PAYDEN CORE BOND FUND (PYCBX)

PAYDEN MUTUAL FUNDS

DECEMBER 31, 2022

Investment Strategy

The Payden Core Bond Fund invests in a diversified mix of bonds across a wide spectrum of sectors and maturities. It utilizes the entire range of maturities from cash instruments to 30-year bonds, investing in sectors, such as, sovereign bonds, corporates, mortgage-backed securities and asset-backed securities. There is some use of below investment-grade bonds for their added yield and diversification. The fund has a moderate degree of expected price volatility given its longer-duration profile.

Fund Highlights

» Bond selection is driven by extensive credit research

» Diversified portfolio holdings

» Investments allocated across the 1-year to 30-year maturity spectrum

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

Performance[A]

MONTHLY	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION (01-01-94)
PAYDEN CORE BOND FUND	-13.55%	-13.55%	-2.91%	-0.25%	1.29%	4.19%
BLOOMBERG US AGGREGATE BOND INDEX	-13.01%	-13.01%	-2.71%	0.02%	1.06%	4.37%

Calendar-Year Returns

2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
-13.55%	-1.00%	6.93%	9.27%	-1.26%	5.25%	3.66%	0.82%	6.17%	-1.45%

FUND DESCRIPTION

CLASS:	Investor
FUND INCEPTION:	Jan 01, 1994
TICKER:	PYCBX
CUSIP:	704329408
TOTAL NET ASSETS:	$918.4 Million
INVESTMENT MINIMUM:[B]	$5,000
IRA MINIMUM:[B]	$2,000
DIVIDENDS PAID:	Monthly
DIVIDENDS (LAST 12 MOS):	$0.290

FUND STATISTICS

EFFECTIVE DURATION:[C]	6.2 Years
AVERAGE MATURITY:	9.7 Years
30-DAY SEC YIELD:	4.36%
30-DAY SEC YIELD: (UNSUBSIDIZED)	4.35%

EXPENSES

TOTAL FUND OPERATING EXPENSES:	0.53%

PORTFOLIO MANAGEMENT

	Years of Experience
Brian W. Matthews, CFA	40
Michael E. Salvay, CFA	37
Mary Beth Syal, CFA	37
Nigel Jenkins, ASIP	33
James T. Wong, CFA	30
Timothy J. Crawmer	22

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

Intermediate-Term Bond – Appropriate as a core fixed-income holding for investors seeking exposure to a diversified bond portfolio.

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: $133 billion (as of 12/31/22)

Portfolio Characteristics & Market Commentary

SECTOR ALLOCATION

Mortgage-Backed	38%
Corporates	27%
Government/Gov't Related	21%
Asset-Backed	6%
Municipal Bonds	5%
Other	3%

CREDIT ALLOCATION[D]

AAA	52%
AA	5%
A	9%
BBB	20%
BB	5%
B	3%
CCC	1%
Unrated	5%

DURATION ALLOCATION

0-1 yr	6%
1-3 yrs	9%
3-5 yrs	23%
5-7 yrs	28%
7-10 yrs	20%
10+ yrs	14%

Market

- Despite early signs of inflation cooling, market sentiment weakened, with risk assets generally selling off in December. Much of the sell-off can be attributed to hawkish central bank rhetoric, the Bank of Japan's change in yield control limits, and a resurgence in COVID cases in China. Equities decreased over the month while global government bond yields rose.
- In the U.S., the month began with economic prints that continued to illustrate a robust economy and left investors fearing persistently high inflation. The Nonfarm Payroll report showed that the U.S. economy added 263,000 jobs in November; additionally, the report showed sharp revisions upward of October's figures. This print left the market questioning if the Federal Reserve (Fed) would slow rate hikes anytime soon. Soon after, the Producers Purchasing Index printed higher than expected at 7.40% (estimated: 7.20%).
- Despite this, the Consumer Price Index (CPI) report surprised to the downside for the second month in a row, which briefly increased market resiliency mid-month as markets hoped "peak inflation" was behind us. Soon after the CPI report was released, the Fed raised interest rates by 0.50% as expected, downshifting from four consecutive 0.75% hikes.
- However, the optimism brought on by lower-than-expected CPI and the downshift in rate hikes were quickly quelled by hawkish comments made by Jerome Powell and other officials following the rate announcement. The S&P 500 lost 5.90% in December while 10-year U.S. Treasury yields closed the month up by 0.27%.

Outlook

- While the probability of some extreme risk events has arguably lessened recently, we believe 2023 will be a challenging balancing act for policymakers and the global economy. We see the global economy entering a phase of slower growth and still elevated inflation with risks biased to the downside for growth and to the upside for inflation. Central to our expectations is the questions of how rapidly inflation is going to slow and at what level inflation will settle. As we enter 2023, the direction of travel of inflation is expected to be lower, as some aspects of inflation normalize (energy and food-related). However, stickier parts of inflation are still posing a threat to a timely return of inflation toward central banks' targets.
- We expect policy rate increases to slow going forward but see a need for monetary policy settings to stay in restrictive territory for potentially a longer period of time than is currently priced in. As major central banks maintain their focus on returning inflation to target and guarding inflation expectations against becoming unanchored, we see risks biased toward an overtightening of monetary conditions, the magnitude of which will influence the depth and length of the upcoming slowdown.

FOOTNOTES

[A] Returns less than one year are not annualized. [B] 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. [C] Effective duration is a measure of the Fund's price sensitivity to changes in interest rates. [D] 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 highest rating of Moody's, S&P, and Fitch.

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.