative as rates rose in response to continued economic resilience.
- The fund’s defensive positioning weighed on relative results and caused its results to lag the benchmark.
- Active interest rate positioning was a modest drag on results for the quarter.
- Positioning for a steeper yield curve detracted from results given the curve inverted further in response to higher-than-expected inflation data.
- The managers’ decision to pair an underweight duration position with the curve steepener was helpful overall, with duration positioning offsetting a significant portion of the negative impact from curve.
- A small allocation to Treasury Inflation-Protected Securities (TIPS) helped in light of inflation data surprising to the upside.
- Defensive positioning in asset/sector allocation weighed significantly on results.
- Specifically, the portfolio was positioned to benefit from spread widening in both investment-grade and high-yield corporates. However, continued economic strength and strong technicals drove corporate spreads to multi-year lows and these positions detracted from results.
- On a relative value basis, the managers have preferred securitized sectors to corporate credit, and the overweight to securitized credit added slightly to results.
- Positive security selection was broad based and additive to results, helping to mitigate the negative impact from asset/sector allocation.
- Currency positioning was a drag on results this quarter as the Japanese yen weakened and the Mexican peso strengthened against the U.S. dollar. The respective overweight and underweight positions to these currencies are expected to protect the portfolio in a risk-off environment.

# Attribution overview

## 1Q Quarterly analysis

### American Funds Strategic Bond Fund vs. Bloomberg U.S. Aggregate Index

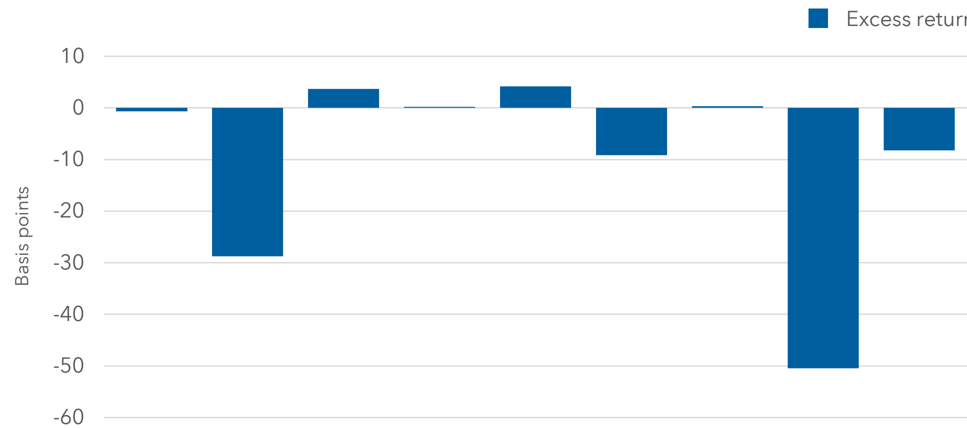
**Summary attribution effects**




| | Duration | Curve | Asset allocation | Inflation-linked | Sector/ industry | Security selection | Currency | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Portfolio | −151 | 40 | – | – | – | – | -51 | 5 | -190 |
| Index | −218 | 124 | – | – | – | – | 0 | 0 | -78 |
| Excess return | 67 | -84 | -59 | 4 | -34 | 41 | -51 | 5 | -112 |

Totals may not reconcile due to rounding.

**Sector and asset allocation attribution effects**




| | Cash & money market | Treasuries (nominal) | Inflation-linked | Government-related | Securitized | Corporates (I-G) | Municipals | High-yield | Emerging markets |
|---|---|---|---|---|---|---|---|---|---|
| Excess return | -1 | -29 | 4 | 0 | 4 | -9 | 0 | -50 | -8 |

Totals may not reconcile due to rounding.

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.

Corporates (I-G) = Corporates (Investment-grade).

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

### American Funds Strategic Bond Fund vs. Bloomberg U.S. Aggregate Index

**Attribution detail**

| | Portfolio | | | Index | | | Relative contribution | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sector | Weight (% market value) | Return (%) | Contribution (%) | Weight (% market value) | Return (%) | Contribution (%) | Duration (bps) | Curve (bps) | Asset allocation (bps) | Inflation-linked (bps) | Sector/ Industry (bps) | Security selection (bps) | Currency (bps) | Other (bps) | Excess contribution (bps) |
| **Top level** | **100.00** | **-1.90** | **-1.90** | **100.00** | **-0.78** | **-0.78** | **67** | **-84** | **-59** | **4** | **-34** | **41** | **-51** | **5** | **-112** |
| Securitized | 41.48 | -0.14 | 0.04 | 28.45 | -0.91 | -0.26 | 7 | -1 | – | – | 4 | 17 | 0 | 0 | 30 |
| Emerging Markets | 6.71 | 0.90 | 0.08 | 1.28 | -0.81 | -0.01 | -4 | 7 | -8 | – | – | 14 | -1 | -0 | 9 |
| Corporates (I-G) | 19.78 | -0.39 | -0.06 | 24.68 | -0.40 | -0.10 | 10 | -7 | – | – | -9 | 8 | 0 | 2 | 4 |
| Municipals | 0.85 | 0.82 | 0.01 | 0.58 | -0.44 | -0.00 | -0 | 0 | – | – | 0 | 1 | 0 | 0 | 1 |
| Government-Related | 0.68 | -0.13 | -0.00 | 3.28 | -0.14 | -0.00 | 3 | -3 | – | – | 0 | 0 | 0 | 0 | 0 |
| Inflation-Linked | 2.76 | -0.97 | -0.03 | – | – | – | -12 | 5 | – | 4 | – | 0 | -0 | -0 | -3 |
| Forward Contracts | -0.08 | n/a | -0.48 | – | – | – | 0 | 0 | – | – | 0 | 0 | -48 | 0 | -48 |
| High-Yield | 9.21 | -5.35 | -0.49 | – | – | – | -10 | 9 | -50 | – | – | 0 | 0 | 1 | -49 |
| Treasuries (Nominal) | 13.62 | n/a | -1.19 | 41.74 | -0.96 | -0.40 | 74 | -118 | – | – | -29 | 1 | -2 | 1 | -79 |
| Cash & Money Market | 4.99 | n/a | 0.22 | – | – | – | -0 | 23 | – | – | -1 | 0 | -0 | 0 | 22 |

