

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:

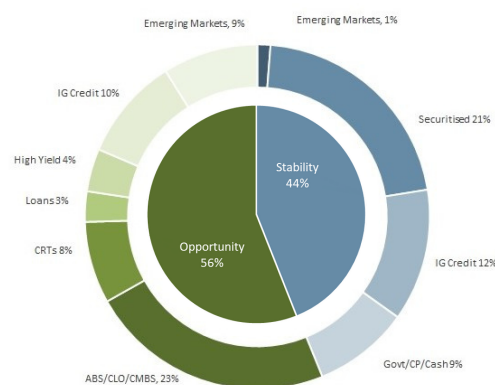


Fund Characteristics

SUMMARY DATA

Number of positions	216
Average rating	BAA2
Current yield	5.12%
Duration	1.71
Spread Duration	3.24
Yield to Maturity	6.47%

SECTOR ALLOCATION



Source: Payden & Rygel

REGIONAL ALLOCATION

MidEast/Africa	3.4%
Asia/Oceania	3.0%
Europe	9.1%
Latin America	4.7%
North America	79.8%

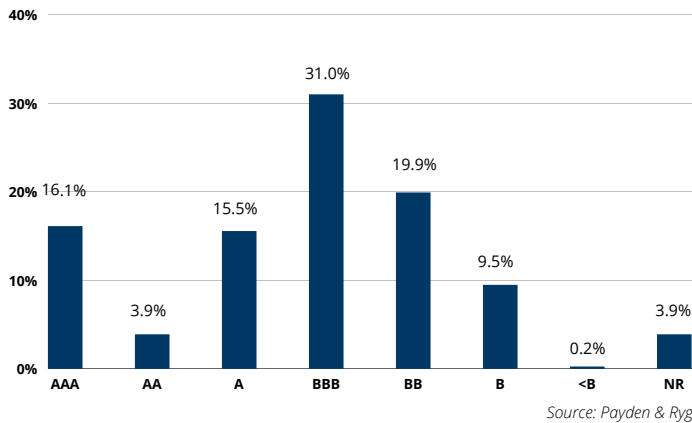
Performance as at 30 September 2022

	1 month %	3 months %	1 year %	3 years %	5 years % pa	7 years % pa	10 years % pa	Since Inception ¹ % pa
Fund ²	(1.77)	(0.57)	(6.48)	(1.30)	0.29	1.40	2.19	2.18
Benchmark ³	0.17	0.45	0.54	0.39	0.95	1.24	1.69	1.69
Value Added	(1.94)	(1.02)	(7.02)	(1.69)	(0.66)	0.16	0.50	0.49

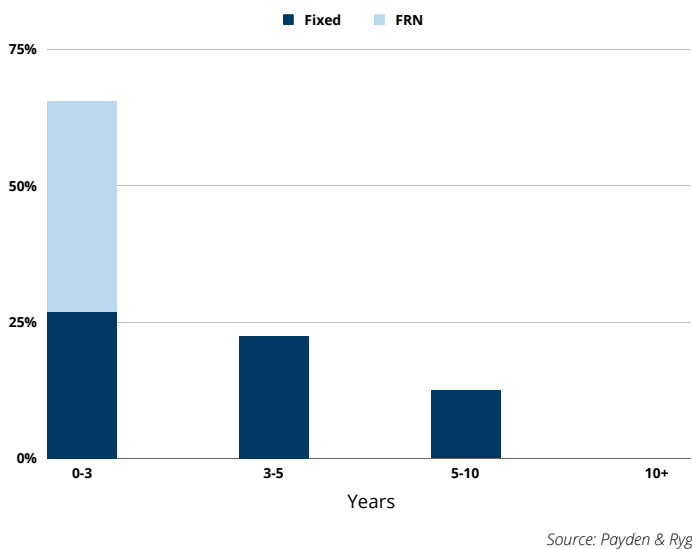
1. Inception date: 18 September 2012
 2. Fund returns are calculated net of management fees
 3. Bloomberg AusBond Bank Bill Index

Past performance is not a guide to future performance

RATING



DURATION



Manager Commentary

September brought a slew of global central banks raising rates to combat inflation. Almost every major central bank raised rates during September, except for the Bank of Japan. The European Central Bank raised rates by 75 basis points, followed by a 50 basis points increase by the Bank of England and a third consecutive 75 basis point increase by the Federal Reserve. The median Fed policymaker sees rates at 4.25%-4.50% by year-end. Central bank rate hikes have resulted in the worst start to a year on record for bond and 60/40 “balanced” portfolios. As global central banks raised rates, the U.S. dollar strengthened against other currencies. Fears of fiscal profligacy due to the new U.K. government’s proposed tax cuts led to the largest daily move in 10-year U.K. gilt yields on record, which caused the Bank of England to step in “to restore orderly market conditions.” The War in Ukraine took another turn, with Russia staging referendums to formally annex the Eastern provinces of Ukraine. There were also leaks from underwater explosions of the Nord Stream 1 and 2 gas pipelines that supply Russian gas to Europe. Finally, hurricane Ian made landfall on Florida after hitting Cuba, resulting in power loss and flooding.

