

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: PAYDEN ABSOLUTE RETURN BOND FUND Legal entity identifier: 5493000ZUNPSNNP34018

## Environmental and/or social characteristics

### Does this financial product have a sustainable investment objective?

Yes
    No

- |   |   |
|---|---|
| <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ___%</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ___%</p> | <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 0% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p> |
|---|---|

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### What environmental and/or social characteristics are promoted by this financial product?

This relates to Payden Absolute Return Bond Fund, the ("**Fund**"). KBA Consulting Management Limited (the "**Manager**"), in consultation with Payden Global Funds Plc (the "**Company**"), has classified the Fund as a financial product subject to Article 8 of SFDR. The Fund promotes (i) the goal of climate change mitigation through the application of carbon metrics and climate scores, (ii) restrictions on activities that could be deemed harmful to society or the environment through the application of the Payden ESG Investment Exclusion Policy, and (iii) Good Governance through the application of the Payden ESG Good Governance Policy.

The Fund shall conduct ESG engagement as part of its stewardship commitment as outlined in the Payden ESG Engagement Policy. Please see "Where can I find more product specific information online?" below.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

Below are the sustainability indicators used to measure the attainment of the E/S Characteristics of the Fund. The sustainability indicators are binding criteria relating to (i) climate change mitigation, (ii) exclusions and (iii) good governance. These sustainability indicators are expressed as the degree to which the Fund aims to compare E/S Characteristics with that of the relevant ESG Universe (defined below), where appropriate. Each component of the E/S Characteristics is set in respect to the Fund and updated from time to time as set out in this document.

- (a) Climate Change Mitigation: The Fund promotes certain environmental characteristics focusing on climate change mitigation (“**Climate Change Mitigation**”). Climate Change Mitigation is measured via greenhouse gas intensity data and climate score of the underlying securities of the Fund. The Fund portfolio’s greenhouse gas intensity is compared to the relevant comparable investment universe (“**ESG Universe**”) which is representative of the broad portfolio allocation for the Fund. Below are the sustainability indicators used by the Fund to measure Climate Change Mitigation where data is available:

Corporate GHG Intensity	Sovereign GHG Intensity	Percent of ESG Universe	ESG ESG Universe
✓	--	60%	Bloomberg Global Aggregate Corporate Bond Index
✓	--	20%	ICE BofA Global High Yield BB-B Constrained Bond Index
✓	✓	20%	JP Morgan EMBI Global Diversified Bond Index

For comparative purposes, the Climate Change Mitigation of the ESG Universe is derived from the Corporate GHG Intensity and Sovereign GHG Intensity of each of the relevant components of the ESG Universe, weighted by the percentages detailed in the table above. Where one or more elements of the ESG Universe is not included in this calculation (due to a lack of corporates or sovereigns in that component), the Corporate GHG Intensity and Sovereign GHG Intensity of that ESG Universe are grossed up to sum to 100%. The calculation is done separately for corporates and sovereigns. The ESG Universe greenhouse gas intensity metrics will be updated from time to time as more data becomes available.

- I. Corporate Investments: The Fund will seek to maintain a greenhouse gas intensity of investee companies (“**Corporate GHG Intensity**”) that is at least 25% lower than the Corporate GHG Intensity of the ESG Universe calculated as described above. The Fund’s Corporate GHG Intensity is measured as the weighted average carbon emissions in-line with Principal Adverse Impacts (“**PAIs**”) pursuant to Article 7 under SFDR (PAI 3: Green House Gas (GHG) emissions - scope 1, 2 and 3 normalized by sales in euros).
- II. Sovereign Investments: The Fund will seek to maintain a greenhouse gas intensity of investee countries (“**Sovereign GHG Intensity**”) that is no greater than the Sovereign GHG Intensity of the ESG Universe calculated as described above. The Fund’s Sovereign GHG Intensity is measured as the greenhouse gas relative to gross domestic product (GHG/GDP) in-line with PAIs (PAI 15: Green House Gas (GHG) emissions – scope 1, 2 and 3).
- III. Securitised Investments: U.S. Commercial Mortgage-Backed Securities (CMBS) and Residential Mortgage-Backed Securities (RMBS) are considered to promote Climate Change Mitigation if they have a below average “**Climate Score.**” Securities held in the Fund that have a below average Climate Score are considered in the E/S promotion of the Fund.

The applicable ESG Universe for the Fund is selected by the Sub-Investment Manager on the basis of the ESG Universe (i) providing reliable and verifiable ESG metrics data and (ii) having an investment universe relevant to the Fund. Securities held in the Fund that have Corporate GHG Intensity and Sovereign GHG Intensity data and below average Climate Score are considered in the E/S Characteristics of the Fund.