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.

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Corporates (I-G) = Corporates (Investment-grade).

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

Sources: Capital Group, Bloomberg Index Services Limited.

# American Funds Strategic Bond Fund

## Portfolio positioning and commentary

- A resilient economy has underpinned robust investor risk appetite. Investors have generally looked beyond negative geopolitical headlines and rising interest rates as equities have reached all-time highs and credit spreads have tightened to multi-year lows.
- Portfolio positioning remains focused on valuations and providing downside protection while still seeking to benefit from high-conviction security selection. The slope of the yield curve and tightness in credit spreads stand out in terms of valuations.
- Positioning for a steepening of the yield curve remains a high-conviction view supported by economic fundamentals, policy fundamentals, valuations and technical factors. Yield curve steepening is possible in multiple scenarios including a worse-than-expected economic outcome (bull steepening) or a rising interest rate environment in which concerns regarding elevated Treasury supply reemerge (bear steepening).
- Given the uncertain timing regarding rate cuts, positioning for a steeper curve is paired with an underweight to duration to help provide some protection against a potential bear flattening scenario. The portfolio maintains modest exposure to TIPS to provide a further cushion in this scenario.
- The portfolio remains defensive in overall credit exposure given the managers' view that valuations present asymmetric risk of spread widening, while still taking advantage of idiosyncratic opportunities for security selection across sectors.
- The portfolio managers continue to favor securitized sectors, both agency mortgage-backed securities and securitized credit, compared to corporate credit given relative valuations. This package is neutral from the perspective of income associated with the position but should do well in a risk-off environment.
- Overall, the portfolio's best-case scenario is a worse-than-expected economic outcome resulting in both a steeper yield curve and wider credit spreads.
- There are multiple scenarios in which the curve may steepen while credit spreads tighten (a higher-for-longer rate cycle with no rate hikes signaled, for example) or, vice versa, the curve flattens and credit spreads widen (the Federal Reserve reinitiates hikes, for example).
- Alternatively, persistent curve inversion and further tightening in credit spreads would weigh on the portfolio's relative results – this could occur should a "no landing" scenario become reality, where economic growth flourishes.

# Twenty largest credit issuers

**American Funds Strategic Bond Fund — portfolio as of March 31, 2024**

| Issuer | Yield (%) | Effective duration (yrs) | Portfolio (market value %) |
|---|---|---|---|
| Amgen | 5.2 | 9.2 | 0.6 |
| Wells Fargo | 5.4 | 7.3 | 0.6 |
| PG&E | 5.6 | 7.1 | 0.6 |
| Bristol-Myers Squibb | 5.1 | 8.8 | 0.5 |
| PNC Financial Services Group | 5.6 | 6.7 | 0.5 |
| HSBC Holdings | 5.6 | 6.9 | 0.5 |
| Bank of America | 5.3 | 5.7 | 0.4 |
| Goldman Sachs | 5.4 | 6.4 | 0.4 |
| Morgan Stanley | 5.4 | 6.2 | 0.4 |
| British American Tobacco | 6.0 | 9.3 | 0.4 |
| AbbVie | 5.0 | 10.3 | 0.4 |
| Berkshire Hathaway | 5.7 | 12.9 | 0.3 |
| Roche | 4.9 | 7.4 | 0.3 |
| Philip Morris International | 5.2 | 6.1 | 0.3 |
| JPMorgan Chase | 5.3 | 3.4 | 0.3 |
| Ford Motor | 5.9 | 5.1 | 0.3 |
| Meta Platforms | 4.9 | 10.1 | 0.3 |
| Energy Transfer | 5.6 | 8.5 | 0.3 |
| Boeing | 6.0 | 8.0 | 0.3 |
| Citigroup | 5.5 | 6.4 | 0.3 |
| **Total issuers 1 through 20** | | | **8.0** |

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.

# American Funds Strategic Bond Fund

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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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 fund may engage in frequent and active trading of its portfolio securities, which may involve correspondingly greater transaction costs, adversely affecting the fund's results.

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. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds. 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.

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1. The Plan is represented by a "fiduciary" within the meaning of section 3(21)(A) of ERISA with full authority and responsibility for the decision to enter into transactions or service relationships (the "Plan fiduciary");
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.

This Notice does not apply beyond distribution activities. Thus, for example, Capital Group will act as a fiduciary and as an investment manager under ERISA to the extent provided in the terms of a participation or investment management agreement.