

DECEMBER 31, 2024

### Investment Strategy

The Payden U.S. Government Fund seeks to provide income while avoiding the volatility of longer-maturity bond funds and the credit risk involved in non-government issuers. The fund is comprised of U.S. Treasuries, government agency debentures and agency mortgage-backed securities. Average portfolio maturity is less than five years.

### Fund Highlights

- » No corporate credit risk.
- » The average maturity ranges between 3-5 years. Shorter average maturities generally provide less price sensitivity to changes in rates.
- » Ideal for investors with a short-to-intermediate horizon who seek the safety of government securities.
- » The value of an investment will generally fall when interest rates rise.

### FUND DESCRIPTION

CLASS:	Investor
FUND INCEPTION:	Jan 03, 1995
TICKER:	PYUSX
CUSIP:	704329796
TOTAL NET ASSETS:	\$66.8 Million
INVESTMENT MINIMUM: <sup>B</sup>	\$5,000
IRA MINIMUM: <sup>B</sup>	\$2,000
DIVIDENDS PAID:	Monthly
DIVIDENDS (LAST 12 MOS):	\$0.354

### FUND STATISTICS

EFFECTIVE DURATION: <sup>C</sup>	2.8 Years
AVERAGE MATURITY:	3.2 Years
30-DAY SEC YIELD:	3.75%
30-DAY SEC YIELD: (UNSUBSIDIZED)	3.55%

### Performance<sup>A</sup>

MONTHLY	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION (01-03-95)
PAYDEN U.S. GOVERNMENT FUND	3.40%	3.40%	0.48%	0.95%	1.15%	3.43%
ICE BOFA 1-5 YEAR US TREASURY INDEX	3.41%	3.41%	0.73%	1.05%	1.36%	3.52%

### EXPENSES

TOTAL FUND OPERATING EXPENSES:	0.68% <sup>D</sup>
WITH EXPENSE CAP:	0.44%

### Calendar-Year Returns

2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
3.40%	3.94%	-5.62%	-1.14%	4.54%	4.25%	0.48%	0.81%	0.78%	0.46%

### PORTFOLIO MANAGEMENT

	Years of Experience
Michael E. Salvay, CFA	40
Mary Beth Syal, CFA	39
Gary S. Greenberg, CFA	31
Timothy J. Crawmer, CFA	25

*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](http://payden.com) or call 800 572-9336.*

## Role In Portfolio

Short-Term Government Bond – Appropriate for investors who seek exposure to short-term securities issued by the U.S. Government and its agencies.

## Investment Manager

Payden & Rygel is one of the largest privately-owned global investment firms. Founded in Los Angeles in 1983, we have served the needs of institutional and individual investors for over 40 years. We offer a wide array of investment strategies and vehicles, including fixed-income, equity, and balanced portfolios, which can be accessed through separately managed accounts as well as comingled funds. We are committed to providing investment solutions focused on each client's specific needs and objectives.

**Headquarters:** Los Angeles

**Founded:** 1983

**Assets Under Management:** \$159 billion  
(as of 12/31/24)

## Portfolio Characteristics & Market Commentary

### DURATION ALLOCATION

0-1 yr	1%
1-3 yrs	60%
3-5 yrs	33%
5-7 yrs	5%
10+ yrs	1%

### GOVT. SECTOR ALLOCATION

Treasury	57%
Agency Pass Through	18%
Agency CMBS	15%
Agency ARM	8%
Agency CMO	1%
Other	1%

### U.S. GOVERNMENT OBLIGATIONS

Treasury	56%
FNMA	21%
FHLMC	14%
GNMA	3%
Other (SBIC, FHLB, SBA)	6%

## Market

- » The Federal Reserve (Fed) continued their path to lower interest rates with their second cut of the quarter. The federal funds rate was cut 25 basis points (bps) with the higher band now at 4.50 %.
- » While the Fed cut its targeted overnight rates in December, they changed their expectation for future rate cuts from 5 at the beginning of the quarter to 2 cuts by year end 2025. In addition to the Fed messaging, the markets responded to potential policy changes from the new administration (higher tariffs and increased deficit financing) that weighed on the market. In response, the yield curve steepened. Money market rates, anchored to Fed policy, moved lower while all other maturities moved higher by 60 to 80 bps.
- » Interest rates closed the year with 3-month U.S. Treasury bills yielding 4.3%, 2-year U.S. Treasuries unchanged at 4.22% and the longer 10-year U.S. Treasury yielding 4.55% after a third-quarter trough of 3.6%.
- » The agency mortgage markets slightly underperformed their U.S. Treasury brethren over the quarter as the move toward higher rates dampened investor demand. Optimism remains as yields are attractive and banks should have increased demand due to reduced regulatory burdens under the new administration.

## Outlook

- » Interest rates have moved sharply higher from third-quarter lows. We expect the Fed to continue to cut rates in a measured fashion with two to three cuts in 2025
- » We expect the economy to maintain its current equilibrium. We see few signs of impending stress that would point to a recession. A gradual move toward lower rates is our intermediate forecast, as inflation moves toward the Fed's goal of 2.5% and new policy actions work their way into the economy.
- » We continue to favor an overweight to agency mortgage-backed securities due to their additional yield and return potential over U.S. Treasury securities. We expect agency mortgage-backed securities to perform well as banks and investment managers consider the value proposition currently available in the marketplace.
- » The Fund's duration position is long compared to its benchmark, as rates have moved toward the highs of the past 12 months and the Fed continues to move toward a "neutral" policy stance.

# Payden Funds

## FOOTNOTES

<sup>A</sup> Returns less than one year are not annualized. <sup>B</sup> The minimum initial investment may be modified for certain financial intermediaries that submit trades on behalf of underlying investors. Payden Funds' distributor may lower or waive the minimum initial investment for certain categories of investors at their discretion. <sup>C</sup> Effective duration is a measure of the Fund's price sensitivity to changes in interest rates. <sup>D</sup> 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. Payden & Rygel ("Payden") has contractually agreed that, for so long as it is the investment adviser to the Fund, Total Annual Fund Operating Expenses After Fee Waiver or Expense Reimbursement will not exceed 0.60%. Please note that the 0.60% expense level does not include Acquired Fund Fees and Expenses, interest, taxes, and extraordinary expenses. Payden has contractually agreed to further waive its investment advisory fee or reimburse Fund expenses to the extent that the Total Annual Fund Operating Expenses After Further One-Year Fee Waiver or Expense Reimbursement exceed 0.43%. This agreement has a one-year term ending February 28, 2025. Please note that the 0.43% expense level does not include Acquired Fund Fees and Expenses, interest, taxes, and extraordinary expenses.

For more information and to obtain a prospectus or summary prospectus, visit [payden.com](http://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 Funds are distributed through Payden & Rygel Distributors, member FINRA.