Payden Global Income Opportunities Fund

GRANT SAMUEL FUNDS MANAGEMENT

Payden&Rygel Investment Management

MONTHLY FUND UPDATE

31 December 2018

Performance

As at 31 December 2018

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception[1] % pa
Fund[2]	(0.28)	(0.51)	0.63	3.02	3.37	3.44
Benchmark[3]	0.15	0.48	1.92	1.91	2.15	2.32
Value added	(0.43)	(0.99)	(1.29)	1.11	1.22	1.12

1. Inception Date: 18 September 2012
2. Fund returns are calculated net of management fees
3. Bloomberg AusBond Bank Bill Index

Past performance is provided for illustrative purposes only and is not a guide to future performance.

Fund facts

Summary	
APIR code	GSF0008AU
Inception date	18 September 2012
Fund size: 31 December 2018	$838.50 million
Minimum investment	$25,000
Unit valuation	Sydney Business Day
Applications and withdrawals	Daily
Distribution frequency	Quarterly
Cum unit prices[1] at 31 December 2018	Application $ 1.1074 Withdrawal $ 1.1052
Responsible entity	Grant Samuel Fund Services Limited

1. Entry and exit prices for each Business Day available at www.gsfm.com.au

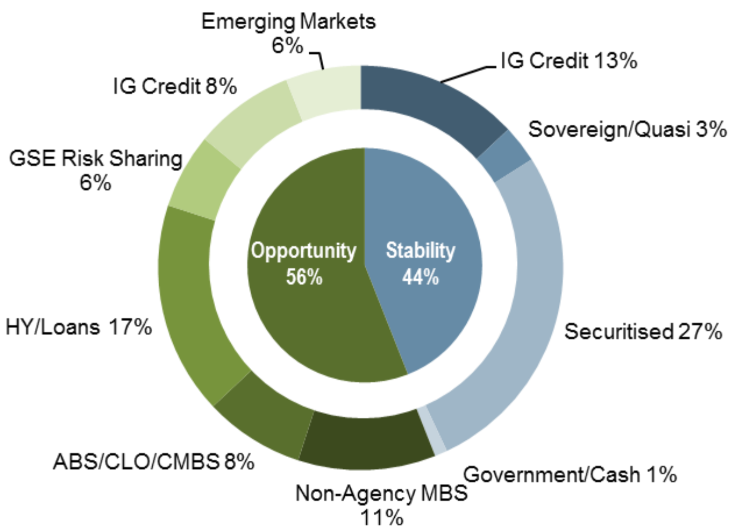
Fees	
Establishment fee	Nil
Contribution fee	Nil
Withdrawal fee	Nil
Management costs[2]	0.73%pa of the Net Asset Value
Buy/Sell spread	+/- 0.10%

2. Inclusive of the net impact of GST

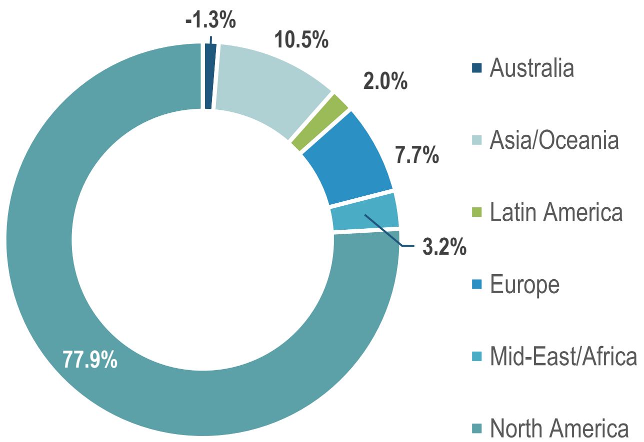
Portfolio characteristics	
Number of positions	267
Average rating	BBB
Price	96.73
Current yield[3]	4.33%
Interest Rate Duration	1.71
Spread Duration	3.57
Yield to Maturity	3.84%

