Payden Global Income Opportunities Fund

GRANT SAMUEL FUNDS MANAGEMENT

Payden&Rygel Investment Management

MONTHLY FUND UPDATE

31 January 2019

## Performance

As at 31 January 2019

| | 1 month % | 3 months % | 1 year % | 3 years % pa | 5 years % pa | Since inception[1] % pa |
|---|---|---|---|---|---|---|
| Fund[2] | 1.22 | 0.81 | 1.84 | 3.41 | 3.49 | 3.59 |
| Benchmark[3] | 0.18 | 0.49 | 1.95 | 1.91 | 2.14 | 2.32 |
| Value added | 1.04 | 0.32 | (0.11) | 1.50 | 1.35 | 1.27 |

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 January 2019 | $840.08 million |
| Minimum investment | $25,000 |
| Unit valuation | Sydney Business Day |
| Applications and withdrawals | Daily |
| Distribution frequency | Quarterly |
| Cum unit prices[1] at 31 January 2019 | Application $ 1.1199<br>Withdrawal $ 1.1177 |
| 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% |

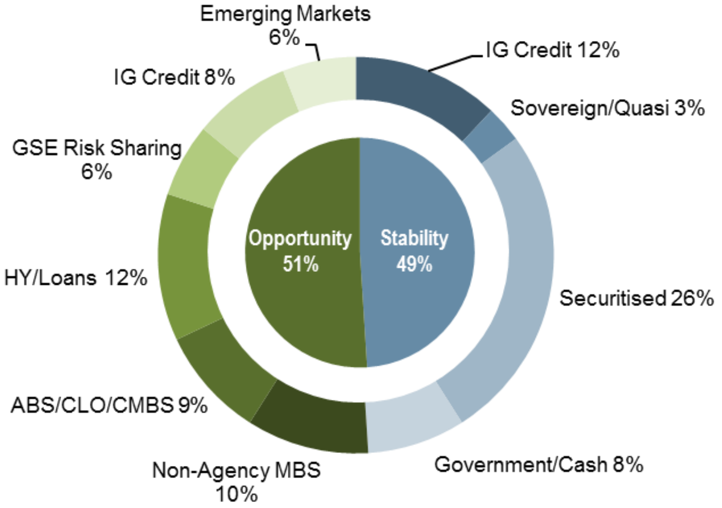
2. Inclusive of the net impact of GST

**Portfolio characteristics**

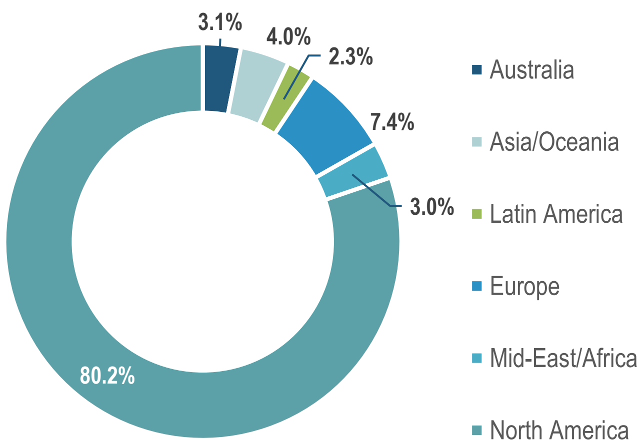
| | |
|---|---|
| Number of positions | 269 |
| Average rating | BBB |
| Price | 97.77 |
| Current yield[3] | 3.80% |
| Interest Rate Duration | 1.66 |
| Spread Duration | 3.21 |
| Yield to Maturity | 3.74% |

