PAYDEN GLOBAL INCOME OPPORTUNITIES: MONTHLY REPORT

July 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.

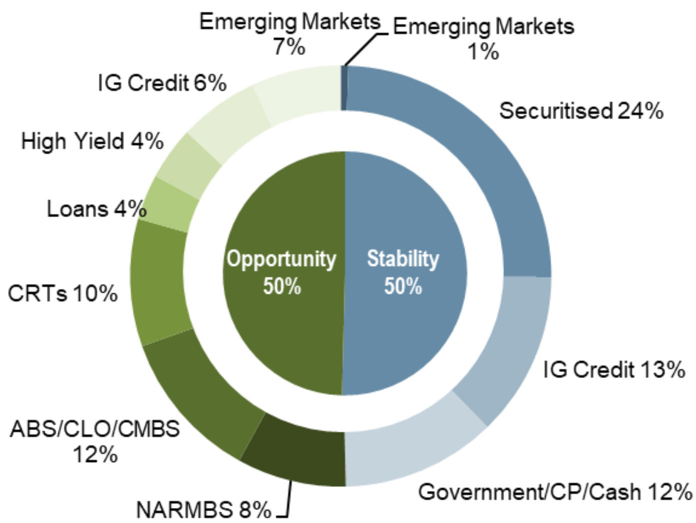
Source: Payden & Rygel

Fund characteristics

at 31 July 2019

Number of positions	245
Average rating	BAA2
Price	99.14
Current yield	3.90%
Duration	1.73
Spread Duration	2.94
Yield to Maturity	1.99%

Sector allocation at 31 July 2019



Performance

As at 31 July 2019

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception[1] % pa
Fund[2]	0.08	1.23	3.96	3.00	3.47	3.74
Benchmark[3]	0.12	0.40	1.90	1.84	2.06	2.29
Value added	(0.04)	0.83	2.06	1.16	1.41	1.45

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

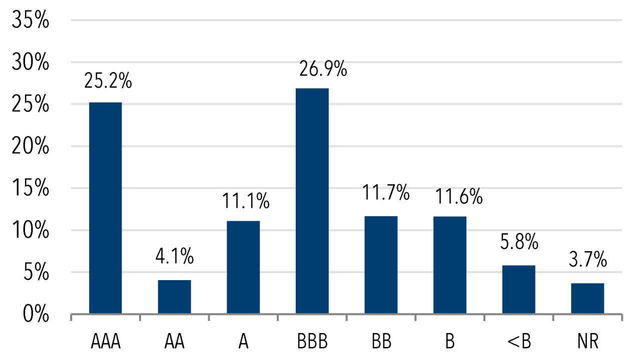
Fund facts

Regional allocation at 31 July 2019

Europe	8.3%
Australia	3.3%
North America	77.9%
Latin America	1.7%
Asia/Oceania	5.7%
MidEast/Africa	3.0%

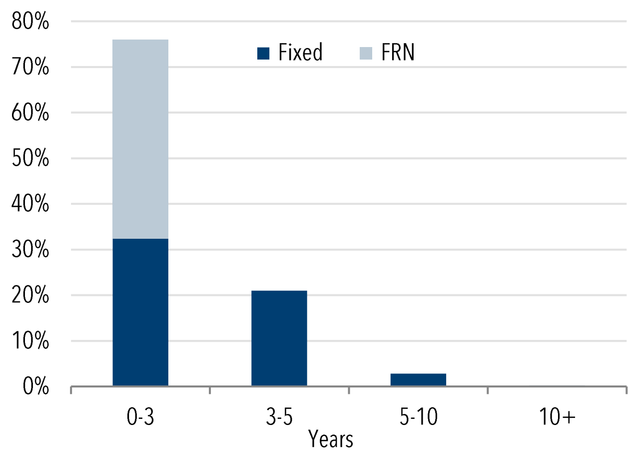
May not total due to rounding

Rating at 31 July 2019



May not total due to rounding

Maturity at 31 July 2019



Manager commentary

Month in review

In the month of July, central banks' willingness to provide accommodation increased and markets delivered muted returns compared to the first half of 2019. In the U.S., despite economic data (Q2 GDP) coming in better than expected, the Federal Reserve (Fed) cut their policy rate 0.25% in response to slower global growth and low inflation. Similarly, the European Central Bank (ECB) Governing Council signaled a willingness to lower their policy rate further in the coming months, marking a renewed effort to boost economic activity and inflation. In Australia, the Reserve Bank of Australia (RBA) also cut their policy rate 0.25% to support employment growth and inflation. In the U.K., the British pound dipped to a level last seen more than two years ago as fears of an unfavorable exit from the E.U. intensified and the country awaited its new Prime Minister. Global equity markets continued their run of positive returns, delivering just over 1.2% in July. Corporate credit performed well as earnings season has been largely credit positive, with approximately 75% of companies beating analyst expectations.

Fund review

The prospect of more dovish global central banks was supportive for credit markets whereby credit risk premiums generally tightened across asset classes. U.S. high yield corporates exhibited bifurcated performance as higher quality (BB/B-rated) outperformed lower quality (CCC-rated) corporates. However, this was not the case in hard currency emerging market debt where lower quality outperformed. Overall, credit risk premiums declined across corporate credit and emerging market debt. The exception was collateralized loan obligations (CLOs) as credit risk premiums widened modestly due to a heavy month of new issuance. In non-agency residential mortgage-backed securities (MBS), the expectation for lower (mortgage) rates prompted increased prepayment speeds which is positive for fundamentals (quicker amortization), but a headwind for higher dollar price mortgages. New issue participation included the following deals: **Investment Grade** – Logicor Financial, Mitsubishi, Reliance Standard Life Global Funding II **Securitized** – STACR (Freddie Mac)

Outlook

In July, markets took a breather from trade wars and focused on global central banks, specifically expectations for more accommodative monetary policy. Nevertheless, global trade/tariff uncertainty remains a key risk to the global economic outlook. Despite global trade and manufacturing weakness, the global labor market remains strong. Consequently, we expect higher longer-term government bond yields over the next 6-12 months in the U.S., U.K., and Europe as growth stabilizes and inflation trends higher. Separately, we expect stable-to-lower yields in Australia and Japan. All in all, the global political backdrop is in a tenuous position, with trade tensions between the U.S. and China still simmering and Boris Johnson's aggressive stance toward Brexit negotiations threatening to shake up the global economy. The strategy has reduced risk and increased exposure to government bonds as macro volatility has increased and valuations look fair.

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

Important Information