PAYDEN GLOBAL INCOME OPPORTUNITIES: MONTHLY REPORT

Payden&Rygel Investment Management

April 2019

Fund overview

The Payden Global Income Opportunities Fund (the Fund) uses an unconstrained investment strategy, one that's not managed against a benchmark.

Being unanchored from traditional benchmarks allows Payden the flexibility to search for attractively valued assets. The result is a 'best ideas' portfolio that reflects the most promising risk-adjusted opportunities around the globe.

Payden's investment approach focuses on three areas:

1. Multi-sector income focused portfolio including bonds, loans, securities fixed income; represents approx. 80-90% of historic strategy returns
2. Tactical positioning in rates, currencies & spread product
3. Protection against extreme market conditions, dampen drawdowns.

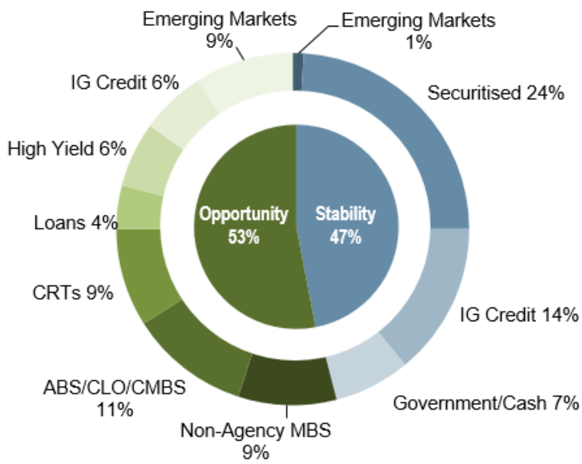
Source: Payden & Rygel

Fund characteristics

at 30 April 2019

Number of positions	243
Average rating	BAA2
Price	98.63
Current yield	4.21%
Interest Rate Duration	1.77
Spread Duration	3.21
Yield to Maturity	3.02%

Sector allocation at 30 April 2019



Performance

As at 30 April 2019

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception[1] % pa
Fund[2]	0.53	1.50	3.13	3.32	3.51	3.69
Benchmark[3]	0.16	0.50	2.02	1.88	2.12	2.31
Value added	0.37	1.00	1.11	1.44	1.39	1.38

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

Past performance is not a guide to future performance

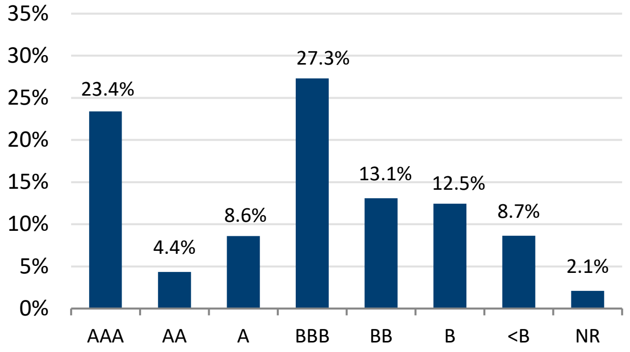
Fund facts

Regional allocation at 30 April 2019

Europe	7.3%
Australia	1.9%
North America	81.0%
Latin America	2.0%
Asia/Oceania	3.8%
MidEast/Africa	4.0%

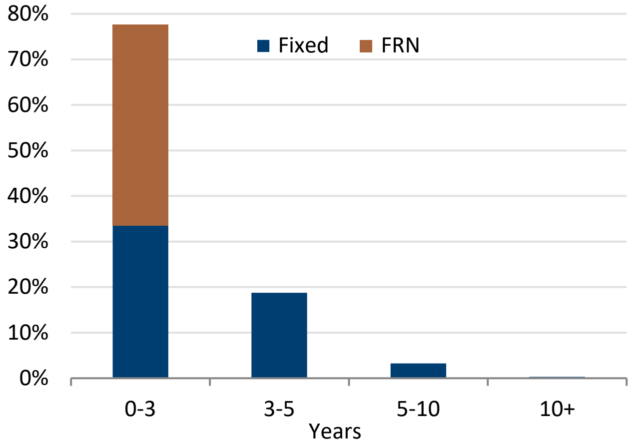
May not total due to rounding

Rating at 30 April 2019



May not total due to rounding

Maturity at 30 April 2019



Manager commentary

Month in review

The month of April was underscored by continued improvement in financial conditions and corresponding asset prices when compared to the end of 2018. Central banks remained dovish and global economic data stabilised, causing volatility to decline and investor confidence to improve. More Brexit "deadlines" have come and gone, leaving further uncertainty over how negotiations will play out, while also dampening concerns in the region regarding a near-term adverse outcome. The US and China have yet to come to terms on a new trade deal, yet there is newfound optimism surrounding an expected deal in the first weeks of May. Global equities returned nearly 4% in April, bringing the year to date return up to 17%. Most fixed income asset classes generated positive returns over the month. Moreover, most developed global government bond yields modestly increased in April, contrasted by Australia where 2-year and 5-year government yields declined following further indications of a weakening economy. Meanwhile, oil crept higher over the month, peaking over $66 per barrel (almost $21 higher than the price at the end of 2018).

Fund review

The first quarter of 2019 centered around the aggressive snapback from Q4 2018 volatility, with April producing much of the same. Credit risk premiums declined further over the course of the month, with high yield corporates producing +1.3%, emerging market debt +0.8%, and credit risk transfers +0.8%. Performance of collateralized loan obligations (CLOs) finally caught up to the rest of the corporate credit market whereby prices increased across the credit stack. The Fund took the opportunity to further optimize exposure to the asset class, decreasing the average life profile with an emphasis on top-tier managers and a higher quality skew. Moreover, early in the month the Fund decreased US duration in favor of a modest increase to duration exposure in Australia. Foreign exchange positioning added to performance via short Canadian dollar and Swedish krona positions against the Norwegian krone given strong underlying economic fundamentals in Norway. New issue participation included the following deals: **Investment Grade:** Avolon **Emerging Markets:** Shriram Transport, Aramco **Securitized:** STACR (Freddie Mac), CAS (Fannie Mae)

Outlook

Economic data continues to favor the cycle progressing through the end of 2019. US manufacturing and services purchasing managers index (PMI) remains in expansionary territory. The bearish tone surrounding the European economy has slightly dissipated in the last month, with Eurozone manufacturing PMI showing a minor improvement after declining for eight straight months. China's manufacturing PMI rose into expansionary territory, a signal that typically leads Eurozone activity. The risk of an imminent global recession (in 2019) remains low as global growth remains stable (strong in the US and relatively benign in China/Europe), global unemployment figures are still improving (declining), and global central banks exhibit continued support for markets. Given implied volatility is low relative to historic averages, the Fund aims to modestly increase the tail risk hedging program via select cheap insurance options for implementation. Considering prices have recovered back toward end of Q3 2018 levels, the Fund maintains a balanced posture, well-diversified among sub-sectors and skewed toward higher quality bonds.

See **gsfm.com.au** for more information about the Payden Global Income Opportunities Fund.

Important Information

The information contained in this document reflects, as of the date of publication, the views of Payden & Rygel and sources believed by Payden & Rygel to be reliable. There can be no guarantee that any projection, forecast or opinion in these materials will be realised. The views expressed in this document may change at any time subsequent to the date of issue.

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