September was a challenging month for risk assets in the face of higher than expected inflation prints and a devotedly hawkish Fed. As a result, Treasury yields sold off, credit risk premiums widened, and equity indices retested their lows of the year, bringing the summer rally to a halt. As US HY BB corporate yields relative to government bonds increased by 100 basis-points, the fund added roughly 2% in the BB space with all-in-yields close to 8%. Within the credit risk transfer market, the fund has remained disciplined in new issue participation where there is less embedded home price appreciation, favoring 2020 and prior vintages. We maintain elevated liquidity in the event that further volatility creates attractive buying opportunities in the near term.

Investment Grade – JBS USA, Citi **High Yield** – OneMain Financial.

The Fund looks to upcoming growth and inflation data to better inform our view on the distribution of outcomes going forward. However, a “soft landing” is not our base case given the resilience of the labour market, thus increasing the magnitude of Fed tightening. The Fed is likely to continue on its path of tightening financial conditions until there is evidence of balance in labour market, below trend growth, and softening of inflation towards the Fed’s two-percent long run target. Volatility in rates and risk assets could remain heightened until there is more clarity on the trajectory of these factors.

The Fund broadly maintains its preference for securitised product due to the structural protections, however, there is increasing nuance in the relative value of collateral types due to recent dispersion across asset classes and collateral performance.

PERFORMANCE

Despite a positive start for risk assets in the third quarter, the credit rally quickly reversed in the second half of the quarter as markets struggled to quantify the effects of higher inflation and slowing growth, all while global central bank messaging remained hawkish.

Corporate credit spreads compressed in July generating the majority of positive performance for that month. Securitised lagged the corporate rally with greater performance contribution in August, namely via CLO and CMBS. Emerging markets debt also generated positive performance in August as hard currency attracted flows, a positive technical for the asset class.

The positive tone quickly turned negative in September following a higher-than-expected August US CPI report which caught the market off-guard and led to another re-price higher in the terminal rate and once again tested the June/July wides in spreads. With the combination of significantly higher global developed rates (US 5-year government bond yields increased 1.05% over the period) and material spread widening, the Fund produced negative performance for the quarter across all fixed income sectors.

POSITIONING

At the beginning of the quarter, the fund added to BB-rated emerging market debt after sector materially underperformed BB-rated US HY corporates. Moreover, the fund flattened short risk positions in CDX HY and ITRX XOVER as spreads approached new peaks for the year. In August, the fund reduced risk by 10% following the risk rally in July, specifically taking profits from purchases in late Q2 and early Q3 to higher-beta areas like high yield corporates and emerging market debt.

The Fund also reduced risk in securitized product, primarily via credit risk transfer. Given a more cautious view on housing, the fund disposed of all 2021 and 2022 vintages, ending the quarter with risk exposure to the CRT asset class at multi-year lows. Proceeds from the sells were allocated to IG corporates and cash equivalents to bolster aggregate strategy liquidity. The fund remained active in utilizing CDX HY throughout September, initially adding risk to take advantage of the rally to start the month, and quickly shorting risk to protect the fund against the negative market reaction to the August US CPI report.

The Fund team increased interest rate duration during the quarter given the incrementally more balanced concern between inflation and growth in addition to our view that market pricing with respect to central banks is leaning too hawkish. The fund maintained 5-7% liquidity but has drawn on this dry powder in the last week of the quarter to selectively add to US HY Corporates, with an emphasis on BBs where all-in yields exceed 8%.

OUTLOOK

The Fund looks to upcoming growth and inflation data to better understand the distribution of outcomes going forward and expects rate hikes will continue through the end of the year and into 2023. With activity likely to remain elevated given heightened market volatility, the Fund team favours more liquid parts of the market like US IG Corporates. With all-in portfolio yields above 7% and an increase in duration to 1.7 on the back of higher interest rates, the Fund is well positioned to weather ongoing turbulent market conditions.

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

APIR CODE

GSF0008AU

INVESTMENT MANAGER

Payden & Rygel

MFUND CODE

GSF08

RESPONSIBLE ENTITY

GSFM Responsible Entity Services Limited

DISTRIBUTIONS

Quarterly

MANAGEMENT FEE

0.70% P.A.

INCEPTION DATE

18 September 2012

BUY / SELL SPREAD

Buy +0.10% / Sell -0.10%

Important Information

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GSFM Responsible Entity Services Pty Limited ABN 48 129 256 104 AFSL 321517 (GRES) is the responsible entity of the Payden Global Income Opportunities Fund ARSN 130 353 310 (Fund) and is the issuer of this information. This information has been prepared without taking account of the objectives, financial situation or needs of individuals. Before making an investment decision in relation to the Fund, investors should consider the appropriateness of this information, having regard to their own objectives, financial situation and needs and read and consider the product disclosure statement for the Fund dated 30 September 2022 (PDS) and the Additional Information to the Product Disclosure Statement which can be obtained from www.gsfm.com.au or by calling 1300 133 451.

GSFM Responsible Entity Services has produced a Target Market Determination (TMD) in relation to the Payden Global Income Opportunities Fund. The TMD sets out the class of persons who comprise the target market for the Payden Global Income Opportunities Fund and is available at www.gsfm.com.au

Past performance information given in this document is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. None of GRES, its related bodies or associates nor any other person guarantees the repayment of capital or the performance of the Fund or any particular returns from the Fund. No representation or warranty is made concerning the accuracy of any data contained in this document. This document is issued on 19 October 2022.