Cash Balance Monthly

PAYDEN/KRAVITZ

September 2018

MARKET RECAP

Market Recap: The month of September was a tug-of-war between robust economic data and persistent geopolitical risk across the globe. The US economy remained the anchor for global growth, with tailwinds across employment and corporate profits. Consequently, the Federal Reserve continued to raise interest rates, notching their 8th hike since the end of 2015. We expect the well telegraphed, once-per-quarter rate hike pace to continue for the foreseeable future. Headwinds outside the US included volatility in the emerging market complex and overhang regarding the Italian political landscape and forthcoming "Brexit" outcome in the UK. All in all, the tone across broad risk assets was positive despite volatility in select sectors. Specifically, five-year yields moved higher in Australia (+0.10%), Europe (+0.14%), the UK (+0.12%), and the US (+0.21%). In addition, corporate credit risk premium declined and equity prices increased across the globe.

Strategy Update: The Fund returned 0.19%[1] as compression in credit risk premium helped offset the rise in global yields. We were active in the primary market across corporate credit and securitized product. Notably, we found value across commercial real estate mortgage-backed securities (CMBS) and investment-grade credit. Positioning in securitized product contributed positively as credit risk premium compressed and our bias toward floating-rate coupons preserved total returns as rates rose. Emerging market exposure was also a positive as the sector bounced-back from a challenging August. Currency positioning was a modest contributor to performance as was tactical new issue corporate credit. New issue participation included the following deals: **Investment Grade** – Cigna Corp [0.32% of Fund] **Securitized** – Greystone CRE CLO [0.92% of Fund], Och Ziff CLO [0.90% of Fund], STACR (Freddie Mac) [0.56% of Fund]

Outlook: We believe global growth will approach 4% by the end of 2018. The unemployment rate continues to exhibit a falling trend across the globe, with the US forecasted to reach 3.6% by year-end. Core measures for inflation in the US are back above 2%, different from 2017 where the risk is now to the upside. As such, the Fund remains structured with low interest-rate sensitivity as we continue to invest in a diversified mix of fixed-income sectors including corporate, mortgage-backed and asset-backed securities. Despite subdued volatility, geopolitical headlines, trade wars, and poor liquidity may be harbingers for heightened volatility for the remainder of the year.

[1] *Refer to Total Return section on next page.*

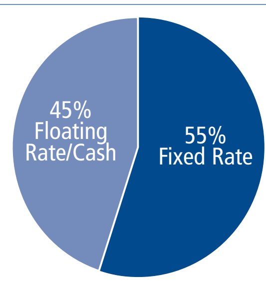
CURRENT POSITIONING

SUMMARY DATA

# of positions	307
Interest Rate Duration*	1.79

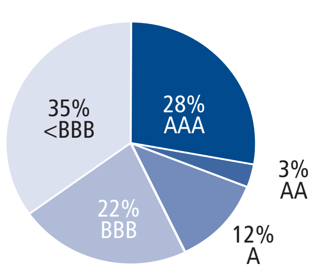
* *Reflects the sensitivity to interest rate fluctuations based on historical bond price changes. Also includes the use of any interest rate futures in the portfolio.*

SECURITY TYPE

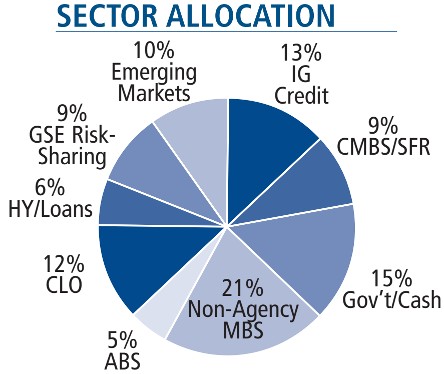


RATING ALLOCATION**

Lower of S&P and Moody's



SECTOR ALLOCATION



***Credit Ratings measure the likelihood that a borrower will repay what is owed. They range from AAA (best) to D (worst). Investment Grade ratings are BBB or higher. High yield bonds are rated BB or lower.*

