

The Tax-Exempt Fund of California®

Class F-2 | TEFEX for the year ended July 31, 2026



This annual shareholder report contains important information about The Tax-Exempt Fund of California (the "fund") for the period from August 1, 2025 to July 31, 2026. You can find additional information about the fund at capitalgroup.com/mutual-fund-literature-F2. You can also request this information by contacting us at (800) 421-4225. **This report describes changes to the fund that occurred during the reporting period.**

What were the fund costs for the last year? (based on a hypothetical \$10,000 investment)

Share class	Costs of a \$10,000 investment	Costs paid as a percentage of a \$10,000 investment
Class F-2	\$41	0.40%

Management's discussion of fund performance

The fund's Class F-2 shares gained 5.90% for the year ended July 31, 2026. That result compares with a 5.05% gain for the Bloomberg California Municipal Index. For information on returns for additional periods, including the fund lifetime, please refer to capitalgroup.com/mutual-fund-returns-F2.

What factors influenced results

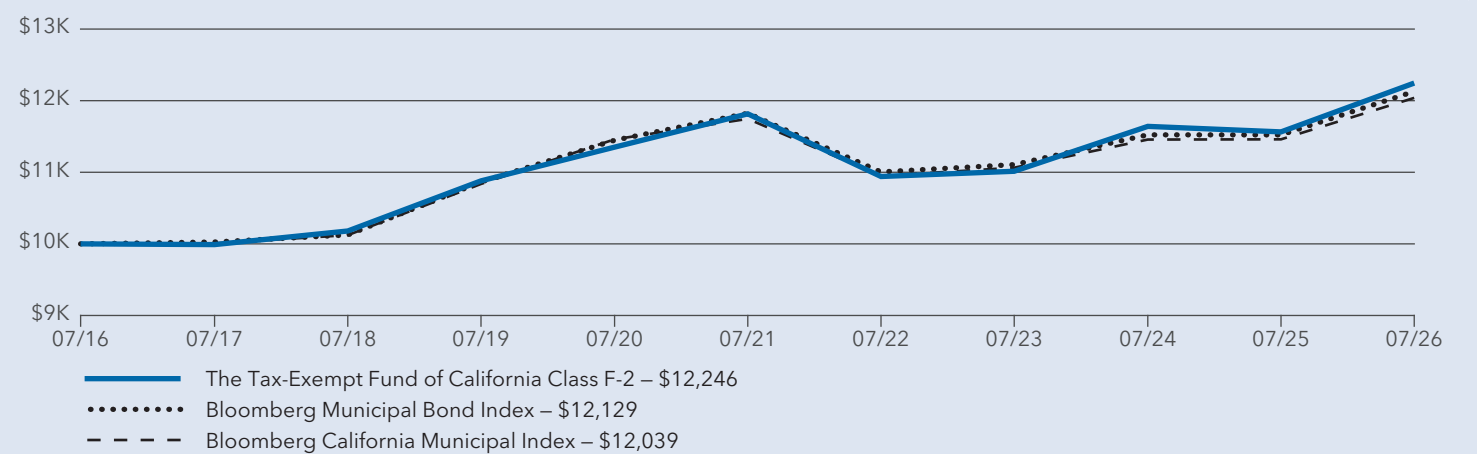
During the fund's fiscal year, municipal bonds posted positive returns. The U.S. economy remained resilient, though signs of labor market softening led the U.S. Federal Reserve to implement three 25-basis-point rate cuts. Interest rate volatility drove returns while credit spreads remained range bound. The municipal yield curve remained steep, as demand for shorter maturities was consistently strong.

Both the fund and the benchmark (the Bloomberg California Municipal Index) generated positive absolute results over the period. Curve positioning was the primary contributor to relative results, with security selection added to a lesser extent. Municipal yields rose on the short end of the curve and fell on the long end. The fund maintained a modest long-duration position relative to the benchmark, averaging 0.52 years longer, with an overweight to the long end and an underweight to the short end of the curve. An overweight in corporate bonds and an underweight in utility bonds were additive to relative results. Security selection within the special tax and general obligation sectors was particularly beneficial. Investment choices in education and health care bonds also contributed.

Duration and sector decisions detracted from relative results. From a sector perspective, overweights to housing and special tax bonds detracted.

How a hypothetical \$10,000 investment has grown

Figures assume reinvestment of dividends and capital gains.



Average annual total returns

	1 year	5 years	10 years
The Tax-Exempt Fund of California – Class F-2*	5.90%	0.72%	2.05%
Bloomberg Municipal Bond Index†	5.27%	0.51%	1.95%
Bloomberg California Municipal Index†	5.05%	0.49%	1.87%

* 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.

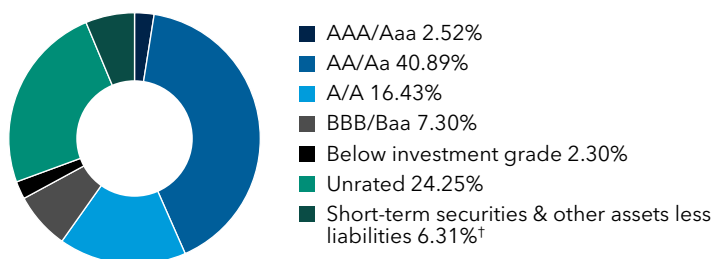
† Results assume all distributions are reinvested. Any market index shown is unmanaged, and therefore, has no expenses. Investors cannot invest directly in an index. Source(s): Bloomberg Index Services Ltd.

The fund's past performance is not a predictor of its future performance. The line chart and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or redemption of fund shares.

Key fund statistics

Fund net assets (in millions)	\$3,670
Total number of portfolio holdings	1,851
Total advisory fees paid (in millions)	\$9
Portfolio turnover rate	26%

Portfolio quality summary* (percent of net assets)



* 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. In assigning a credit rating to a security, the fund looks specifically to the ratings assigned to the issuer of the security by Standard & Poor's, Moody's and/or Fitch. If agency ratings differ, the security will be considered to have received the highest of those ratings, consistent with the fund's investment policies. Securities in the "unrated" category (above) 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 the fund's investment policies.

† Includes derivatives.

Material fund changes

This is a summary of certain changes to the fund since August 1, 2025. For more complete information, you may review the fund's next prospectus, which we expect to be available by October 1, 2026 at capitalgroup.com/mutual-fund-literature-F2 or upon request at (800) 421-4225.

On November 25, 2025, shareholders of the fund approved an amendment to the investment advisory and service agreement to remove the income component and revise the advisory fee schedule, effective March 1, 2026.

Availability of additional information

Additional information about the fund, including its prospectus, financial information, holdings, and proxy voting information is available at capitalgroup.com/mutual-fund-literature-F2.

Important information

To reduce fund expenses, only one copy of most shareholder documents will be mailed to shareholders with multiple accounts at the same address (householding). If you would prefer that your documents not be househanded, please contact Capital Group at (800) 421-4225, or contact your financial intermediary. Your instructions will typically be effective within 30 days of receipt by Capital Group or your financial intermediary.