

## 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:

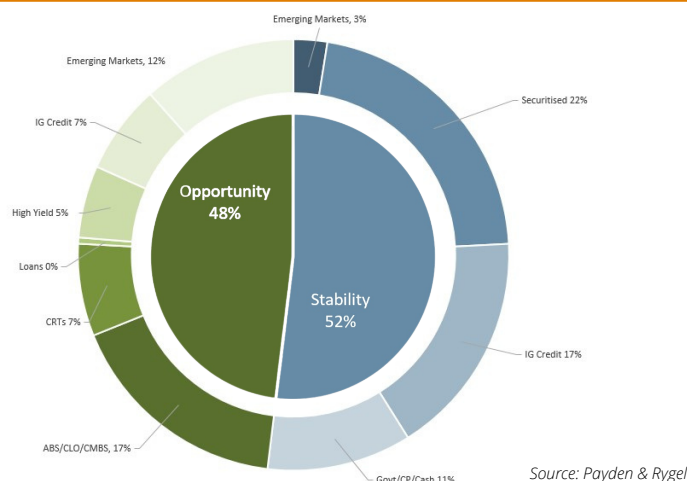


## Fund Characteristics

### SUMMARY DATA

Number of positions	213
Average rating	BAA2
Current yield	4.25%
Duration	1.85
Spread Duration	3.07
Yield to Maturity	5.58%

### SECTOR ALLOCATION



### REGIONAL ALLOCATION

MidEast/Africa	4.3%
Asia/Oceania	4.4%
Europe	7.9%
Latin America	5.4%
North America	78.0%

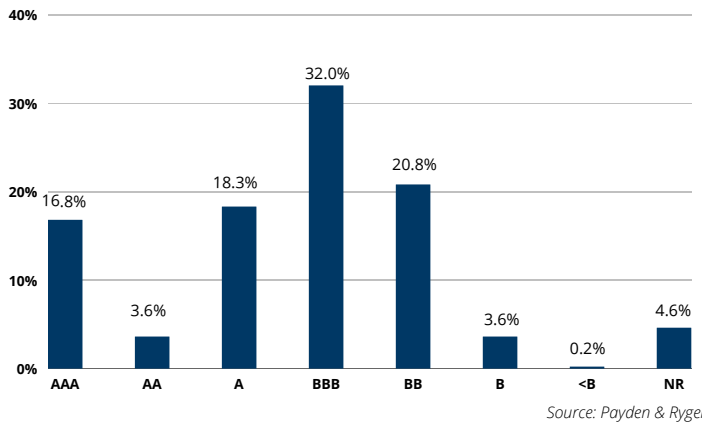
## Performance as at 31 January 2023

	1 month %	3 months %	1 year %	3 years %	5 years % pa	7 years % pa	10 years % pa	Since Inception <sup>1</sup> % pa
<b>Fund</b> <sup>2</sup>	2.19	4.53	(1.55)	(0.38)	0.99	1.90	2.33	2.50
<b>Benchmark</b> <sup>3</sup>	0.27	0.74	1.52	0.61	1.03	1.28	1.67	1.73
<b>Value Added</b>	1.92	3.79	(3.07)	(0.99)	(0.04)	0.62	0.66	0.77

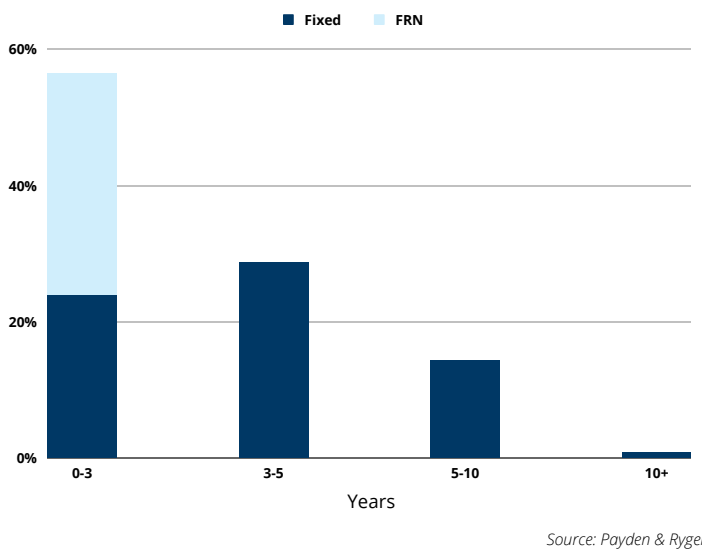
1. Inception date: 18 September 2012  
 2. Fund returns are calculated net of management fees  
 3. Bloomberg AusBond Bank Bill Index

