

# Payden & Rygel

## The Payden High Income Fund (PYHRX) Earns a 5-Star Overall Rating from Morningstar™

*After a strong 2023, conditions remain favorable for 2024*

The Payden High Income Fund (PYHRX) outperformed its benchmark in 2023 in a hot market for less-than-investment grade bonds.

For the full year ending December 31, 2023, the fund returned 14.71% versus 12.55% for its benchmark, the ICE BofA US BB-B High Yield Constrained Index.

<i>As of 12/31/2023</i>	<b>1 Year</b>	<b>5 Years (Ann.)</b>	<b>10 Years (Ann.)</b>
<b>Payden High Income Fund – PYHRX (net)</b>	<b>14.71%</b>	<b>6.71%</b>	<b>4.84%</b>
ICE BofA US BB-B HY Constrained Index (JUC4)	12.55%	5.18%	4.53%

Total Expense Ratio: **0.60%**    30-Day SEC Yield: **7.02%**

*Past performance is no guarantee of future results. Please see below for important disclosures.*

### **Conditions remain positive for 2024**

The high yield bond market performance was unusually strong in 2023, but co-portfolio managers Jordan Lopez and Nick Burns of Payden & Rygel believe it's not too late to get into the asset class. Conditions are likely to remain positive for high yield bonds in 2024.

Says Lopez, "High yield bonds benefit from growth in general, and as inflation comes down – which we believe it will – rates should rally to the benefit of high yield bonds. In some ways, it's the best of all worlds. We believe unemployment will remain low, growth will remain positive, albeit maybe not as positive as it was last year, and inflation will continue to trend down."

### **Security selection is key in fast-changing markets**

Since the market began to rally in 2023, high yield valuations have increased. However, opportunities remain. All-in yields currently hover around 8%, making high yield bonds competitive with equities for total return potential with significantly better downside

## FOR INSTITUTIONAL USE ONLY

protection. Cash flows should remain positive, as well. A resurgence in inflation is the main risk; however, both portfolio managers see that as unlikely.

The outlook is especially positive for managers focused on security selection rather than overall market or sector bets. Burns explains, “Our fund has achieved really persistent positive results by emphasizing issuers with balanced balance sheets and balanced credit metrics, fundamentals that suggest that they are prepared to manage through a recession. While no one is expecting a recession right now, that process provides a margin of safety if conditions change.”

Security selection drives performance for the Payden High Income Fund. The portfolio managers try to keep exposure to macro factors such as beta, duration and sector exposure neutral. However, they can make small over- and under-weights to sectors depending on market conditions. They are currently slightly bullish on auto parts manufacturers and modestly underweight gaming and leisure.

### **Demonstrated Success**

The Payden High Income Fund generated very attractive relative returns the last five years, including its best year ever for alpha generation in 2023.

“Over the last five years, we’ve had very different types of markets, but we’ve stayed disciplined in our process. We’re focused on owning better bonds than the market, and over the long run that has allowed us to outperform,” Lopez explains.

*Morningstar rates funds from one to five stars based on how well their risk-adjusted performance compares to similar funds. Within each Morningstar Category, the top 10% of funds receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Funds are rated for up to three time periods— three-, five-, and 10 years—and these ratings are combined to produce an overall rating. Funds with less than three years of history are not rated. Ratings are objective, based entirely on a mathematical evaluation of past performance. They’re a useful tool for identifying funds worthy of further research, but shouldn’t be considered buy or sell recommendations. Morningstar does not adjust total returns for sales charges (such as front-end loads, deferred loads, and redemption fees). Total returns do account for the expense ratio, which includes management, administrative, 12b-1 Distribution fees, and other costs that are taken out of assets.*

*© 2024 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.*

*Overall Morningstar Rating out of 687 High Yield Bond funds as of 12/31/2023.*

*PYHRX Total Fund Operating Expenses: 0.60%. 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*

FOR INSTITUTIONAL USE ONLY

*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. 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.*

*This material is intended solely for institutional investors and is not intended for retail investors or general distribution. This material may not be reproduced or distributed without Payden & Rygel's written permission. This presentation is for illustrative purposes only and does not constitute investment advice or an offer to sell or buy any security. The statements and opinions herein are current as of the date of this document and are subject to change without notice. Past performance is no guarantee of future results.*