SEPTEMBER - FEATURED INVESTMENT

Position: Halfmoon Parent Inc (CI) 3.4 9/17/2021
(Baa1/A-/BBB-) Yield: 3.6%
Duration: 2.8 Position Size: 0.2%

Description: Cigna (CI) is the fourth largest health insurance company in North America. The company provides insurance coverage to over 15.9 million medical, 15.8 million dental, 8.8 million group disabilities, and 6.5 million group life customers. They also offer Medicare Advantage plans in 27 states and DC and Medicare prescription drug plans in all 50 states. Cigna's revenue breakdown is approximately 80% Global Health Care, 10% Global Supplemental Benefits and 10% Group Disability and Life.

Merits:

- Cigna has significant scale and diversity, especially following the Express Scripts merger announced March 8, 2018 for $67.3 billion.
- On a combined basis, Cigna will have revenues of $146 billion and EBITDA of $12.9 billion, making it one of the largest healthcare service companies.
- To fund the merger, this new issue provided attractive concessions and opportunities to invest across the curve, producing positive performance given strong investor demand.

SHARE CLASS

Investment Minimum[A]	$25,000
IRA Minimum[A]	$25,000
Total Net Assets (all share classes)	$205.9 million
Dividends Paid	Annually

Share Class	Ticker	Dividends (last 12 mos.)	Inception Date
Institutional	PKBIX	$0.260	09/22/08
Adviser	PKCBX	$0.257	09/22/08
Retirement	PKCRX	$0.252	04/06/09

Total Return (through September 30, 2018)[B]	1 Year	3 Year	5 Year	Since Inception
Payden/Kravitz Cash Balance Fund (PKBIX)	2.30%	2.48%	2.20%	2.46%
30-year Treasury Crediting Rate[C]	2.85%	2.95%	3.12%	3.36%
BAML 1-3 year Treasury Index	0.03%	0.38%	0.56%	1.16%
3-month Treasury Bill Index	1.57%	0.80%	0.49%	0.33%
As of June 30, 2018				
Payden/Kravitz Cash Balance Fund (PKBIX)	1.72%	1.93%	1.89%	2.37%

[A] *The minimum initial investment may be modified for certain financial intermediaries that submit trades on behalf of underlying investors. Paydenfund's distributor may lower or waive the minimum initial investment for certain categories of investors at their discretion.*

[B] *Quoted performance data represent past performance, which does not guarantee future results. Investment returns and principal value will fluctuate, so investors' shares when sold, may be worth more or less than their original cost. For the most recent month-end performance, which may be lower or higher than that quoted, visit payden.com or call the phone number listed above.*

[C] *The 30-year Treasuries Securities Interest Rate as defined by the IRS. See http://www.federalreserve.gov/Releases/H15/Current/h15.pdf.*

Total Annual Fund Operating Expenses	**1.43%**
Fee Waiver or Expense Reimbursement[1]	0.18%
Total Annual Fund Operating Expenses After Fee Waiver or Expense Reimbursement	**1.25%**

[1] Payden/Kravitz Investment Advisers LLC ("Payden/Kravitz") has contractually agreed that, for so long as it is the investment adviser to the Fund, the Total Annual Fund Operating Expenses After Fee Waiver or Expense Reimbursement (excluding Acquired Fund Fees and Expenses, interest, taxes and extraordinary expenses) will not exceed 1.25%.

For more information and to obtain a prospectus or summary prospectus, visit payden.com or call 800-572-9336. Before investing, investors should carefully read and consider investment objectives, risks, charges, expenses and other important information about the Fund, which is contained in these documents. The Payden/Kravitz Fund is distributed by Payden & Rygel Distributors, member FINRA.

There is no guarantee that the Fund will meet its objectives. The value of the Fund will fluctuate with changes in interest rates. Bonds rated BB or lower have a greater risk of default and price change.