Past performance is not a guide to future performance

## RATING



## DURATION



## Manager Commentary

In January, the U.S. GDP for Q4 2022 showed that the economy continued to expand at a 2.9% annualised rate, closing out the year with the U.S. economy expanding 1.0% in 2022. In addition, the December jobs report showed that the unemployment rate declined to 3.5% while initial claims for unemployment insurance remain subdued, despite the layoff announcements that grabbed headlines. After dealing with an energy crisis and the spillovers from the war in Ukraine, the Euro Area economy also expanded in the fourth quarter. Declining energy prices after a warmer-than-expected winter meant that euro area consumer sentiment improved, as seen by the service sector PMI which returned into expansionary territory (50.8) after being in contraction for most of the second half of 2022. China began reopening the economy after a year of the “zero-covid” policy. Financial conditions continued to ease ahead of the Federal Reserve meeting that began on the last day of the month.

The Fund team was leaning more constructive on credit risk for the balance of 2022 and into the first quarter of 2023. Recession fears had become too consensus at the end of last year, but in recent weeks the market responded accordingly with a dramatic shift to price in a goldilocks scenario for the Fed. While lower bond yields offset what appeared to be broadly weaker economic growth data, credit risk premiums declined across most asset classes, with Emerging Markets Debt and Corporates leading the pack. Given the significant move in both rates and risk premia, the Fund

team reduced credit risk by about 20-30%. The reduction in risk is consistent with the team’s prior narrative to further reduce Securitised exposure in favour of Emerging Markets and Corporates as areas of Securitised are most vulnerable if rates stay higher for longer. In ABS, the team has taken steps to monetise exposure added at the end of 2022 as spreads declined 100bps+ from their peak close to 400bps, particularly in prime and subprime Autos.

In Emerging Markets, the supply spigot was turned on from a very dry 2022, and the Fund team participated in many new deals as the primary market offered healthy concessions that led to positive performance, particularly in the tactical bucket.

The tail risk associated with an overly hawkish Fed, wage price spiral, and near-term recession have been largely removed from the market. The Fund team struggles to see a significant catalyst in credit, especially if the market is relying on further Fed dovishness and cuts to be the main driver for risk assets going forward. The bottom line is spreads could tighten further, but the current balance of outcomes is more fair, if not skewed toward downside versus the upside the team identified at the end of 2022. As a base case, the Fund team will likely reduce risk another 10-20% commensurate with further credit spread tightening of 10-15%, on average, across spread sectors. As the market focus shifts from inflation to growth, correlations should normalise and therefore duration will provide better balance in a credit portfolio when compared to 2022. Thus, the team expects duration to remain elevated relative to 2022, but will be mindful of ranges. We plan on keeping liquidity elevated for the foreseeable future, especially given investors are paid to wait, with areas like short-term U.S. bills yielding circa 4.5%.

## 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](http://gsfm.com.au).

**See [gsfm.com.au](http://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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The information contained in this document reflects, as of the date of publication, the views of Payden & Rygel and sources believed by Payden & Rygel to be reliable. There can be no guarantee that any projection, forecast or opinion in these materials will be realised. The views expressed in this document may change at any time subsequent to the date of issue.

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](http://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](http://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 15 February 2023.