Cash Balance Monthly

PAYDEN/KRAVITZ

August 2018

MARKET RECAP

Market Recap: In the month of August, emerging market woes came to the fore. In the US, though, the economic backdrop continued to improve as newly released data showed the economy grew at an annual rate of 4.2% in Q2 2018. Also, inflation returned to the Fed's target with core PCE registering at 2% year-over-year. In Argentina, fiscal pressures and FX worries produced a strong market reaction with the Argentine peso depreciating by approximately 20% against the US dollar in one week. President Mauricio Macri announced that he was requesting funds from the IMF to be disbursed more quickly to alleviate financing needs in 2019, a move that the IMF appeared to support though it is pending approval of the board. In Turkey, US sanctions along with longstanding concerns about the country's policy mix have weighed heavily on asset prices as the Turkish lira gyrated over the month, at one point down 20% versus the US dollar. Despite headlines, developed equity and fixed income markets saw gains for the month, while emerging markets lagged. Global government bond yield curves flattened. Specifically, five-year yields were lower in Australia (-0.30%), Europe (-0.17%), the UK (-0.08%) and the US (-0.06%).

Strategy Update: The Fund returned 0.47%[1] despite spreads[2] leaking wider on headlines expressly focused on emerging markets. The broad equity market made new record highs on light summer trading as year-to-date market leaders, technology and growth stocks, continued their strong performance. Outside of emerging market debt, spreads were mostly flat across other asset classes as investors awaited seasonally high supply volume in September. As a consequence, low spread volatility resulted in positive returns vis a vis generally lower government bond yields and harvesting coupon income. Currency positioning detracted from performance as foreign exchange pressure remained high in Turkey and Argentina, dragging down other emerging market currencies. New issue participation included the following deals: **Investment Grade** – AT&T [0.2% of Fund], CIT Group [0.2% of Fund] **Securitized** – Westlake ABS [0.4% of Fund]

Outlook: We continue to view global growth approaching 4% in 2018. The unemployment rate continues to exhibit a falling trend across the globe, with the US forecasted to reach 3.6% by year end. As mentioned, core measures for inflation in the US are back above 2%, different from 2017 where the risk is now to the upside. The Fed is on a well-telegraphed gradual tightening trajectory of one rate hike per quarter. That said, we expect the European Central Bank taper to continue through year end and the Bank of England to raise rates only once this year, which already took place in August. We expect supply to pick-up across most asset classes, which may put further pressure on spreads. However, geopolitical headlines, trade wars and poor liquidity may be harbingers for heightened volatility for the remainder of the year.

[1] Credit spread is the difference in yield between a bond which has credit risk and a U.S. Treasury of similar maturity.
[2] Refer to Total Return section on next page.

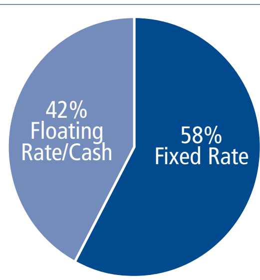
CURRENT POSITIONING

SUMMARY DATA

# of positions	228
Interest Rate Duration*	1.79

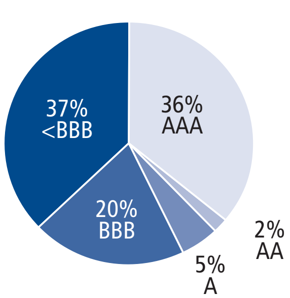
* *Reflects the sensitivity to interest rate fluctuations based on historical bond price changes. Also includes the use of any interest rate futures in the portfolio.*

SECURITY TYPE

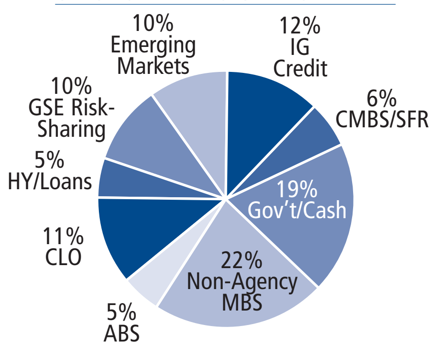


RATING ALLOCATION**

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.*

AUGUST - FEATURED INVESTMENT

Position: Westlake (WLAKE) 2018-3 Sub-Prime ABS (BBB)
Yield to Maturity: 4.0%
Wgtd Avg Life: 2.8 Position Size: 0.4%

Description: Westlake Automobile Receivables Trust 2018-3 is the third asset-backed securitization (ABS) in 2018 and 17th overall. Westlake issues the notes and is liable for their payment. Westlake's principal asset is a pool of sub-prime motor vehicle retail installment sale contracts secured by new and used automobiles, sport utility vehicles, light duty trucks and vans.

Merits:

- Westlake is a top tier sub-prime manager with improving performance and long history in the sub-prime/specialty auto finance business.
- Westlake's net cumulative losses for autos have been tracking lower while their weighted average coupon (WAC) has been keeping pace with rising rates.
- The 2018-3 vintage in particular provides a pick-up of 10-15 basis points in spread compared to peers such as Americredit (AMCAR) and Santander (SDART).

SHARE CLASS

Investment Minimum[A]	$25,000
IRA Minimum[A]	$25,000
Total Net Assets (all share classes)	$202.3 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 August 31, 2018)[B]	1 Year	3 Year	5 Year	Since Inception
Payden/Kravitz Cash Balance Fund (PKBIX)	2.21%	2.35%	2.22%	2.46%
30-year Treasury Crediting Rate[C]	2.88%	2.95%	3.12%	3.37%
BAML 1-3 year Treasury Index	-0.01%	0.52%	0.63%	1.11%
3-month Treasury Bill Index	1.49%	0.75%	0.46%	0.31%
As of June 30, 2018				
Payden/Kravitz Cash Balance Fund (PKBIX)	2.11%	2.16%	2.05%	2.43%

[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.