Payden&Rygel
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Fund Update

Payden Global Income Opportunities Fund

JULY 2022

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.

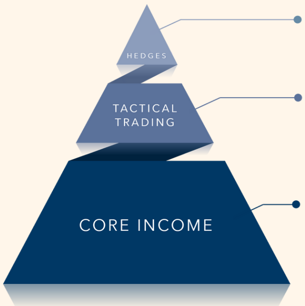
Capture "Smart" Yield

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

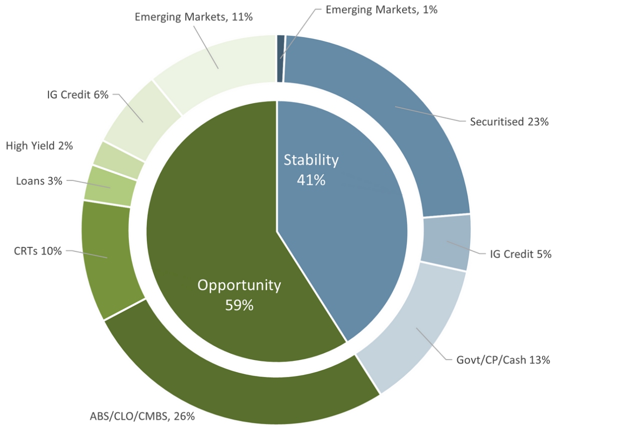
Source: Payden & Rygel

Fund Characteristics

SUMMARY DATA

Number of positions	203
Average rating	BAA2
Current yield	4.35%
Duration	1.18
Spread Duration	2.91
Yield to Maturity	5.06%

SECTOR ALLOCATION



Source: Payden & Rygel

REGIONAL ALLOCATION

MidEast/Africa	4.5%
Asia/Oceania	2.6%
Europe	9.4%
Latin America	5.9%
North America	77.6%

Performance as at 31 July 2022

	1 month %	3 months %	1 year %	3 years %	5 years % pa	7 years % pa	Since Inception[1] % pa
Fund[2]	0.87	(1.71)	(4.79)	(0.72)	0.67	1.64	2.36
Benchmark[3]	0.12	0.21	0.22	0.33	0.94	1.25	1.69
Value Added	0.75	(1.92)	(5.01)	(1.05)	(0.27)	0.39	0.67

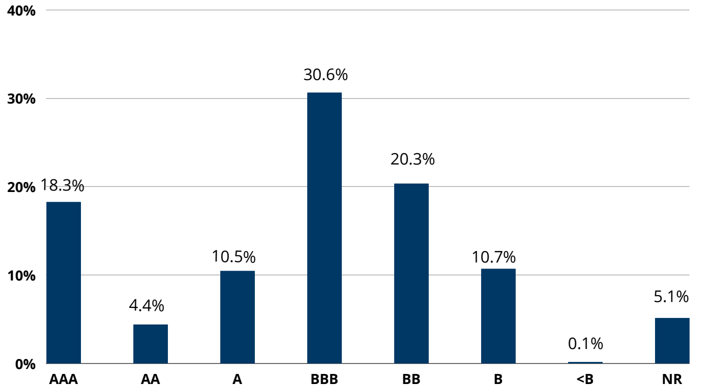
1. Inception date: 18 September 2012
2. Fund returns are calculated net of management fees
3. Bloomberg AusBond Bank Bill Index