- (b) ESG Investment Exclusions: The Fund seeks to attain E/S Characteristics through restrictions and exclusions (“**ESG Exclusions**”) on activities that could be deemed harmful to society or the environment. This includes both environmental and social screens across corporate and sovereign issuers. ESG Exclusions are outlined in the Payden ESG Investment Exclusion Policy. Please see “Where can I find more product specific information online?” below. As at the date of this document, such exclusions include securities relating to weapons and tobacco manufacturing, for profit prisons, as well as additional social and environmental screens.

- (c) Good Governance: The Governance Assessment (“**Governance Assessment**”) evaluates corporate issuers based on available, quantitative information in order to evaluate a broad and global investment universe. The Governance Assessment determines which corporate issuers may comprise the investable universe. The Governance Assessment is outlined in the Payden ESG Good Governance Policy. Please see “Where can I find more product specific information online?” below.

The elements described above are binding elements of the Fund, used in the investment selection process to attain these goals. Each component of the E/S Characteristics is set in respect to the Fund and updated from time to time and published on the Payden website. Please see “Where can I find more product specific information online?” below.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

N/A

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

N/A

How have the indicators for adverse impacts on sustainability factors been taken into account?

N/A

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

N/A

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes



The Fund considers PAIs for investment in Corporate and Sovereign securities. The Fund considers PAI 3 and PAI 15 in its promotion of Climate Change Mitigation as outlined in question "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?". The Fund considers PAIs in accordance with Payden ESG Principal Adverse Impacts Statement. Please see "Where can I find more product specific information online?" below. Information on the extent to which environmental or social characteristics are met are included in the annual report of the Fund. The Fund considers PAIs through both the promotion of E/S Characteristics as described above and through engagement. The Payden ESG Engagement Policy contains information on Payden's approach to engagement as it relates to PAIs as well as other initiatives undertaken with investee companies. Please see "Where can I find more product specific information online?" below.

No



## What investment strategy does this financial product follow?

The general investment policy and investment strategy of the Fund is set out in detail in the Prospectus.

In selecting securities for investment by the Fund, the Sub-Investment Manager observes the E/S Characteristics of the Fund as described in response to the question "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?" above.

The Fund promotes E/S Characteristics on a continuous basis through (i) the goal of Climate Change Mitigation through application of metrics described in this document (ii) the application of the Payden ESG Investment Exclusion Policy, and (iii) the application of the Payden ESG Good Governance Policy.

The Fund shall conduct ESG engagement as part of its stewardship commitment as outlined in the Payden ESG Engagement Policy.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy of the Fund are (i) Climate Change Mitigation metrics, (ii) ESG Exclusions and (iii) Governance Assessment, each as detailed above.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of investments. A reduction of the investible universe is achieved with the application of the ESG Exclusion criteria and the Governance Assessment. Please see "Where can I find more product specific information online?" below.

- ***What is the policy to assess good governance practices of the investee companies?***

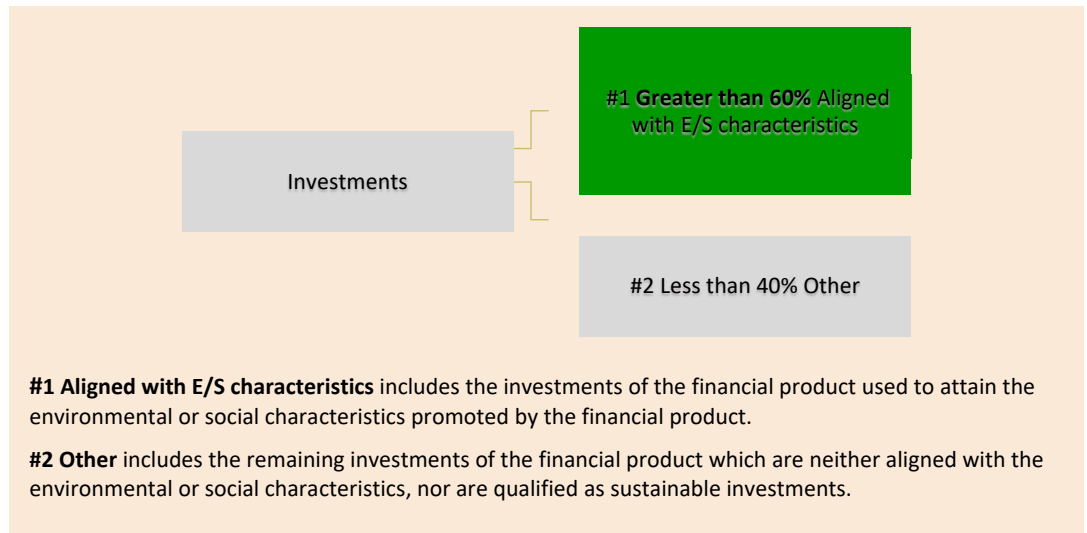
The Governance Assessment pursuant to the Payden ESG Good Governance Policy encompasses an assessment of corporate issuers based on available quantitative information. The Governance Assessment determines which corporate issuers may comprise the investable universe. The Governance Assessment is outlined in the Payden ESG Good Governance Policy. Please see "Where can I find more product specific information online?" below.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



