PAYDEN GLOBAL INCOME OPPORTUNITIES: MONTHLY REPORT

Payden&Rygel Investment Management

June 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.

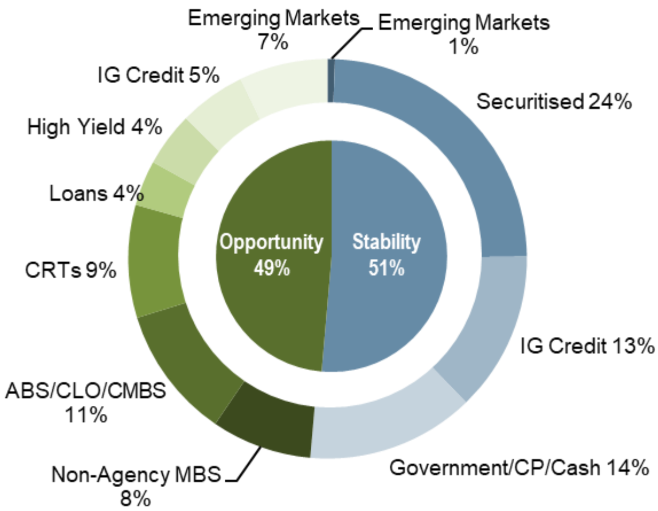
Source: Payden & Rygel

Fund characteristics

at 30 June 2019

Number of positions	240
Average rating	BAA2
Price	99.15
Current yield	3.74%
Duration	1.81
Spread Duration	2.86
Yield to Maturity	2.31%

Sector allocation at 30 June 2019



Performance

As at 30 June 2019

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception[1] % pa
Fund[2]	0.72	1.68	4.26	3.35	3.57	3.77
Benchmark[3]	0.13	0.45	1.97	1.86	2.08	2.30
Value added	0.59	1.23	2.29	1.49	1.49	1.47

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

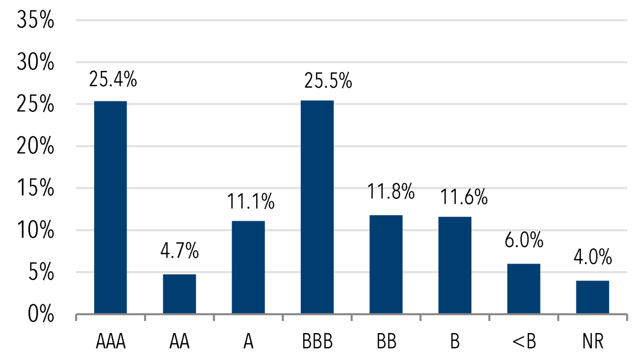
Fund facts

Regional allocation at 30 June 2019

Europe	8.0%
Australia	1.2%
North America	79.7%
Latin America	1.9%
Asia/Oceania	5.9%
MidEast/Africa	3.2%

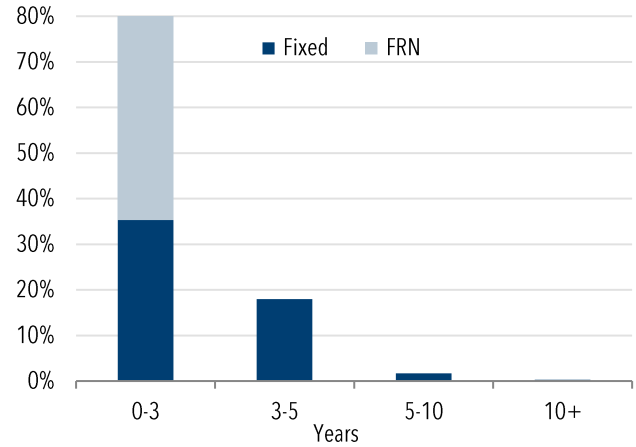
May not total due to rounding

Rating at 30 June 2019



May not total due to rounding

Maturity at 30 June 2019



Manager commentary

Month in review

The month of June continued to see more trade war headlines as the G20 summit approached. Meanwhile, most major global central banks eased rates or pledged to do so in the future. As expected, the Reserve Bank of Australia brought their key policy rate 0.25% lower to 1.25%. Citing sluggish growth, the European Central Bank also reaffirmed its commitment to accommodative actions as needed. The Federal Reserve elected to hold their policy rate steady, but the median policymaker now expects interest rates to be 0.25% lower by the end of 2020, as trade policy "crosscurrents" weigh on the outlook. Given this backdrop, government bond yields fell across developed markets whereby 5-year yields fell 0.5% in the U.S., 0.4% in Australia, and 0.2% in Europe. Moreover, the S&P 500 Index posted its best first half in 22 years, up 17% since the start of the year. Bonds also performed well, with the Bloomberg Barclays Global Aggregate Index up 1.4% for the month.

Fund review

The dovish tone by global central banks proved effective on risk assets which recovered much of the sell-off from May. On the heels of the strength in most fixed income sectors, we took the opportunity to trim exposure to higher beta areas such as emerging market debt, high yield corporates and BBB-rated collateralized loan obligations (CLOs) to both raise liquidity and modestly reduce risk. In securitized, credit risk transfers (CRTs) saw upgrades by Fitch across $37 billion bonds, continuing the trend of "only upgrades." As seasonal quarter-end funding needs once again fostered a heightened demand for U.S. Dollars, we took advantage of the difference in cost between currencies and added exposure to currency-hedged Japanese Government bonds near the end of the month. New issue participation included the following deals: **Investment Grade** – Fiserv Inc, Medtronic Global Holdings, Vistra Operations Co LLC **Emerging Market** – Sri Lanka **Securitized** – Henley CLO

Outlook

Developments on trade and the direction of global economic data continue to be drivers of market direction in the near-term. We expect U.S. GDP to slow toward trend, with growth in China and the euro area stabilizing in the latter half of 2019. U.S. core personal consumption expenditures (PCE) will revert toward 2% by year-end as transitory effects wear off. Correspondingly, faster wage growth in the U.K. and euro area point to higher core inflation. Overall, more dovish global central banks should foster economic growth and "sustain the cycle." With that said, valuations look fair and the threshold for policy missteps are high. As such, the strategy is in a more defensive position today when compared to the end of 2018, well diversified across sub-sectors with dry powder available.

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

Important Information