Past performance is not a guide to future performance

Payden&Rygel

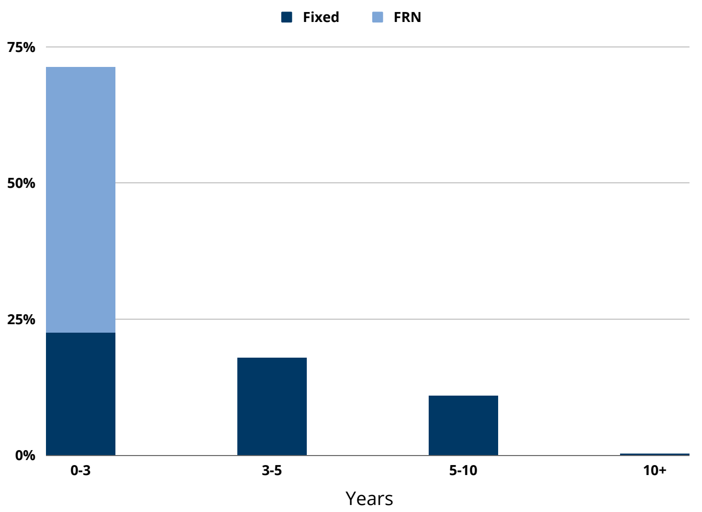
Fund Update

RATING



Source: Payden & Rygel

DURATION



Source: Payden & Rygel

FUND FACTS

APIR CODE
GSF0008AU

INVESTMENT MANAGER
Payden & Rygel

MFUND CODE
GSF08

RESPONSIBLE ENTITY
GSFM Responsible Entity Services Limited

INCEPTION DATE
18 September 2012

MANAGEMENT FEE
0.70% P.A.

DISTRIBUTIONS
Quarterly

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

Manager Commentary

The U.S. Consumer Price Index (CPI) grew 9.1% over the 12-month period ending in June and core and trimmed-mean measures remained well above the Fed's target. As a result, the Federal Open Market Committee (FOMC) hiked interest rates again by 75 basis points at their July meeting bringing the target range for the federal funds rate (FFR) to 2.25-2.50% - the Committee's estimate of the long run "neutral" rate and the peak of the previous cycle. The Federal Reserve's (Fed) monetary policy tightening is continuing to impact the broader economic landscape. For example, although firms added 372,000 jobs in June, job growth according to the household survey has been negative in two of the last three months. Also, GDP growth for the second quarter was negative, contracting at a 0.9% annualised rate from the previous quarter. Global central banks are moving quickly to keep up with the Fed's pace of hikes as a strengthening dollar is causing headaches abroad. After the euro reached parity with the dollar for the first time in two decades, the ECB hiked its policy interest rates by a half percentage point, pushing the deposit rate to zero after spending nearly a decade in negative territory. European central bankers may not be able to deliver on the hikes they've signalled, however, as monetary policy transmission is already facing fragmentation.

After a difficult first half of the year, risk assets rallied during the month of July. Despite higher-than-anticipated June inflation readings, market participants focused on the weaker growth outlook and began pricing in a Fed pivot. Performance in July benefitted from the addition of risk and duration during the month. The Fund increased overall risk by flattening the short position in the Markit iTraxx Europe Crossover Index (ITRX). Additionally, we added roughly 3% in emerging markets, primarily in BBs, after they materially underperformed US high yield BB corporates in the first half of July. Within high yield, the Fund is looking to take some profits in BB cash bonds that we added during the months of May and June. In securitised product, the Fund participated in the most recent credit risk-transfer deals where we see value in the higher-quality tranches while favoring seasoned transactions with embedded home price appreciation for our down-the-stack exposure. We maintain elevated liquidity in the event that further volatility creates attractive buying opportunities in the near term. **Investment Grade** – Bank of America, T-Mobile USA **High Yield** – Penn Virginia, OneMain Finance **Securitised** – STACR 2022-HQA2 M1A (CRT)

The Fund looks to upcoming growth and inflation data to better inform our view on the distribution of outcomes going forward, but the likelihood of a "soft landing" is diminishing. However, given the month of August can be one of the less liquid months of the year and a sideways market or slight move tighter seems modestly more likely than a material move wider, the Fund felt comfort around adding risk at the margin. With that said, our overall risk profile and ample liquidity still put us in a position to be able to leg into any further widening of yields relative to government bonds. The Fund broadly maintains its preference for securitised product due to the structural protections and strength in underlying collateral, however, there is increasing nuance in relative value due to recent dispersion across asset classes.

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.