3. In AUD terms (predominantly currency hedged)

**Sector allocation at 31 January 2019[4]**

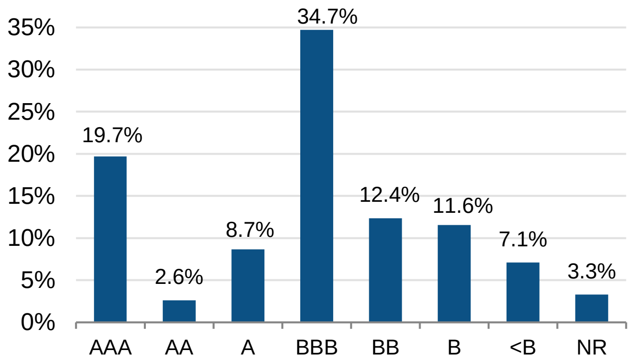



**Regional allocation at 31 January 2019[4]**



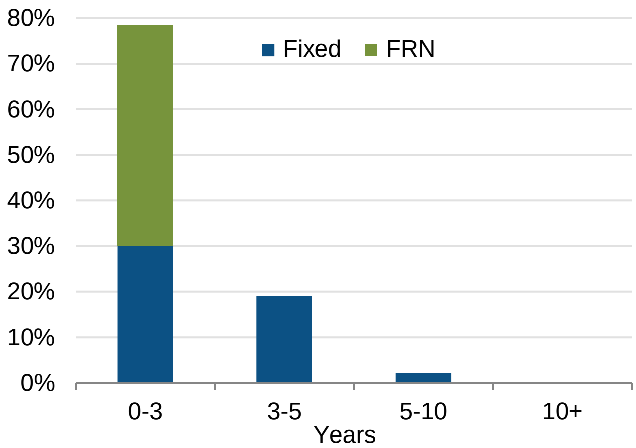

4 May not total due to rounding

**Rating at 31 January 2019**[4]




4. May not total due to rounding

**Maturity at 31 January 2019**




## Market overview

Financial markets rallied in January as the negative sentiment and poor liquidity from December largely reversed. Although the IMF knocked 0.2% off its forecast of global economic growth for 2019, refreshing market concerns about a global growth slowdown, the U.S. Federal Reserve tempered expectations. Specifically, the Fed pivoted to a more dovish stance surrounding quantitative tightening and future rate hikes, a positive outcome for investors. U.S. and Chinese negotiators agreed to a truce in the so-called "trade war" until at least March 2019. With this as a backdrop, both equity and fixed income markets boasted strong performance as the S&P 500 Index produced 8.0%, the U.S. High Yield Index returned 4.4%, and oil prices rose 18.5%. Moreover, government bond yields generally declined 0.0-0.1% across the curve for most developed countries including the U.S., Europe, the U.K. and Australia.

## Fund review

The Fund returned 1.22% in January as our effort to increase yield at year-end benefitted from the January rally. Over Q4, we added roughly 12% to our opportunistic bucket of securities, both taking advantage of what we felt to be an overstated drawdown and acting as a liquidity provider in a seasonally less liquid environment. We have since taken profits on these assets, decreased our opportunistic allocation and reinvested proceeds into more stable securities. As the tone in risk assets improved, the primary market picked-up. Specifically, supply in the U.S. Investment Grade market was over $90 billion during the month. Much of this issuance offered attractive concessions when compared to existing securities, leading us to participate in numerous new deals. New issue participation includes the following deals: **Investment Grade:** 21st Century Fox America Inc, Anheuser-Busch InBev **Emerging Markets:** State Bank of India **Securitized:** STACR (Freddie Mac)

## Outlook

Global growth has been weaker than expected due in large part to factors such as broad risk sentiment, liquidity, and global political turmoil. These can weigh on asset prices, a great example of which was exhibited in the fourth quarter of 2018. However, despite modest headwinds, we continue to see positive elements of the U.S. economy that should favorably impact global growth. Notably, a declining unemployment rate, stable inflation, and positive GDP trajectory, in-tandem with a more dovish Fed. The combination of these metrics, including a more "patient" Fed, should continue to support risk assets in the first half of 2019.