Payden&Rygel

Fund Update

Payden Global Income Opportunities Fund

MARCH 2024

Fund Overview

INVESTMENT PHILOSOPHY

Produce Positive Returns

Staying true to the basic definition of "Absolute Return", our strategy aims to produce positive returns with a performance objective of +2.5% above the benchmark over the medium term.

Protect Downside Risk

Before we consider the direction of markets or the value opportunities that are presented, our first responsibility is to protect an investor's principal against the potential for loss. Risk management is paramount.

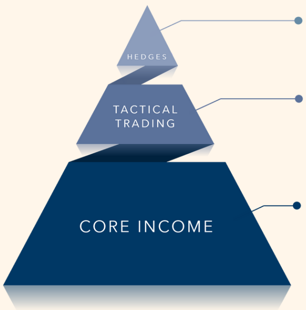
Capture "Smart" Yield

Benefitting from more than 36 years in fixed income management, the foundation of our strategy is a low duration fixed income portfolio where risk premia from global interest rate curves and credit markets provide dependable and repeatable returns.

INVESTMENT APPROACH

The Fund is managed using the Payden Absolute Return Investing – or PARI – strategy; the process focuses on constructing the portfolio from a top down view and emphasises income generation in its core positions.

Payden's investment approach focuses on three areas:



- Tail risk hedging provides protection against extreme market conditions and dampens drawdown
- Tactical positioning in rates, currencies and spread product
- Multi-sector income focused portfolio including bonds, loans, securitised, etc.
- Represents approximately 80-90% of historic strategy returns

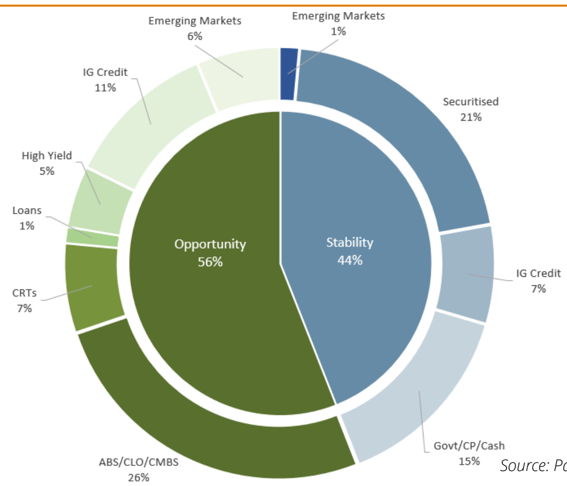
Source: Payden & Rygel

Fund Characteristics

SUMMARY DATA

Number of positions	174
Average rating	A3
Current Yield	5.45%
Duration	0.76
Spread Duration	2.75
Yield to Maturity	6.11%

SECTOR ALLOCATION



Source: Payden & Rygel

REGIONAL ALLOCATION

MidEast/Africa	2.0%
Asia/Oceania	1.5%
Europe	8.8%
Latin America	4.4%
North America	83.3%

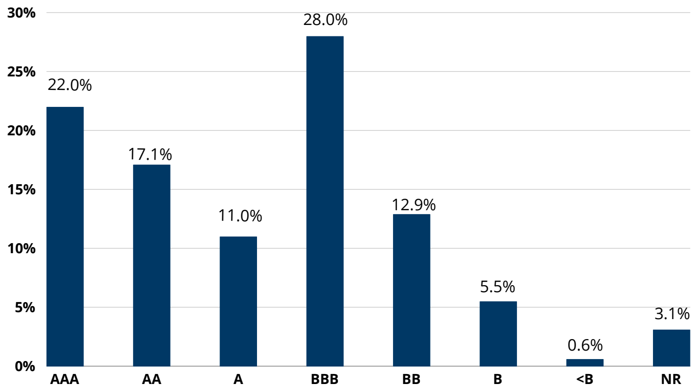
Performance as at 31 March 2024

	1 month %	3 months %	1 year %	3 years %	5 years % pa	7 years % pa	10 years % pa	Since Inception[1] % pa
Fund[2]	0.33	1.52	4.43	0.90	1.25	1.65	2.38	2.61
Benchmark[3]	0.37	1.09	4.19	2.08	1.51	1.62	1.82	1.97
Value Added	(0.04)	0.43	0.24	(1.18)	(0.26)	0.03	0.56	0.64

