Payden Global Income Opportunities Fund

GRANT SAMUEL FUNDS MANAGEMENT

Payden&Rygel Investment Management

QUARTERLY FUND UPDATE

31 December 2018

Performance

As at 31 December 2018

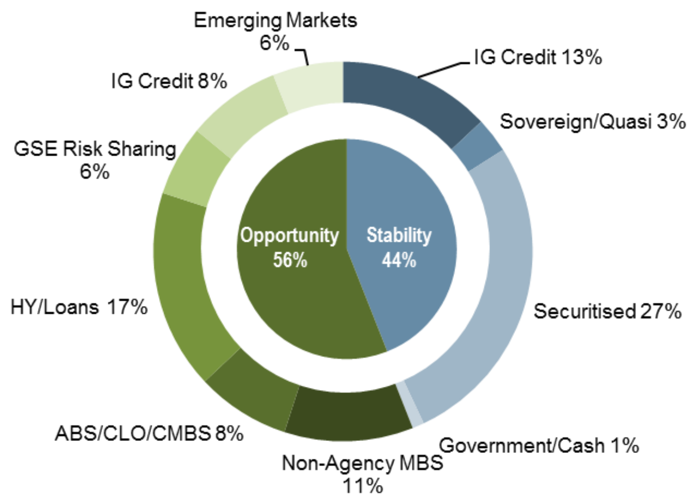
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception[1] % pa
Fund[2]	(0.28)	(0.51)	0.63	3.02	3.37	3.44
Benchmark[3]	0.15	0.48	1.92	1.91	2.15	2.32
Value added	(0.43)	(0.99)	(1.29)	1.11	1.22	1.12

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

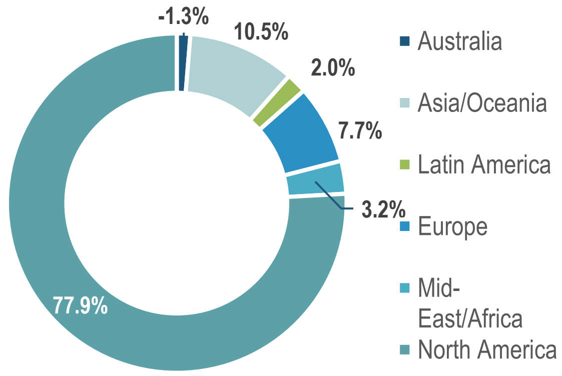
Past performance is provided for illustrative purposes only and is not a guide to future performance.

Fund facts

Sector allocation at 31 December 2018



Regional allocation at 31 December 2018



[4] May not total due to rounding

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	+/- 0.20%

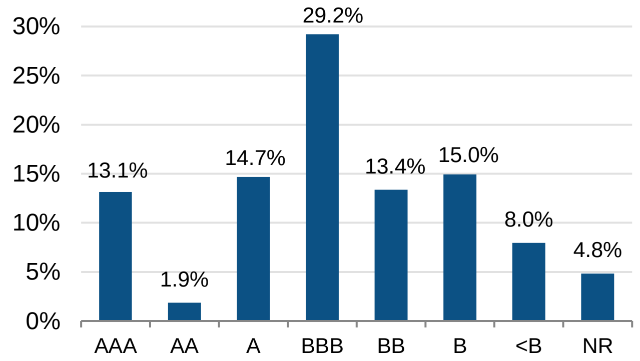
2. Inclusive of the net impact of GST

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%

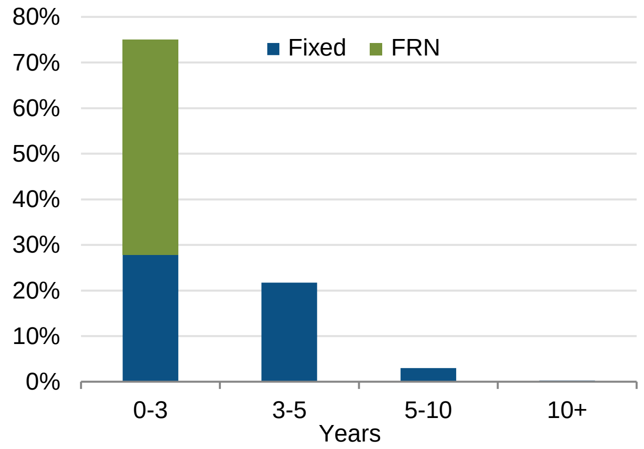
3. In AUD terms (predominantly currency hedged)

Rating at 31 December 2018[4]



1. May not total due to rounding

Maturity at 31 December 2018



The base currency and neutral position of the Fund is the Australian dollar (AUD). The Fund will be substantially hedged to this currency unless the Investment Manager expresses a specific market view

Distributions

The Fund aims to pay distributions on a quarterly basis. A distribution of 0.100000 cents per unit will be paid for the quarter ended 31 December 2018.

Fund disclosure

The Fund has certain regular reporting and continuous disclosure obligations pursuant to the Corporations Act. All continuous disclosure notices are available at www.gsfm.com.au.

Market overview

The fourth quarter saw an increase in market volatility as investors reduced risk and looked to safe-haven assets. The FOMC raised interest rates in December, their ninth hike since the end of 2015, and forecast two more 0.25% increases in 2019. While prospects for U.S. growth remained strong, the Fed's message of future interest rate hikes and the balance sheet unwind in the face of volatile markets exacerbated market fluctuations. Geopolitical risks remain as uncertainty over the U.S./China relationship, concerns surrounding emerging markets, populism in Europe and Brexit drove a negative tone across broad risk assets. Treasury yields declined, credit risk premiums increased, and equity prices fell by over 10%.

Fund review

High yield corporate bonds reversed gains for the year as credit risk premiums widened almost 2%. Investment grade corporates and emerging market debt followed suit, with credit risk premiums wider by 0.4 - 0.7%. Leverage loans and high yield corporate bonds underperformed relative to other asset classes, a bi-product of weaker market technicals. We added exposure to both sectors as current valuations are reasonable when combined with stable fundamental data. Non-agency residential mortgage performance ultimately caught-up with credit markets as prices declined, exacerbated by heavy new issue supply. One bright spot was non-agency commercial mortgages, which delivered slightly positive returns for the quarter. Both tactical corporate credit purchases and rates positions detracted from performance as risk sentiment turned sour. Positive returns from tail risk hedges slightly offset the cost to purchase insurance as volatility slowly crept higher.

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%. Overall wider credit risk premiums at the end of 2018 provide an opportunity for credit to perform well in 2019. However, further quantitative tightening, trade war escalation, and geopolitical headlines are harbingers for heightened volatility.

For more information about the Payden Global Income Opportunities Fund, please go to www.gsfm.com.au