# PAYDEN HIGH INCOME FUND (PYHRX)

PAYDEN MUTUAL FUNDS

DECEMBER 31, 2021

## Investment Strategy

The Payden High Income Fund invests in corporate high-yield bonds, which provide a premium to U.S. Treasury bonds. The fund generally invests in the higher-quality segment of the market and looks for companies with good growth prospects, superior and defensible products and strong management teams.

## Fund Highlights

» Primary focus on the upper tier (BB or B rated) of the global high-yield bond market[A]

» Potential for both income and capital appreciation

» The value of an investment will generally fall when interest rates rise

## FUND DESCRIPTION

| | |
|---|---|
| CLASS: | Investor |
| FUND INCEPTION: | Dec 30, 1997 |
| TICKER: | PYHRX |
| CUSIP: | 704329572 |
| TOTAL NET ASSETS: | $805.0 Million |
| INVESTMENT MINIMUM:[C] | $5,000 |
| IRA MINIMUM:[C] | $2,000 |
| DIVIDENDS PAID: | Monthly |
| DIVIDENDS (LAST 12 MOS): | $0.329 |

## FUND STATISTICS

| | |
|---|---|
| EFFECTIVE DURATION:[D] | 4.0 Years |
| AVERAGE MATURITY: | 6.9 Years |
| 30-DAY SEC YIELD: | 4.31% |

## EXPENSES

| | |
|---|---|
| TOTAL FUND OPERATING EXPENSES: | 0.63%[E] |

## PORTFOLIO MANAGEMENT

| | Years of Experience |
|---|---|
| James P. Sarni, CFA | 38 |
| Kristin J. Ceva, PhD, CFA | 29 |
| James T. Wong, CFA | 29 |
| Timothy J. Crawmer | 21 |
| Alfred Giles, CFA | 19 |
| Jordan H. Lopez, CFA | 17 |

## Performance[B]

| MONTHLY | YTD | 1 YEAR | 3 YEAR | 5 YEAR | 10 YEAR | SINCE INCEPTION (12-30-97) |
|---|---|---|---|---|---|---|
| PAYDEN HIGH INCOME FUND | 6.62% | 6.62% | 10.14% | 6.70% | 6.34% | 5.74% |
| ICE BOFA BB-B US CASH PAY HIGH YIELD CONSTRAINED INDEX | 4.58% | 4.58% | 8.56% | 6.04% | 6.54% | 6.46% |

## Calendar-Year Returns

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|
| 6.62% | 7.38% | 16.75% | -2.85% | 6.53% | 10.61% | -1.54% | 2.86% | 4.25% | 14.51% |

*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 higher or lower than that quoted, visit our website at payden.com or call 800 572-9336.*

## Role In Portfolio

High-Yield Bond – Appropriate for investors who seek higher yields and diversification in the growing $2 trillion high-yield bond market.

## Investment Manager

Payden & Rygel has served the needs of institutional and individual investors for over a quarter century. We offer a full array of investment strategies and products, including equity, fixed-income and balanced portfolios as well as open-end mutual funds and offshore funds, to a varied client base around the world. While we have grown and expanded considerably since our inception, we remain committed to our mission of providing customized investment management services that focus on each client's specific needs and objectives.

**Headquarters:** Los Angeles
**Founded:** 1983
**Assets Under Management:** $152 billion (as of 12/31/21)

# Portfolio Characteristics & Market Commentary

**SECTOR ALLOCATION**

| | |
|---|---|
| Energy | 17% |
| Consumer Cyclical | 14% |
| Consumer Non-Cyclical | 14% |
| Financials | 11% |
| Communications | 11% |
| Cash | 9% |
| Industrials | 8% |
| Basic Materials | 6% |
| Other | 4% |
| Technology | 3% |
| Loans | 3% |

**CREDIT ALLOCATION[A]**

| | |
|---|---|
| AAA | 9% |
| BB | 32% |
| B | 45% |
| CCC | 11% |
| Unrated | 3% |

**TOP-10 HOLDINGS**

| | |
|---|---|
| Strathcona Resources | 0.7% |
| DIRECTV Holdings/Financing | 0.6% |
| Mozart Debt | 0.6% |
| Northern Oil And Gas | 0.6% |
| Penn Virginia Resource | 0.5% |
| Sprint | 0.5% |
| Arko | 0.5% |
| Civitas Resources | 0.5% |
| Cobra Acquisition | 0.5% |
| Fannie Mae-CAS Floater | 0.5% |

## Market

» Macro factors including the Omicron variant and increased hawkishness from the Federal Reserve drove volatility, especially during the second half of the quarter, but the high-yield market eventually digested the headlines and generated a positive return.

» The ICE BofA BB-B US Cash Pay High Yield Constrained Index returned +0.7% during the quarter. BB-rated bonds returned +0.6%, B-rated bonds returned +0.8%, and CCC-rated bonds returned +0.2%.

» Gross new issuance of $73 billion ($43 billion net of refinancing) during the quarter brings year-to-date new issue to $484 billion ($193 billion net of refinancing).

» High-yield mutual funds and ETFs saw an outflow of -$1.1 billion during the quarter.

## Outlook

» Throughout 2021, issuers used debt proceeds to strengthen balance sheets and extend maturities. Going into 2022, these actions provide an attractive margin of safety in the event of an unexpected economic slowdown, but our base case is for economic growth to remain robust and for corporate earnings to remain solid.

» One potential source of increased volatility in 2022 may be market factors such as softness in equity and commodity prices and uncertainty around rate levels. However, our view remains that technical weakness in high yield is a buying opportunity given the solid fundamental picture.

» Investors should be on the alert for increasing levels of speculative issuance or shareholder activity underwritten by bondholders. While there is little sign of this activity in the market today, active management will remain crucial to navigating the current environment.

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FOOTNOTES

*[A] Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest) and are subject to change. Security ratings are assigned using the lowest rating of Moody's, S&P, and Fitch. [B] Returns less than one year are not annualized. [C] 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. [D] Effective duration is a measure of the Fund's price sensitivity to changes in interest rates. [E] Total Annual Fund Operating Expenses include all direct operating expenses of the Fund, as well as 0.01% Acquired Fund Fees and Expenses incurred indirectly by the Fund through its investment in other mutual funds*

*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. Investing in high-yield securities entails certain risks from investing in investment-grade securities, including higher volatility, greater credit risk, and the issues' more speculative nature. The Paydenfunds are distributed through Payden & Rygel Distributors, member FINRA.*