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

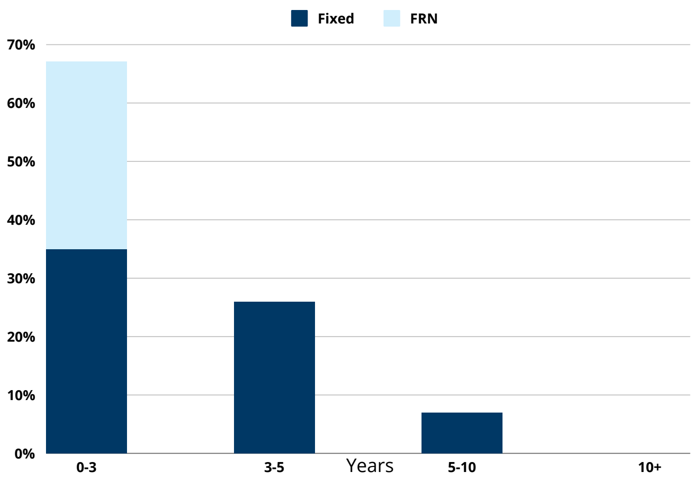
Past performance is not a guide to future performance

RATING



Source: Payden & Rygel

DURATION



Source: Payden & Rygel

Manager Commentary

The first quarter of 2024 was a continuation of several key underpinnings from the back half of 2023. Namely US growth running above potential and market expectations, durability in the labour market, broad household and corporate resilience, and inflation that has likely bottomed above the Fed's 2% target. All the while market pricing reflected three Fed cuts in 2024 and another three-to-four cuts in 2025. Although rate cut expectations have been substantially modified in the first three months of 2024 (seven cuts reduced to three), market expectations for interest rate cuts still appear at odds with the trajectory of the US economy and asset prices.

Performance

Headline duration remained near zero for the first six weeks of the year with the team's belief that market pricing of Fed rate cuts had overshot relative to the trajectory of data as well as the growth and inflationary impulse that resulted from easing financial conditions in the last two months of 2023. Since then, the team added 0.75 to duration via the front-end of the yield curve as rates retraced half of the move experienced at the end of 2023 and Fed cutting expectations significantly declined. In credit, the team increased risk over the quarter given the view that better than expected growth and easier financial conditions would more likely benefit as opposed to harm risk assets despite stickier inflation and historically tight valuations. Specifically, the team unwound remaining shorts in high yield corporate synthetics (protection in CDX HY/ITRX) and added cash exposure to more opportunistic areas like emerging markets and credit risk transfer (CRT). Within higher quality assets, the team focused on yield optimisation, increasing exposure to areas like higher quality residential mortgage credit and collateralised loan obligations (CLO) while reducing exposure to investment-grade corporates where spreads declined toward post-Covid tights.

Global fixed-income total returns were largely positive for the quarter as spreads rallied despite developed government bond yields moving higher. Risk assets such as securitised product, emerging-market debt, and corporate credit benefited from the robust economic backdrop as the primary drivers of positive performance. Conversely, performance within more rate sensitive asset classes such as government bonds and agency mortgage-backed securities was more muted for the quarter. Rates were the main driver of positive tactical performance, driven by a long 10-year gilts versus Treasuries trade that benefited from the reduction in US rate cut expectations and long-term fundamentals that continued to favour the US relative to the UK.

Outlook

As we turn the page into the next quarter, the backdrop for growth remains underpriced and is running above potential, inflation has likely bottomed and may be accelerating, and asset prices have moved back to all-time highs (equities and real estate). Although correlations between risky assets (equities and high yield corporates) and less risky assets (Treasuries) have turned negative this year (risky asset prices higher and Treasury prices lower), the team remains sceptical of the durability of the recent negative correlation experience given the prevailing level and, importantly, trend of inflation. Developed market yield curves remain inverted, nominal and real yields reasonably elevated, and credit spreads are fair in most areas and rich in others. Thus, in the team's opinion, rates are more likely to remain elevated until asset prices decline, rather than move lower and lead asset prices higher. As such, the team is very focused on the ordering between data, interest rates, and asset prices, particularly in areas where market consensus has coalesced around an outcome inconsistent with the trajectory of data.

FUND DISCLOSURE

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

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

FUND FACTS

INVESTMENT MANAGER
Payden & Rygel

RESPONSIBLE ENTITY
GSFM Responsible Entity Services Limited

MFUND CODE
GSF08

APIR CODE
GSF0008AU

DISTRIBUTIONS
Quarterly

MANAGEMENT FEE
0.70% P.A.

INCEPTION DATE
18 September 2012

BUY / SELL SPREAD
Buy +0.10% / Sell -0.10%