

March 2018

MARKET RECAP

Market Recap: In the month of March, in the US, the Federal Open Market Committee (FOMC) increased the target range for the federal funds rate to 1.50-1.75%. In the euro area, the European Central Bank left interest rates unchanged. Following the decision, Draghi stressed that quantitative easing was still on the agenda until the end of September 2018 or until the bank sees a sustained adjustment in the path of inflation consistent with its target. After positive developments on the Brexit front, upbeat economic data and the Bank of England signaling a May interest-rate hike, currency markets turned increasingly optimistic on the UK pound. Elsewhere, with US/China tariffs in the news, the magnitude of the initial tariff announcement was smaller than expected; the risk of escalation is the main source of nervousness. During the month, equity returns were negative, while fixed income returns were slightly positive as risk-free interest rates moved lower. Specifically, five-year government bond yields in the UK (-0.04%), US (-0.08%), Europe (-0.13%), and Australia (-0.08%) declined in unison.

Strategy Update: The Fund returned -0.19%¹ as positive returns from declining risk-free rates did not offset negative equity returns. Fixed income returns were slightly positive across investment-grade corporates, emerging market debt and high yield corporates. Floating-rate securities continued to perform well, as total returns were positive for leveraged loans and investment-grade collateralized loan obligations (CLOs). Regardless, concerns over trade wars and rumors of more changes in the U.S. White House contributed to a further selloff in equity markets. The U.S. dollar weakened against major currencies such as the euro, pound, and yen, which benefited performance as the fund has a short U.S. dollar position against the euro. New issue participation included the following deals: **Investment Grade** – CVS Health Corp [0.76% of Fund], Campbell Soup [0.20% of Fund] **Securitized** – STACR (Freddie Mac) [0.47% of Fund]

Outlook: Strong global growth combined with higher inflation expectations argues for higher government bond yields and continued resilience of credit-sectors (including high yield and emerging market debt). The corporate credit backdrop remains in good shape as profitability is strong and likely to be further supported by Trump's tax plan. Although leverage has been rising for several years, interest coverage remains at historic highs. That said, investors continue to grapple with less Central Bank accommodation and an uncertain global political backdrop. We believe this tug-of-war is likely to cause greater volatility and higher levels of dispersion. Because of this, we have allowed interest-rate duration to drift modestly higher and continue to favor securitized product from a risk-adjusted perspective.

¹ Refer to Total Return section on next page.

CURRENT POSITIONING

SUMMARY DATA

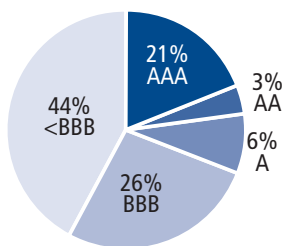
of positions 258

Interest Rate Duration* 1.64

* 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.

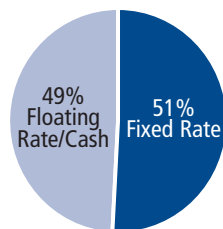
RATING ALLOCATION**

Lower of S&P and Moody's

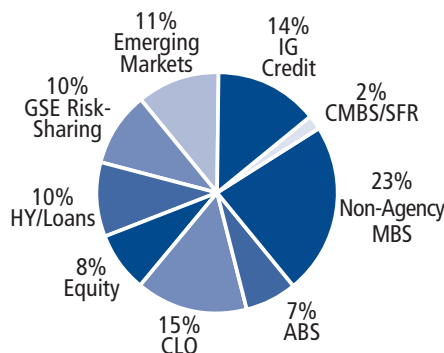


**Credit Ratings measure the likelihood that a borrower will repay what is owed. They range from AAA (best) to D (worst). Investment Grade ratings are BBB or higher. High yield bonds are rated BB or lower.

SECURITY TYPE



SECTOR ALLOCATION



MARCH - FEATURED INVESTMENT

Position: CVS Health Corp (CVS)

3.125 03/09/20 (Baa1/BBB)

Yield: 3.0%

Duration: 1.9

Position Size: 0.4%

Description: CVS Health (CVS) is the largest pharmacy retailer in the US and the leading pharmacy benefits manager (PBM). In addition to its standalone pharmacy operations, the company operates CVS locations inside Target stores and runs a prescription management company, Caremark Pharmacy Services. The company also offers specialty pharma infusion services business, as well as walk-in health services through its retail network of MinuteClinics located in 1,000 CVS stores.

Merits:

- In late 2017, CVS agreed to acquire health insurer Aetna, issuing \$40 billion in debt in March 2018 to help fund the deal. The acquisition of Aetna will create one of the largest vertically integrated healthcare companies with significant scale and influence.
- CVS Health is expected to generate significant free cash flow of \$7.1 billion in fiscal year 2018. The company is committed to deleveraging to low 3x adjusted debt to EBITDA ratio to maintain a strong balance sheet.
- As the third largest deal in Investment-Grade Corporate Credit history, this deal provided attractive concessions across the curve and performed well given strong investor demand.

SHARE CLASS

Investment Minimum ^A	\$25,000	Share Class	Ticker	Dividends (last 12 mos.)	Inception Date
IRA Minimum ^A	\$25,000	Institutional	PKBIX	\$0.260	09/22/08
Total Net Assets (all share classes)	\$215.4 million	Adviser	PKCBX	\$0.257	09/22/08
Dividends Paid	Annually	Retirement	PKCRX	\$0.252	04/06/09

Total Return (through March 31, 2018) ^B	1 Year	3 Year	5 Year	Since Inception
Payden/Kravitz Cash Balance Fund (PKBIX)	2.20%	1.83%	1.23%	2.39%
30-year Treasury Crediting Rate ^C	3.02%	2.96%	3.13%	3.40%
BAML 1-3 year Treasury Index	0.03%	0.40%	0.51%	1.10%
3-month Treasury Bill Index	1.07%	0.49%	0.31%	0.24%

As of December 31, 2017

Payden/Kravitz Cash Balance Fund (PKBIX)	3.19%	2.19%	1.28%	2.46%
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^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%
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Fee Waiver or Expense Reimbursement ¹	0.18%
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Total Annual Fund Operating Expenses After Fee Waiver or Expense Reimbursement	1.25%
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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.