## What is the asset allocation planned for this financial product?



Typical investments in the Fund's asset allocation is as follows:

**#1 Aligned with E/S characteristics:** greater than 60%. This is the portion of assets in the Fund which will promote E/S Characteristics through (i) the goal of Climate Change Mitigation, (ii) the application of the Payden ESG Investment Exclusion Policy, and (iii) the application of the Payden ESG Good Governance Policy.

**#2 Other:** less than 40%

Changes from the current asset allocation will be based on availability of data sources as well as the types of securities held in the Fund, which will change from time to time. Securities within the #2 Other category may be held for various reasons. Examples of include, but are not limited to, investments in (i) securities that lack ESG data, (ii) securities without a relevant E/S Universe comparator, (iii) cash or cash equivalents, or (iv) derivatives.

Payden monitors the development of additional data sources and providers to assess if additional areas of the market have reliable and relevant data coverage. Please find more information on Payden data disclosure in the Payden ESG Data Policy. Please see "Where can I find more product specific information online?" below.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The use of derivatives is not intended to promote an environmental or social characteristic. Rather, derivatives are typically used to hedge positions from time to time. As such, derivatives are not included in the portfolio market value calculation of securities aligned with environmental or social objectives. The Investment Manager may use derivatives in the management of the Fund. Examples include, but are not limited to, the use of derivatives tied to interest rates, currencies, market indices, or individual securities.

### Asset allocation

describes the share of investments in specific assets.


Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g., for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



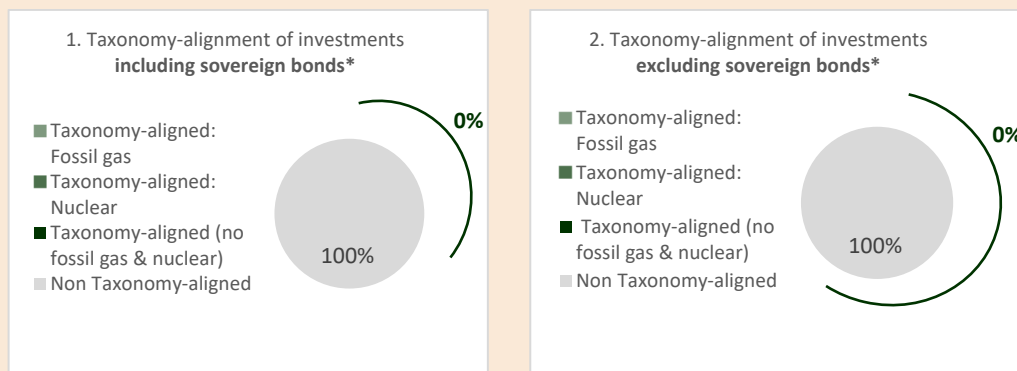
## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

N/A

- Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

- Yes:
- In fossil gas     In nuclear energy
- No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

- What is the minimum share of investments in transitional and enabling activities?



0%



- What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

0%

- What is the minimum share of socially sustainable investments?

N/A



- What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

Securities within the #2 Other category may be held for various reasons. Examples of include, but are not limited to, investments in (i) securities that lack ESG data, (ii) securities without a relevant ESG Universe comparator, (iii) cash or cash equivalents, or (iv) derivatives.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Payden monitors the development of additional data sources and providers to assess if additional areas of the market have reliable and relevant data coverage. Please find more information on Payden data disclosure in the Payden ESG Data Policy. Please see “Where can I find more product specific information online?” below.

The sub-investment manager may use cash and derivatives in the management of the Fund. Cash may be used for liquidity purposes and is not intended to promote E/S Characteristics. In addition, the use of derivatives is not intended to promote an E/S Characteristic. Rather, derivatives are typically used to hedge positions from time to time. As such, cash and derivatives are not included in the portfolio market value calculation of securities aligned with environmental or social objectives.

The Fund’s minimum safeguards are the ESG Investment Exclusions and Governance Assessment outlined in the Payden ESG Investment Exclusion Policy and Payden ESG Good Governance Policy. Please see “Where can I find more product specific information online?” below.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

N/A

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

N/A

- ***How does the designated index differ from a relevant broad market index?***

N/A

- ***Where can the methodology used for the calculation of the designated index be found?***

N/A

### **Where can I find more product specific information online?**



**More product-specific information can be found on the website:**

More information can be found at [www.payden.com](http://www.payden.com).

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.