

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:

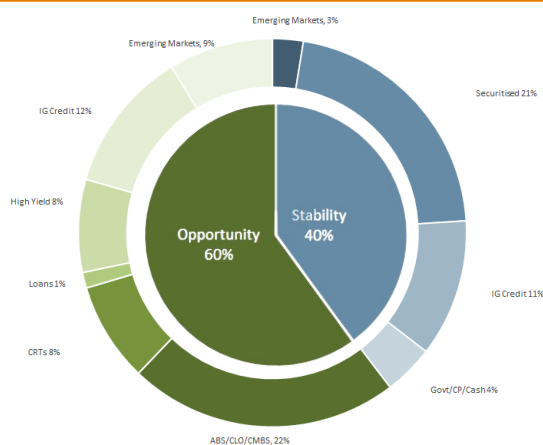


Fund Characteristics

SUMMARY DATA

Number of positions	212
Average rating	BAA2
Current yield	5.58%
Duration	1.96
Spread Duration	3.02
Yield to Maturity	6.27%

SECTOR ALLOCATION



Source: Payden & Rygel

REGIONAL ALLOCATION

MidEast/Africa	3.6%
Asia/Oceania	4.4%
Europe	7.9%
Latin America	4.2%
North America	79.9%

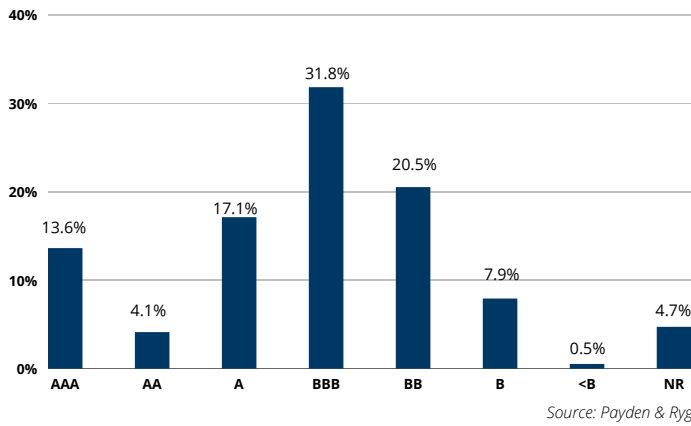
Performance as at 30 December 2022

	1 month %	3 months %	1 year %	3 years %	5 years % pa	7 years % pa	10 years % pa	Since Inception ¹ % pa
Fund ²	0.34	1.84	(4.16)	(0.81)	0.56	1.60	2.17	2.30
Benchmark ³	0.25	0.71	1.25	0.55	1.01	1.27	1.67	1.72
Value Added	0.09	1.13	(5.41)	(1.36)	(0.45)	0.33	0.50	0.58

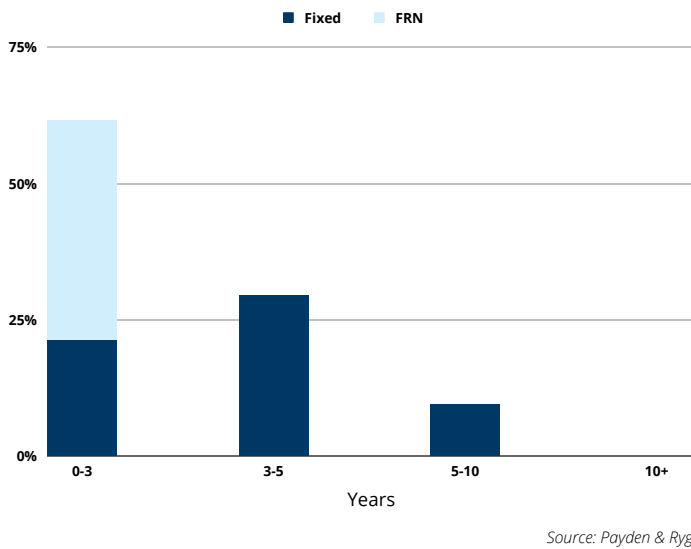
1. Inception date: 18 September 2012
 2. Fund returns are calculated net of management fees
 3. Bloomberg AusBond Bank Bill Index

Past performance is not a guide to future performance

RATING



DURATION



Manager Commentary

The Federal Reserve raised its policy rate by 50 basis points (bps) at the December FOMC meeting, a step down in the pace of monetary policy tightening after four consecutive 75bp hikes. Developed policymakers plan to keep hiking rates in 2023, albeit more slowly than in 2022, as the fed funds rate reaches "restrictive territory." The Summary of Economic Projections (SEP) released after the meeting provided some guidance on what constitutes restrictive territory. The median policymaker expected the federal funds rate to reach 5.00-5.25% at some point in 2023, and remain there for the balance of 2023. Not a single policymaker foresees rate cuts in 2023. The Bank of Canada, Bank of England, and European Central Bank also joined the Fed in hiking by 50bps in December. Even the Bank of Japan, long a holdout opting for easy money policies even in the face of rising core inflation and a sharply weaker yen, widened its target range for the 10-year Japanese government bond yield, a small change to its aggressive "yield curve control" policy. Consequently, global interest rates rose, and risk assets suffered as the monetary tide went out in the back half of December. Ultimately, inflation trends will determine how far central banks go in 2023, how fast they get there, and how long rates remain elevated. With some signs of inflation pressures waning, led by lower global energy prices, investors hope the end of tightening may be near.