3. In AUD terms (predominantly currency hedged)

Sector allocation at 31 December 2018[4]

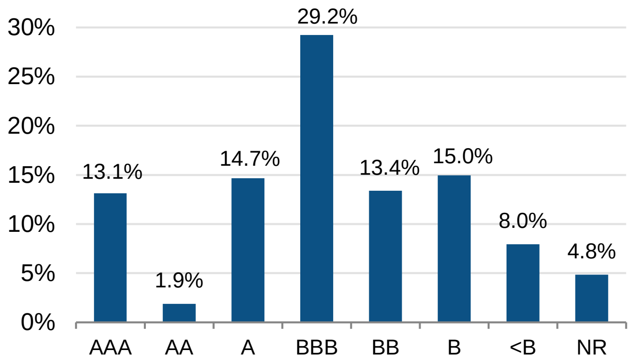


Regional allocation at 31 December 2018[4]



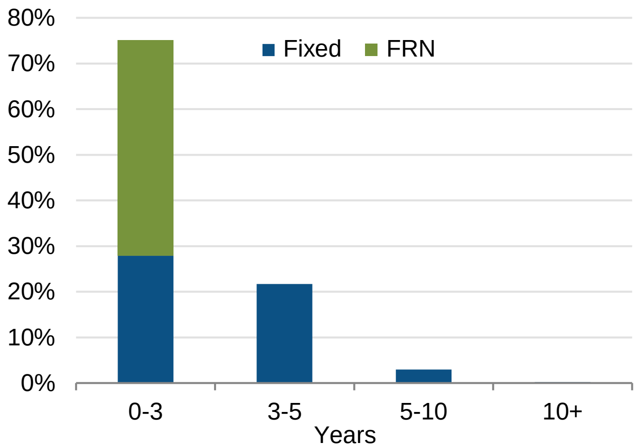
4 May not total due to rounding

Rating at 31 December 2018[4]



4. May not total due to rounding

Maturity at 31 December 2018



Market overview

The month of December was underscored by rising volatility, declining prices across risk assets, and a persistent flattening (with subtle inversion) of the U.S. yield curve. Specifically, the difference between 2-year U.S. Treasury yields and 5-year yields (2s5s) inverted on December 3rd. While still something to monitor, an inverted yield curve is not nearly the definitive beacon of recession that it once was. Global yields declined in conjunction with the tone in risk assets and flattening of the U.S. Government yield curve. Notably, 5-year maturity government yields were lower in the U.S. by 0.44%, the U.K. by 0.26%, Europe by 0.22%, and Australia by 0.33%. Market sentiment weakened after the Fed meeting as tightening financial conditions caused equities to decline (S&P 500 -9%) and risk premium to widen (U.S. high-yield bond spreads +1.1%.).

Fund review

The Fund returned -0.28% as high-yield bonds, leveraged loans, and emerging markets all experienced widening risk premiums. The CLO market also softened, down 3% in aggregate, with mezzanine tranches leading the move lower in price. Lastly, seasonal year-end funding needs fostered a heightened demand for U.S. Dollars, causing material distortion in both foreign exchange and funding markets. Specifically, the cost of U.S. Dollars relative to the Japanese Yen increased from 2.5% to 4.5% during the month of December. Tactical performance was a modest detractor as positive returns from interest rate positions was offset by foreign exchange and credit positions. New issue participation included the following deals: **Securitized** – CAFL (Colony American SFR) and BABSN (Barings CLO Re-fi)

Outlook

Despite persistently negative headlines and weak tone across risk assets, we believe underlying fundamentals and higher risk premiums are reason for optimism. Lower long-term yields reflect declining global growth expectations combined with weak technicals and tighter financial conditions. We acknowledge the path of global growth has softened, but expect the U.S. economy to remain an anchor for the rest of the world as unemployment remains at its lowest levels since the 1960s and 2019 expectations for U.S. GDP are north of 2%.