Cash Balance Monthly

PAYDEN/KRAVITZ

May 2018

MARKET RECAP

Market Recap: In the month of May, financial markets wondered if Italy would "exit" the euro, Argentina hiked interest rates, and US economic data continued to impress. In the US, data released in May showed the average "prices paid" index hit its highest level since March 2011. The last time the prices paid gauge hit such heights, core PCE inflation picked-up by a full percentage point over the ensuing 12 months. In Italy, political turmoil caused short-dated Italian yields to spike, simultaneously pressuring risk assets. Elsewhere, the Argentine peso (ARS) remained volatile amidst uncommon short-term monetary policy and fiscal measures. Despite increased volatility near the end of the month, returns for fixed income (+0.3%) and equity markets (+1.3%) were positive. However, positive fixed income returns were driven by lower global government yields, specifically 5-year yields were lower in Europe (-0.2%), the UK (-0.2%), the US (-0.1%) and Australia (-0.1%).

Strategy Update: The Fund returned 0.29%[1] as fears over Italy's political situation sent safe-haven asset yields lower. Unlike previous months this year, fixed-coupon investment-grade corporate bonds drove returns due to their high correlation to government bond yields. A Freddie Mac new issue GSE risk-sharing deal composed of loans from the Home Affordable Refinance Program (HARP) (the second out of four of its kind) provided attractive concessions that were met with ravenous demand. Emerging market fixed income was weaker in May, with local currency debt bearing the brunt of the pressure amid a rallying US dollar. Despite pressure in emerging market local currencies, foreign exchange positioning was additive to performance, driven by a short euro position against the Norwegian krone. New issue participation included the following deals: **Investment Grade** – Maple Escrow [0.54% of Fund], Vodafone Group [0.21% of Fund] **High Yield**– Nexi Capital [0.27% of Fund] **Securitized** – Galaxy CLO [0.49% of Fund], STACR (Freddie) [1.19% of Fund]

Outlook: As growth remains strong globally, we expect a further improvement in labor markets around the world. We also expect modestly higher inflation. In addition to tighter labor markets pushing-up wages, the rebound in commodity prices will also promote higher consumer prices around the world. Faster growth in output combined with higher inflation argues for higher government bond yields and continued outperformance of credit-sectors- 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.

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

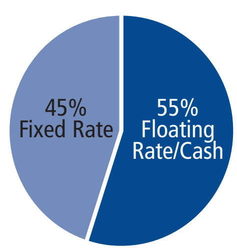
CURRENT POSITIONING

SUMMARY DATA

# of positions	283
Interest Rate Duration*	1.47

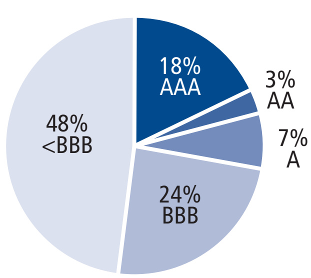
* *Reflects the sensitivity to interest rate fluctuations based on historical bond price changes. Also includes the use of any interest rate futures in the portfolio.*

SECURITY TYPE

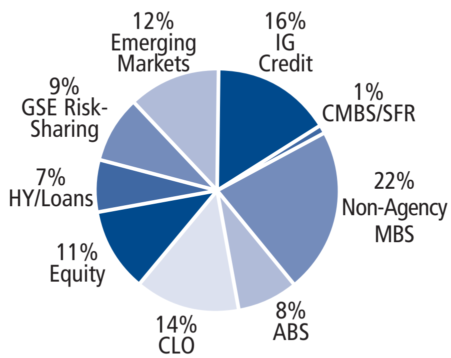


RATING ALLOCATION**

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.*

MAY - FEATURED INVESTMENT

Position:
Freddie Mac - STACR 2018-HRP1 M2 (BB-/BBB-)
Yield to Maturity: 3.7% Wgtd Avg Life: 2.2
Position Size: 1.2%

Description: STACR 2018-HPR1 M2 was issued under the Freddie Mac Structured Agency Credit Risk (STACR®) debt note platform, where Freddie Mac transfers credit risk from the mortgages in the Reference Pool to credit investors who invest in the STACR debt notes. Specifically, STACR 2018-HPR1 was the second of what might be four total deals composed of seasoned HARP collateral.

Merits:

- Because HARP collateral was originally excluded from the STACR program, these loans have eight years of seasoning, strong home price appreciation, and an improving default profile when compared to new issue STACR deals.
- The lower-coupon nature of the collateral (4.25% Weighted Average Coupon), should result in slower prepayments, dovetailing nicely with additional credit enhancement
- The 12.5 year final maturity limits extension risk when compared to agency mortgage-backed securities.
- This deal is the second of four anticipated HARP collateral transactions, which enhances scarcity value.

SHARE CLASS

Investment Minimum[A]	$25,000
IRA Minimum[A]	$25,000
Total Net Assets (all share classes)	$215.9 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 May 31, 2018)[B]	1 Year	3 Year	5 Year	Since Inception
Payden/Kravitz Cash Balance Fund (PKBIX)	1.91%	1.87%	1.38%	2.40%
30-year Treasury Crediting Rate[C]	2.96%	2.96%	3.12%	3.38%
BAML 1-3 year Treasury Index	-0.02%	0.43%	0.56%	1.10%
3-month Treasury Bill Index	1.24%	0.59%	0.37%	0.26%
As of March 31, 2018				
Payden/Kravitz Cash Balance Fund (PKBIX)	2.20%	1.83%	1.23%	2.39%

[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.