December was a rather muted ending to a volatile year for risk assets. During the month, the fund sold B-rated loans in favor of bonds due to deteriorating fundamentals within the loan market. Within Emerging Markets, the fund added exposure to FX-hedged local bonds where yields on a hedged basis appear attractive, averaging above 5%.

In Securitized product, the fund team took profits on select CRT B1 tranches as strong performance was driven by the favourable macro environment for housing – namely the ~1% decrease in US mortgage rates. Additionally, the fund continued to add subordinated ABS in both prime and non-prime auto collateral given the attractive relative value versus corporates and the strong structural protections. Liquidity remains elevated in the event that the team sees further buying opportunities but the fund remains sanguine on the path of spreads near term.

With all-in portfolio yields around 7-8% and an increase in duration to 2.0 as the global central bank hiking cycle ages, the fund team is more constructive than market consensus for the start of the new year. The fund team plans to keep beta at current levels to start the year and will look to reduce risk if spreads tighten further. The fund is constructive on emerging markets (EM) debt as a favoured asset class entering 2023. The team thinks the stage is set for outperformance in 2023 as EM central banks had a head start to the hiking cycle and the growth differential between emerging and developed markets could surprise to the upside as China re-opens sooner than anticipated. In securitized, the team is cognizant of the vulnerability of longer duration assets like housing and commercial real estate, and while the fund remains constructive on the structural protections, the teams' view is nuanced on the near-to-medium term performance outlook across a diverse array of collateral types. Overall fund positioning continues to move towards a more balanced allocation with respect to securitized product relative to the combination of corporate bonds and emerging markets debt.

PERFORMANCE

The fourth quarter was a bright spot in one of the most challenging years for fixed income performance over the past decade. Market participants embraced the subtle shift in Fed monetary policy and China reopening with credit markets producing positive returns. Despite late December weakness, corporate credit spreads compressed for the quarter marking the best quarterly excess returns for the year on improved risk sentiment. Prospects of China reopening (and growth re-acceleration), and less policy uncertainty benefited emerging markets debt (EMD) performance to cap the year, outperforming corporate credit for the quarter. Momentum from fundamentals improving, asset class outflows abating, and still attractive valuations are all constructive for EMD going forward.

Securitized performance was broadly positive, driven by collateralized loan obligations (CLO) which were highly correlated with corporate credit performance and credit risk transfer (CRT) which benefited from a ~1% decrease in US mortgage rates. Select collateral types within asset-backed securities (ABS) struggled to keep up with broader markets, in particular railcar, subordinated tranches of subprime autos (BB-rated), and auto residuals.

POSITIONING

Early in the quarter, the fund team took profits on 1% of the BB US corporate exposure added in September as high yield corporate yields relative to U.S. Treasuries tightened by about 1%. The fund utilised HY CDX throughout the quarter to efficiently manage credit beta as credit spreads oscillated. Near the end of the quarter, the team added marginally in the cash bond space.

Within IG corporates, the fund was active in the primary market, taking advantage of new issue concessions and optimizing exposure to on-the-run securities to improve the liquidity profile of corporates held. Subsequently, took profits on higher beta names that had traded through recent tight, outperforming higher quality corporates.

The fund reduced its CLO allocation by 2% focusing on Euro-denominated, lower-quality exposure and also reduced leveraged loan exposure by 1% due to deteriorating fundamentals within the loan market.

Within ABS, the fund team viewed recent spread weakness in subprime auto ABS as an attractive opportunity to add 1-2% in additional exposure given the robust structural protections, de-levering nature, and no recession expectations until at least H2 2023.

The fund became more constructive on US interest rates with the Fed Funds rate approaching and eventually exceeding 4%, and thus added 0.3 in duration with room to add if yields continue to move higher.

OUTLOOK

The fund team is optimistic heading into 2023 with starting portfolio yield in the 7-8% range and an interest rate duration profile of 2.0 that has room to be increased significantly when appropriate. This optimism is reinforced by the team's view that recession fears are overdone for the first half of 2023. With that, the fund team plans to keep credit beta at current levels to start the year and will look to reduce risk if spreads tighten further.

Although fairly constructive on broad market direction, the fund team believes dispersion will remain elevated and more liquid, shorter duration assets should outperform less liquid, longer duration assets. Specifically, the fund team remains constructive on higher-quality parts of high-yield corporate and consumer ABS markets, and less constructive on housing.

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 17 January 2022.